FEDERAL HOME LOAN MORTGAGE CORP
Form 10-Q
November 07, 2013
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 September 30, 2013
or

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

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

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

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

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

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

Table of Contents

TABLE OF CONTENTS

		Page
PART I — FINANCIAL INFORMATION		
Item 1.	Financial Statements	110
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	1
Executive Summary		1
Selected Financial Data		15
Consolidated Results of Operations		16
Consolidated Balance Sheets Analysis		36
Risk Management		55
Liquidity and Capital Resources		94
Fair Value Balance Sheets and Analysis		98
Off-Balance Sheet Arrangements		101
Critical Accounting Policies and Estimates		101
Forward-Looking Statements		102
Risk Management and Disclosure Commitments		103
Legislative and Regulatory Matters		103
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	106
Item 4.	Controls and Procedures	108
PART II — OTHER INFORMATION		
Item 1.	Legal Proceedings	191
Item 1A.	Risk Factors	191
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	192
Item 6.	Exhibits	193
SIGNATURES		194
GLOSSARY		195
EXHIBIT INDEX		E-1

Table of Contents

MD&A TABLE REFERENCE

Table	Description	Page
1	Total Single-Family Loan Workout Volumes	3
2	Single-Family Mortgage Loan Purchases and Other Guarantee Commitment Issuances, by Loan Purpose	5
3	Single-Family Credit Guarantee Portfolio Summary	6
4	Credit Statistics, Single-Family Credit Guarantee Portfolio	8
5	Mortgage-Related Investments Portfolio	13
6	Selected Financial Data	15
7	Summary Consolidated Statements of Comprehensive Income	16
8	Net Interest Income/Yield and Average Balance Analysis	17
9	Derivative Gains (Losses)	20
10	Other Income (Loss)	21
11	Non-Interest Expense	22
12	REO Operations (Income) Expense, REO Inventory, and REO Dispositions	22
13	Composition of Segment Mortgage Portfolios and Credit Risk Portfolios	25
14	Segment Earnings and Key Metrics — Investments	26
15	Segment Earnings and Key Metrics — Single-Family Guarantee	29
16	Segment Earnings Composition — Single-Family Guarantee Segment	31
17	Segment Earnings and Key Metrics — Multifamily	34
18	Investments in Securities	37
19	Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets	38
20	Additional Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets	39
21	Mortgage-Related Securities Purchase Activity	40
22	Non-Agency Mortgage-Related Securities Backed by Subprime First Lien, Option ARM, and Alt-A Loans and Certain Related Credit Statistics	42
23	Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, Alt-A and Other Loans	43
24	Net Impairment of Available-For-Sale Mortgage-Related Securities Recognized in Earnings	44
25	Ratings of Non-Agency Mortgage-Related Securities Backed by Subprime, Option ARM, Alt-A and Other Loans, and CMBS	46
26	Mortgage Loan Purchases and Other Guarantee Commitment Issuances	48
27	Derivative Fair Values and Maturities	49
28	Changes in Derivative Fair Values	50
29	Freddie Mac Mortgage-Related Securities	53
30	Issuances and Extinguishments of Debt Securities of Consolidated Trusts	54
31	Changes in Total Equity (Deficit)	55
32	Single-Family Credit Guarantee Portfolio Data by Year of Origination	56
33	Characteristics of Purchases for the Single-Family Credit Guarantee Portfolio	58
34	Characteristics of the Single-Family Credit Guarantee Portfolio	59
35	Certain Higher-Risk Categories in the Single-Family Credit Guarantee Portfolio	63
36	Step-Rate Modified Loans	66
37	Single-Family Loan Workout, Serious Delinquency, and Foreclosure Volumes	67
38	Quarterly Percentages of Modified Single-Family Loans — Current and Performing	68
39	Single-Family Relief Refinance Loans	70
40	Single-Family Serious Delinquency Statistics	71
41	Credit Concentrations in the Single-Family Credit Guarantee Portfolio	73
42	Single-Family Credit Guarantee Portfolio by Attribute Combinations	74
43	Single-Family Credit Guarantee Portfolio Foreclosure and Short Sale Rates	76
44	Multifamily Mortgage Portfolio — by Attribute	77

45 Non-Performing Assets 79

Table of Contents

46	REO Activity by Region	80
47	Single-Family REO Property Status	81
48	Credit Loss Performance	82
49	Single-Family Impaired Loans with Specific Reserve Recorded	84
50	Single-Family Credit Loss Sensitivity	84
51	Repurchase Request Activity and Counterparty Balances	86
52	Mortgage Insurance by Counterparty	89
53	Bond Insurance by Counterparty	90
54	Derivative Counterparty Credit Exposure	92
55	Other Debt Security Issuances by Product, at Par Value	95
56	Other Debt Security Repurchases and Calls	96
57	Freddie Mac Credit Ratings	96
58	Consolidated Fair Value Balance Sheets	100
59	Summary of Change in the Fair Value of Net Assets	100
60	Affordable Housing Goals and Results for 2012	106
61	PMVS and Duration Gap Results	108
62	Derivative Impact on PMVS-L (50 bps)	108

