FEDERAL HOME LOAN MORTGAGE CORP
Form 10-Q
May 04, 2011

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended March 31, 2011

or

o **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: 000-53330

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

Freddie Mac

Federally chartered corporation	**52-0904874**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
8200 Jones Branch Drive, McLean, Virginia	**22102-3110**
(Address of principal executive offices)	*(Zip Code)*

(703) 903-2000

(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. x Yes o 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). o Yes o 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 o Accelerated filer x

Non-accelerated filer (Do not check if a smaller reporting company) o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

As of April 22, 2011, there were 649,688,423 shares of the registrant s common stock outstanding.

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PART I FINANCIAL INFORMATION

We continue to operate under the conservatorship that commenced on September 6, 2008, under the direction of FHFA as our Conservator. The Conservator succeeded to all rights, titles, powers and privileges of Freddie Mac, and of any shareholder, officer or director thereof, with respect to the company and its assets. The Conservator has delegated certain authority to our Board of Directors to oversee, and management to conduct, day-to-day operations. The directors serve on behalf of, and exercise authority as directed by, the Conservator. See BUSINESS Conservatorship and Related Matters in our Annual Report on Form 10-K for the year ended December 31, 2010, or 2010 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) MD&A FORWARD-LOOKING STATEMENTS, and RISK FACTORS in this Form 10-Q and in the comparably captioned sections of our 2010 Annual Report; and (b) the BUSINESS section of our 2010 Annual Report.

Throughout this Form 10-Q, we use certain acronyms and terms which 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 months ended March 31, 2011, included in FINANCIAL STATEMENTS, and our 2010 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. During the worst housing and financial crisis since the Great Depression, 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. Taken together, 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.

Summary of Financial Results

Our financial performance in the first quarter of 2011 improved compared to the first quarter of 2010, even though we continued to be impacted by the ongoing weakness in the economy, including the mortgage market. Our total comprehensive income (loss) was $2.7 billion and $(1.9) billion for the first quarters of 2011 and 2010, respectively, consisting of: (a) a net income (loss) of $676 million and $(6.7) billion, respectively, reflecting reductions in both derivative losses and provision for credit losses in the first quarter of 2011 compared to the first quarter of 2010; and (b) $2.1 billion and $4.8 billion of changes in AOCI, respectively, primarily resulting from improved fair values on available-for-sale securities.

Our total equity was $1.2 billion at March 31, 2011 reflecting total comprehensive income of $2.7 billion during the first quarter of 2011, partially offset by our dividend payment of $1.6 billion on our senior preferred stock on March 31, 2011. As a result of our positive net worth at March 31, 2011, FHFA will not submit a draw request on our behalf to Treasury under the Purchase Agreement.

Also contributing to total equity was cash proceeds received of $500 million from a draw under Treasury s funding commitment on March 31, 2011, related to our deficit in net worth at December 31, 2010. As a result of this draw from Treasury under the Purchase Agreement, the aggregate liquidation preference of Treasury s senior preferred stock increased to $64.7 billion at March 31, 2011.

Our Primary Business Objectives

Under conservatorship, we are focused on: (a) meeting the needs of the U.S. residential mortgage market by making home ownership and rental housing more affordable by providing liquidity to mortgage originators and, indirectly, to mortgage borrowers; (b) working to reduce the number of foreclosures and helping to keep families in their homes, including through our role in the MHA Program initiatives, including HAMP and HARP; (c) minimizing our credit losses; (d) maintaining the credit quality of the loans we purchase and guarantee; and (e) strengthening our infrastructure and improving overall efficiency. Our business objectives reflect, in part, direction we have received from the Conservator. We also have a variety of different, and potentially competing, objectives based on our charter, public statements from Treasury and FHFA officials, and other guidance from our Conservator. For more information, see BUSINESS Conservatorship and Related Matters *Impact of Conservatorship and Related Actions on Our Business* in our 2010 Annual Report.

Providing Mortgage Liquidity and Conforming Loan Availability

We provide liquidity and support to the U.S. mortgage market in a number of important ways:

- Our support enables borrowers to have access to a variety of conforming mortgage products, including the prepayable 30-year fixed-rate mortgage which represents the foundation of the mortgage market.

- Our support provides lenders with a constant source of liquidity. We estimate that we, Fannie Mae, and Ginnie Mae collectively continued to guarantee more than 90% of the single-family conforming mortgages originated during the first quarter of 2011.

- Our consistent market presence provides assurance to our customers that there will be a buyer for their conforming loans that meet our credit standards. We believe this provides our customers with confidence to continue lending in difficult environments.

- We are an important counter-cyclical influence as we stay in the market even when other sources of capital have pulled out, as evidenced by the events of the last three years.

During the first quarter of 2011, we guaranteed $95.7 billion in UPB of single-family conforming mortgage loans representing more than 430,000 borrowers who purchased homes or refinanced their mortgages. Relief refinance mortgages with LTV ratios of 80% and above represented approximately 15% of our total single-family credit guarantee portfolio purchases in the first quarter of 2011.

Borrowers typically pay a lower interest rate on loans acquired or guaranteed by Freddie Mac, Fannie Mae, or Ginnie Mae. Mortgage originators are generally able to offer homebuyers and homeowners lower mortgage rates on conforming loan products, including ours, in part because of the value investors place on GSE-guaranteed mortgage-related securities. Prior to 2007, mortgage markets were less volatile, home values were stable or rising, and there were many sources of mortgage funds. We estimate that prior to 2007 the average effective interest rates on conforming single-family mortgage loans were about 30 basis points lower than on non-conforming loans. Since 2007, there have been fewer sources of mortgage funds, and we estimate that interest rates on conforming loans, excluding conforming jumbo loans, have been lower than those on non-conforming loans by as much as 184 basis points. In March 2011, we estimate that borrowers were paying an average of 61 basis points less on these conforming loans than on non-conforming loans. These estimates are based on data provided by HSH Associates, a third-party provider of mortgage market data.

Reducing Foreclosures and Keeping Families in Homes

We are focused on reducing the number of foreclosures and helping to keep families in their homes. In addition to our participation in HAMP, we introduced several new initiatives during the housing crisis to help eligible borrowers, including our relief refinance mortgage initiative, which is our implementation of HARP. In the first quarter of 2011, we helped more than 62,000 borrowers either stay in their homes or sell their properties and avoid foreclosure through HAMP and our various other workout programs. In March 2011, FHFA announced it had extended HARP to June 30, 2012 for qualifying borrowers. Table 1 presents our recent single-family loan workout activities.

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

	For the Three Months Ended				
	03/31/2011	12/31/2010	09/30/2010	06/30/2010	03/31/2010
	(number of loans)				
Loan modifications	35,158	37,203	39,284	49,562	44,228
Repayment plans	9,099	7,964	7,030	7,455	8,761
Forbearance agreements[2]	7,678	5,945	6,976	12,815	8,858
Short sales and deed-in-lieu transactions	10,706	12,097	10,472	9,542	7,064
Total single-family loan workouts	62,641	63,209	63,762	79,374	68,911

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

We continue to execute a high volume of loan workouts. Highlights of these efforts include the following:

We completed 62,641 single-family loan workouts during the first quarter of 2011, including 35,158 loan modifications and 10,706 short sales and deed-in-lieu transactions.

Based on information provided by the MHA Program administrator, our servicers had completed 119,690 loan modifications under HAMP from the introduction of the initiative in 2009 through March 31, 2011 and, as of March 31, 2011, 19,897 loans were in HAMP trial periods (this figure only includes borrowers who made at least their first payment under the trial period).

In addition to these efforts, we continue to focus on assisting consumers through outreach and other efforts. These efforts included: (a) meeting with borrowers nationwide in foreclosure prevention workshops; (b) operating a Borrower Help Network to provide distressed borrowers with free one-on-one counseling; and (c) in instances where foreclosure has occurred, allowing affected families who qualify to rent back their homes for a limited period of time. In recent periods, we also increased our efforts to directly assist our servicers by increasing our servicing staff.

For more information about HAMP, other loan workout programs, and our relief refinance mortgage initiative, and other options to help eligible borrowers, see RISK MANAGEMENT Credit Risk *Mortgage Credit Risk Portfolio Management Activities MHA Program* and *Loan Workout Activities*.

Minimizing Credit Losses

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 would be expected to provide the best opportunity for minimizing our credit losses. We require our single-family seller/servicers to first evaluate problem loans for possible modification under HAMP before considering other workout alternatives. If a borrower is not eligible for a modification under HAMP, our seller/servicers pursue other workout options before considering foreclosure.