Table of Contents

FINANCIAL STATEMENTS

	Page
Consolidated Statements of Comprehensive Income	111
Consolidated Balance Sheets	112
Consolidated Statements of Equity (Deficit)	113
Consolidated Statements of Cash Flows	114
Note 1: Summary of Significant Accounting Policies	115
Note 2: Conservatorship and Related Matters	116
Note 3: Variable Interest Entities	118
Note 4: Mortgage Loans and Loan Loss Reserves	120
Note 5: Individually Impaired and Non-Performing Loans	125
Note 6: Real Estate Owned	131
Note 7: Investments in Securities	132
Note 8: Debt Securities and Subordinated Borrowings	139
Note 9: Derivatives	141
Note 10: Collateral and Offsetting of Assets and Liabilities	144
Note 11: Stockholders’ Equity (Deficit)	148
Note 12: Income Taxes	150
Note 13: Segment Reporting	152
Note 14: Financial Guarantees	157
Note 15: Concentration of Credit and Other Risks	158
Note 16: Fair Value Disclosures	163
Note 17: Legal Contingencies	186
Note 18: Regulatory Capital	190
Note 19: Selected Financial Statement Line Items	191

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, day-to-day operations. The directors serve on behalf of, and exercise authority as directed by, the Conservator. See "BUSINESS — Conservatorship and Related Matters" in our Annual Report on Form 10-K for the year ended December 31, 2012, or 2012 Annual Report, for information on the terms of the conservatorship, the powers of the Conservator, and related matters, including the terms of our Purchase Agreement with Treasury.

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

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

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

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

EXECUTIVE SUMMARY

Overview

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

Summary of Financial Results

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

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

Our Primary Business Objectives

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

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

Table of Contents

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

Providing Credit Availability for Mortgages and Maintaining Foreclosure Prevention Activities

Our consistent market presence provides lenders with a constant source of liquidity for conforming mortgage products even when other sources of capital have withdrawn. We believe this liquidity provides our customers with confidence to continue lending in difficult environments. We estimate that we, Fannie Mae, and Ginnie Mae collectively guaranteed more than 90% of the single-family conforming mortgages originated during the first nine months of 2013.

We also enable mortgage originators to offer homebuyers and homeowners lower mortgage rates on conforming loan products, in part because of the value investors place on GSE-guaranteed mortgage-related securities. Historically, interest rates on 30-year, fixed-rate conforming loans have been less than those on non-conforming loans. However, in recent periods the average gap in interest rates between these loan types has declined. We estimate that borrowers were paying an average of 20 basis points less on 30-year, fixed-rate conforming loans than on non-conforming loans in September 2013, as compared to 43 basis points less in December 2012. These estimates are based on data provided by HSH Associates, a third-party provider of mortgage market data.

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Managing Our Credit Losses

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

- Common Securitization Platform: Continue the foundational development of the common securitization platform that can be used in a future secondary mortgage market, including by establishing initial ownership and governance for a new business entity that will undertake the effort of building and operating this platform. On October 7, 2013, FHFA announced the formation of Common Securitization Solutions, LLC℠ (CSS). In addition, FHFA announced that: (a) office space has been leased for CSS; and (b) an executive recruitment firm has been retained to identify candidates for the positions of Chief Executive Officer and Chairman of the Board of Managers of CSS. CSS is equally-owned by Freddie Mac and Fannie Mae. In connection with the formation of CSS, we entered into a limited liability company agreement with Fannie Mae in October 2013 and anticipate entering into additional agreements with Fannie Mae relating to CSS in the future.
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Contractual and Disclosure Framework: Continue the development of the contractual and disclosure framework to meet the requirements for investors in mortgage securities and credit risk, including by identifying and developing standards in mortgage-related data, disclosure of mortgage security information, and seller/servicer contracts.

- Uniform Mortgage Data Program: Continue the development of various data standards for the mortgage industry by working with industry participants and government agencies on the scope and implementation of these standards, including effective dates. We are building on the successful completion of our uniform loan data delivery and uniform appraisal data programs in the development of the uniform closing data and uniform loan application data standards. We currently plan to announce the implementation dates and scope of the first phase of our uniform mortgage servicing data program by the end of 2013.