To help minimize 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 incur;
- managing foreclosure timelines to the extent possible, given elongated state timelines;
- managing our inventory of foreclosed properties to reduce costs and maximize proceeds; and
- pursuing contractual remedies against originators, lenders, servicers, and insurers, as appropriate.

We have contractual arrangements with our seller/servicers under which they agree to provide us with mortgage loans that have been originated under specified underwriting standards. If we subsequently discover that contractual standards were not followed, we can exercise certain contractual remedies to mitigate our credit losses. These contractual remedies include requiring the seller/servicer to repurchase the loan at its current UPB or make us whole for any credit losses realized with respect to the loan. As of March 31, 2011, the UPB of loans subject to repurchase requests issued to our single-family seller/servicers was approximately $3.4 billion, and approximately 38% of these requests were outstanding for more than four months since issuance of our initial repurchase request. The amount we expect to collect on the outstanding requests is significantly less than the UPB amount primarily because many of these requests will likely be satisfied by reimbursement of our realized losses by seller/servicers, or may be rescinded in the course of the contractual appeals process. During 2010, we entered into agreements with certain of our seller/servicers to release specified loans in

their portfolios from certain repurchase obligations in exchange for one-time cash payments. We may enter into similar agreements or seek other remedies in the future. See RISK MANAGEMENT Credit Risk *Institutional Credit Risk Mortgage Seller/Servicers* for further information on our agreements with our seller/servicers.

Our credit loss exposure is also partially mitigated by mortgage insurance, which is a form of credit enhancement. Primary mortgage insurance is required to be purchased, at the borrower s expense, for certain mortgages with higher LTV ratios. We received payments under primary and other mortgage insurance of $587 million and $294 million in the first quarter of 2011 and 2010, respectively, which helped to mitigate our credit losses.

In February 2011, FHFA directed Freddie Mac and Fannie Mae to discuss with FHFA and with each other, and wherever feasible to develop, consistent requirements, policies and processes for the servicing of non-performing loans. This directive was designed to create greater consistency in servicing practices and to build on the best practices of each of the GSEs. Pursuant to this directive, on April 28, 2011, FHFA announced a new set of aligned standards for servicing by Freddie Mac and Fannie Mae, which are designed to help servicers do a better job of engaging with homeowners and to bring greater accountability to the servicing industry. The aligned requirements include earlier and more frequent communication with borrowers, consistent requirements for collecting documents from borrowers, consistent timelines for responding to borrowers, a consistent approach to modifications, and consistent timelines for processing foreclosures. This initiative will result in the alignment of the processes for both HAMP and non-HAMP workout solutions, and will be implemented over the course of 2011. We believe this effort will result in certain changes in our non-HAMP loan modification processes which may temporarily result in delays in these activities while the changes are implemented by us and our servicers. Servicers will also be subject to incentives and sanctions with respect to performance under these standards. Ultimately, we expect this effort will help streamline loss mitigation processes for servicers and delinquent borrowers, give servicers consistent guidance to help improve their servicing performance, and lay the foundation for industry benchmarks for responsible servicing that will benefit the housing finance system, servicers and consumers.

Maintaining the Credit Quality of New Loan Purchases and Guarantees

We continue to focus on maintaining 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 anticipated credit-related and administrative expenses on such loans.

As of March 31, 2011, more than 40% of our single-family credit guarantee portfolio consisted of mortgage loans originated after 2008. Loans in our single-family credit guarantee portfolio originated after 2008 have experienced better serious delinquency trends in the early years of their terms than loans originated in 2005 through 2008.

We believe the credit quality of the single-family loans we have acquired in the first quarter of 2011 (excluding relief refinance mortgages, which represented approximately 30% of our single family purchase volume during the quarter) is significantly better than that of loans we acquired from 2005 through 2008, as measured by original LTV ratios, FICO scores, and income documentation standards. The substantial majority of the single-family mortgages we purchased in the first quarter of 2011 were 30-year and 15-year fixed-rate mortgages. Approximately 85% of our single-family loan purchases in the first quarter of 2011 were refinance mortgages. Relief refinance mortgages with LTV ratios of 80% and above (which we refer to as HARP loans), may not perform as well as other refinance mortgages over time due, in part, to the continued high LTV ratios of these loans.

Table 2 presents the composition, loan characteristics, and serious delinquency rates of loans in our single-family credit guarantee portfolio, by year of origination at March 31, 2011.

Table 2 Single-Family Credit Guarantee Portfolio Data by Year of Origination[1]

	At March 31, 2011				
	% of Portfolio	Average Credit Score[2]	Original LTV Ratio	Current LTV Ratio[3]	Serious Delinquency Rate[4]
Year of Origination					
2011	2%	752	70%	68%	%
2010	20	755	70	70	0.07
2009	21	755	68	71	0.31
2008	8	727	74	88	4.91
2007	11	707	77	107	11.26
2006	8	711	75	106	10.34
2005	9	718	73	92	6.05
2004 and prior	21	721	71	59	2.47
Total	100%	734	71	78	3.63

(1) Based on the single-family credit guarantee portfolio, which totaled $1,815 billion at March 31, 2011, and includes relief refinance mortgage loans.
(2) Based on FICO credit score of the borrower as of the date of loan origination and may not be indicative of the borrowers creditworthiness at March 31, 2011.
(3) We estimate current market values by adjusting the value of the property at origination based on changes in the market value of homes since origination.
(4) See RISK MANAGEMENT Credit Risk *Mortgage Credit Risk* *Credit Performance* Delinquencies for further information about our reported serious delinquency rates.

During the first quarter of 2011, the guarantee-related revenue from the mortgage guarantees issued after 2008 exceeded the credit-related and administrative expenses associated with these guarantees. Credit-related expenses consist of our provision for credit losses and REO operations expense. Mortgages originated after 2008 represent an increasingly large proportion of our single-family credit guarantee portfolio, as the amount of older vintages in the portfolio, which have a higher composition of loans with higher-risk characteristics, continues to decline due to liquidations, which include payoffs, repayments, refinancing activity, and foreclosures. We currently expect that, over time, the replacement of older vintages should positively impact the serious delinquency rates and credit-related expenses of our single-family credit guarantee portfolio. However, the rate at which this replacement occurs has slowed in recent quarterly periods, due to a decline in the volume of home purchase mortgage originations and an increase in the proportion of relief refinance mortgage activity. See Table 14 Segment Earnings Composition Single-Family Guarantee Segment for an analysis of the contribution to Segment Earnings (loss) by loan origination year.

Strengthening Our Infrastructure and Improving Overall Efficiency

We are working with our Conservator to both enhance the value of our infrastructure and improve our efficiency in order to preserve the taxpayers investment. As such, we are investing considerable resources in an effort to improve

our existing systems infrastructure. This long-term project will likely take several years to fully implement and focuses on making significant improvements to our systems infrastructure in order to: (a) improve risk management; (b) enhance the service we provide to our customers; and (c) improve operational efficiency. At the end of this effort, we expect to have an infrastructure in place that is more efficient, flexible and well-controlled which will assist us in our continued efforts to focus on reducing administrative expenses and other cost reduction measures.

We continue to actively monitor our general and administrative expenses, while also continuing to focus on retaining key talent. During the full year of 2010, we reduced our administrative expenses by $88 million, despite increasing the number of employees in our non-performing asset management group. Our general and administrative expenses continued to decline in the first quarter of 2011.

Single-Family Credit Guarantee Portfolio

Since the beginning of 2008, on an aggregate basis, we have recorded provision for credit losses associated with single-family loans of approximately $64.3 billion, and have recorded an additional $4.6 billion in losses on loans purchased from our PCs, 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 been provisioned for, we believe, as of March 31, 2011, that we have reserved for or charged-off the majority of the total expected credit losses for these loans. Nevertheless, various factors, such as continued high unemployment rates or further declines in home prices, could require us to provide for losses on these loans beyond our current expectations.

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The UPB of our single-family credit guarantee portfolio increased slightly during the first quarter of 2011 to $1,815 billion at March 31, 2011 from $1,809 billion at December 31, 2010, since new loan purchase and guarantee activity exceeded the amount of liquidations. Table 3 provides certain credit statistics for our single-family credit guarantee portfolio.