Table of Contents

Maintaining Sound Credit Quality on the Loans We Purchase or Guarantee

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

Contracting the Dominant Presence of the GSEs in the Marketplace

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

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

Table of Contents

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

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

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

Strengthening Our Infrastructure and Improving Operating Efficiency

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

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

Table of Contents

Single-Family Credit Guarantee Portfolio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Conservatorship and Government Support for Our Business

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

Table of Contents

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

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

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

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

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

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

Consolidated Financial Results

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

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

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

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

Table of Contents

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

Mortgage Market and Economic Conditions

Overview

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

Single-Family Housing Market

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

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

Multifamily Housing Market

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

Mortgage Market and Business Outlook

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

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

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

Table of Contents

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

Sustainability of Earnings

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

Single-Family

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

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

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

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

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

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

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

Multifamily

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

Table of Contents

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

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

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

Limits on Investment Activity and Our Mortgage-Related Investments Portfolio

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

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

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

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

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

Table 5 — Mortgage-Related Investments Portfolio[1]

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

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

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

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

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

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

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 6 — Selected Financial Data[1]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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” for information concerning certain significant accounting policies and estimates applied in determining our reported results of operations.

Table 7 — Summary Consolidated Statements of Comprehensive Income

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

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

Net Interest Income

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

Table of Contents

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Benefit (Provision) for Credit Losses

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

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

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

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

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

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

Table of Contents

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

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

Non-Interest Income (Loss)

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

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

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

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

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

Gains (Losses) on Retirement of Other Debt

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

Gains (Losses) on Debt Recorded at Fair Value

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

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

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

Derivative Gains (Losses)

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

Table of Contents

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

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

Table 9 — Derivative Gains (Losses)

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

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

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

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

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

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

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

Investment Securities-Related Activities

Impairments of Available-For-Sale Securities

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

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

Table of Contents

Other Gains (Losses) on Investment Securities Recognized in Earnings

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

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

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

Other Income (Loss)

The table below summarizes the significant components of other income.

Table 10 — Other Income (Loss)

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

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

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

Gains (Losses) on Mortgage Loans

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

All Other

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

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

Non-Interest Expense

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

Table of Contents

Table 11 — Non-Interest Expense

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

Administrative Expenses

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

REO Operations (Income) Expense

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

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

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

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

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

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

Other Expenses

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

Income Tax Benefit

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

Comprehensive Income

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

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

Segment Earnings

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

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

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

certain investment-related activities and credit guarantee-related activities between various line items on our GAAP consolidated statements of comprehensive income; and (b) allocating certain revenues and expenses, including certain returns on assets and funding costs, and all administrative expenses to our three reportable segments.

As a result of these reclassifications and allocations, Segment Earnings for our reportable segments differs significantly from, and should not be used as a substitute for, net income (loss) as determined in accordance with GAAP. Our definition of

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.

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

Segment Earnings — Results

Investments

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

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

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

Net interest yield — Segment Earnings basis (annualized)

(1) For reconciliations of the Segment Earnings line items to the comparable line items in our consolidated financial statements prepared in accordance with GAAP, see “NOTE 13: SEGMENT REPORTING — Table 13.2 — Segment Earnings and Reconciliation to GAAP Results.” For a full discussion of our segment activities, see “NOTE 13: SEGMENT REPORTING — Segment Earnings” in our 2012 Annual Report.

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

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

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

(5) Includes our investments in single-family PCs and certain Other Guarantee Transactions, which are consolidated under GAAP on our consolidated balance sheets.

(6) Includes the average balances of interest-earning cash and cash equivalents, non-mortgage-related securities, and federal funds sold and securities purchased under agreements to resell.

(7) Excludes unsecuritized seriously delinquent single-family mortgage loans.

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

Table of Contents

Single-Family Guarantee

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

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

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

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

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

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

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

(4) Excludes Other Guarantee Transactions.

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

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

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

Table of Contents

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Multifamily

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

CONSOLIDATED BALANCE SHEETS ANALYSIS

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

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

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

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

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

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

Investments in Securities

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

Table of Contents

Table 18 — Investments in Securities

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

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

Non-Mortgage-Related Securities

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

Mortgage-Related Securities

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

Table of Contents

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

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

(1) Based on UPB. Excludes mortgage-related securities traded but not yet settled.
(2) Primarily consists of purchases of mortgage-related securities backed by Freddie Mac underwritten loans for the subsequent issuances of multifamily K Certificates.

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

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

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

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

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

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

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

Table of Contents

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 of Contents

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

(1) Includes all first and second liens.

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

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

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

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

Table of Contents

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

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

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

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

Ratings of Non-Agency Mortgage-Related Securities

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

Table of Contents

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

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

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

Table of Contents

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

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

Mortgage Loans

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Derivative Assets and Liabilities, Net

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

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

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

Table of Contents

Table 27 — Derivative Fair Values and Maturities

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