Table 3 Credit Statistics, Single-Family Credit Guarantee Portfolio

	As of				
	03/31/2011	**12/31/2010**	**09/30/2010**	**06/30/2010**	**03/31/2010**
Payment status					
One month past due	1.75%	2.07%	2.11%	2.02%	1.89%
Two months past due	0.65%	0.78%	0.80%	0.77%	0.79%
Seriously delinquent[(1)]	3.63%	3.84%	3.80%	3.96%	4.13%
Non-performing loans (in millions)[(2)]	$ 115,083	$ 115,478	$ 112,746	$ 111,758	$ 110,079
Single-family loan loss reserve (in millions)[(3)]	$ 38,558	$ 39,098	$ 37,665	$ 37,384	$ 35,969
REO inventory (in properties)	65,159	72,079	74,897	62,178	53,831
REO assets, net carrying value (in millions)	$ 6,261	$ 6,961	$ 7,420	$ 6,228	$ 5,411

	For the Three Months Ended				
	03/31/2011	**12/31/2010**	**09/30/2010**	**06/30/2010**	**03/31/2010**
	(in units, unless noted)				
Seriously delinquent loan additions[(1)]	97,646	113,235	115,359	123,175	150,941
Loan modifications[(4)]	35,158	37,203	39,284	49,562	44,228
Foreclosure starts ratio[(5)]	0.58%	0.73%	0.75%	0.61%	0.64%
REO acquisitions[(6)]	24,707	23,771	39,053	34,662	29,412
REO disposition severity ratio:[(7)]					
California	44.5%	43.9%	41.9%	42.0%	43.9%
Florida	54.8%	53.0%	54.9%	53.8%	56.2%
Arizona	50.8%	49.5%	46.6%	44.3%	45.3%
Nevada	53.1%	53.1%	51.6%	49.4%	50.7%
Michigan	48.3%	49.7%	49.2%	47.2%	47.6%
Total U.S.	43.0%	41.3%	41.5%	39.2%	40.5%
Single-family credit losses (in millions)	$ 3,226	$ 3,086	$ 4,216	$ 3,851	$ 2,907

(1) See RISK MANAGEMENT Credit Risk *Mortgage Credit Risk Credit Performance 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.

(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) Represents the number of completed modifications under agreement with the borrower during the quarter. Excludes forbearance agreements, repayment plans, and loans in the trial period under HAMP.

(5)

Represents the ratio of the number of loans that entered the foreclosure process during the respective quarter divided by the number of loans in the single-family credit guarantee portfolio at the end of the quarter. Excludes Other Guarantee Transactions and mortgages covered under other guarantee commitments.

(6) Our REO acquisition volume temporarily slowed in the fourth quarter of 2010 and first quarter of 2011 due to delays in the foreclosure process, including delays related to concerns about deficiencies in foreclosure documentation practices, which reduced our credit losses for these periods.

(7) 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. Excludes sales commissions and other expenses, such as property maintenance and costs, as well as applicable recoveries from credit enhancements, such as mortgage insurance.

The number of new serious delinquencies (*i.e.*, seriously delinquent loan additions) declined in each of the last five quarters; however, our single-family credit guarantee portfolio continued to experience a high level of serious delinquencies and foreclosures in the first quarter of 2011 as compared to periods before 2009. Our servicers generally resumed foreclosures and we fully resumed marketing and sales of REO properties during the first quarter of 2011, which led to a high REO disposition volume during the quarter. Our REO inventory (measured in properties) declined in each of the last two quarters. The UPB of our non-performing loans also declined in the first quarter of 2011. This was the first decline in non-performing loans since the first half of 2006. However, the credit losses from our single-family credit guarantee portfolio were higher in the first quarter of 2011 than the first quarter of 2010, due in part to:

Losses associated with the continued high volume of foreclosures and foreclosure alternatives. These actions relate to our continued efforts to resolve our significant inventory of seriously delinquent loans. This inventory accumulated in prior periods due to the lengthening in the foreclosure and modification timelines caused by various suspensions of foreclosure transfers, process requirements for HAMP, and constraints in servicers capabilities to process large volumes of problem loans. Due to the length of time necessary for servicers either to complete the foreclosure process or pursue foreclosure alternatives on seriously delinquent loans still in our portfolio, we expect our credit losses will continue to remain high even if the volume of new serious delinquencies continues to decline.

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Continued negative impact of certain loan groups within the single-family credit guarantee portfolio, such as those underwritten with certain lower documentation standards and interest-only loans, as well as other 2005 through 2008 vintage loans. These groups continue to be large contributors to our credit losses.

Continued decline in national home prices, based on our own index, which resulted in continued high loss severity ratios on our dispositions of REO inventory.

We believe our REO disposition severity ratio was impacted in the fourth quarter of 2010 and, to a lesser extent in the first quarter of 2011, particularly in the state of Florida, by temporary suspensions of REO sales by us and our seller/servicers in the latter part of 2010 related to concerns about deficiencies in foreclosure documentation practices. See Mortgage Market and Economic Conditions Concerns Regarding Deficiencies in Foreclosure Documentation Practices for further information.

Some of our loss mitigation activities create fluctuations in our delinquency statistics. For example, single-family loans that we report as seriously delinquent before they enter the HAMP trial period continue to be reported as seriously delinquent for purposes of our delinquency reporting until the modifications become effective and the loans are removed from delinquent status by our servicers. See RISK MANAGEMENT Credit Risk *Mortgage Credit Risk Credit Performance Delinquencies* for further information about factors affecting our reported delinquency rates.

Conservatorship and Government Support for our Business

We have been operating under conservatorship, with FHFA acting as our conservator, since September 6, 2008. 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.

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 by FHFA under statutory mandatory receivership provisions.

While the conservatorship has benefited us, we are subject to certain constraints on our business activities imposed by Treasury due to the terms of, and Treasury s rights under, the Purchase Agreement and by FHFA, as our Conservator.

On March 31, 2011, we received $500 million in funding from Treasury under the Purchase Agreement relating to our net worth deficit as of December 31, 2010. This draw increased the aggregate liquidation preference of the senior preferred stock to $64.7 billion at March 31, 2011 from $64.2 billion at December 31, 2010. At March 31, 2011, our assets exceeded our liabilities under GAAP by $1.2 billion; therefore FHFA will not submit a draw request on our behalf to Treasury under the Purchase Agreement.

We pay cash dividends to Treasury at an annual rate of 10%. We have paid cash dividends to Treasury of $11.6 billion life to date, an amount equal to 18% of our aggregate draws under the Purchase Agreement. As of March 31, 2011, our annual cash dividend obligation to Treasury on the senior preferred stock of $6.5 billion exceeded our annual historical earnings in all but one period. As a result, we expect to make additional draws in future periods, even if our operating performance generates net income or comprehensive income.

Under the Purchase Agreement, Treasury made a commitment to provide funding, under certain conditions, to eliminate deficits in our net worth. The $200 billion cap on Treasury s funding commitment will increase as necessary to eliminate any net worth deficits we may have during 2010, 2011, and 2012. We believe that the support provided by Treasury pursuant to the Purchase Agreement currently enables us to maintain our access to the debt markets and to have adequate liquidity to conduct our normal business activities, although the costs of our debt funding could vary.

Neither the U.S. government nor any other agency or instrumentality of the U.S. government is obligated to fund our mortgage purchase or financing activities or to guarantee our securities or other obligations.

For more information on conservatorship and the Purchase Agreement, see BUSINESS Conservatorship and Related Matters in our 2010 Annual Report.

Consolidated Financial Results

Net income (loss) was $0.7 billion and $(6.7) billion for the first quarters of 2011 and 2010, respectively. Key highlights of our financial results include:

- Net interest income for the first quarter of 2011 increased slightly to $4.5 billion from $4.1 billion in the first quarter of 2010, mainly due to lower funding costs, partially offset by a decline in the average balances of mortgage-related securities and mortgage loans.

Provision for credit losses for the first quarter of 2011 decreased to $2.0 billion, compared to $5.4 billion for the first quarter of 2010. The provision for credit losses in the first quarter of 2011 primarily reflects a decline in the number of delinquent loan inflows, and a decline in the rate at which seriously delinquent loans ultimately transition to a loss event. The provision for credit losses in the first quarter of 2010 reflected increases in non-performing loans and serious delinquency rates in that period.

Non-interest income (loss) was $(1.3) billion for the first quarter of 2011, compared to $(4.9) billion for the first quarter of 2010. This improvement was primarily due to significantly lower losses on derivatives in the first quarter of 2011, compared to the first quarter of 2010, attributable to the impact of a slight increase in interest rates during the first quarter of 2011 as compared to a decline in interest rates during the first quarter of 2010. The decline in derivative losses was partially offset by higher impairments on mortgage-related securities recognized in earnings in the first quarter of 2011 compared to the first quarter of 2010.

Non-interest expense was $0.7 billion in both the first quarter of 2011 and the first quarter of 2010, and reflects increased REO operations expense partially offset by a decline in administrative expenses in the 2011 period, compared to the 2010 period.

Total comprehensive income (loss) was $2.7 billion for the first quarter of 2011 compared to $(1.9) billion for the first quarter of 2010. Total comprehensive income for the first quarter of 2011 reflects the net result of the $0.7 billion of net income, and $2.1 billion of changes in AOCI primarily resulting from improved fair values on available-for-sale securities.

Mortgage Market and Economic Conditions

Overview

The housing market recovery experienced continued challenges during the first quarter of 2011 due primarily to weak housing demand. The U.S. real gross domestic product rose by 1.8% on an annualized basis during the period, compared to 3.1% during the fourth quarter of 2010, according to the Bureau of Economic Analysis estimates. Unemployment was 8.8% in March 2011, improving from 9.4% in December 2010, based on data from the U.S. Bureau of Labor Statistics.

Single-Family Housing Market

We believe the level of home sales in the U.S. is a significant driver of the direction of home prices. Within the industry, existing home sales are important for assessing the rate at which the mortgage market might absorb the inventory of listed, but unsold, homes in the U.S. (including listed REO properties). We believe new home sales can be an indicator of certain economic trends, such as the potential for growth in total U.S. mortgage debt outstanding. Sales of existing homes in the first quarter of 2011 averaged 5.14 million (at a seasonally adjusted annual rate), an improvement of 8% from an average seasonally adjusted annual rate of 4.75 million in the fourth quarter of 2010. New home sales in the first quarter of 2011 averaged 0.29 million homes (at a seasonally adjusted annual rate) declining approximately 2% from an average seasonally adjusted annual rate of 0.30 million homes in the fourth quarter of 2010.

We estimate that home prices declined 2.8% nationwide during the first quarter of 2011. This estimate is based on our own index of mortgage loans in our single-family credit guarantee portfolio. 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

Multifamily market fundamentals continued to improve on a national level during the first quarter of 2011, though certain states and metropolitan areas continue to exhibit weaker than average fundamentals. This improvement continues a trend of several consecutive quarters of favorable movements in key indicators such as vacancy rates and effective rents. 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. Improving fundamentals and perceived optimism about demand for multifamily housing have helped improve property values in most markets. However, rising interest rates may cause property owners to increase the returns they expect on their multifamily property investments. In turn, this could reduce multifamily property values, which could make it more difficult to refinance multifamily properties when the balloon payment becomes due.

Concerns Regarding Deficiencies in Foreclosure Documentation Practices

In the fall of 2010, several large single-family seller/servicers announced issues relating to the improper preparation and execution of certain documents used in foreclosure proceedings, including affidavits. As a result, a number of our

seller/servicers, including several of our largest ones, temporarily suspended foreclosure proceedings in the latter part of 2010 in certain states in which they do business, and we temporarily suspended certain REO sales until November 2010. During the first quarter of 2011, we fully resumed marketing and sales of REO properties. While the larger servicers have generally resumed foreclosure proceedings, the rate at which they are completing foreclosures is slower than prior to the suspensions. These issues have caused delays in the foreclosure process in many states and temporarily slowed the pace of our REO acquisitions. We expect the pace of our REO acquisitions to increase in the remainder of 2011, in part due to the resumption of foreclosure activity by servicers. We generally refer to these issues as the concerns about foreclosure documentation practices. See MD&A MORTGAGE MARKET AND ECONOMIC CONDITIONS, AND OUTLOOK Mortgage Market and Economic Conditions *Concerns Regarding Deficiencies in Foreclosure Documentation Practices* in our 2010 Annual Report for further information.

Consent Orders with Servicers Regarding Foreclosure and Loss Mitigation Practices

On April 13, 2011, the Comptroller of the Currency, the Federal Reserve, the FDIC, and the Office of Thrift Supervision entered into consent orders with fourteen large servicers regarding their foreclosure and loss mitigation practices. These institutions service the majority of the single-family mortgages we own or guarantee. The consent orders require the servicers to submit comprehensive action plans relating to, among other items, use of foreclosure documentation, staffing of foreclosure and loss mitigation activities, oversight of third parties, use of the Mortgage Electronic Registration System, or the MERS® System, and communications with borrowers. We will not be able to assess the impact of these actions on our business until the servicers submit their comprehensive action plans. It is possible that these plans will result in changes to these companies mortgage servicing practices that could adversely affect our business.

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 during the remainder of 2011 to be significantly worse than we expect, including adverse changes in consumer confidence, national or international economic conditions and changes in the federal government s fiscal policies. See FORWARD-LOOKING STATEMENTS for additional information.

Overview

As in the past, we expect key macroeconomic drivers of the economy such as income growth, unemployment rate, and inflation will affect the performance of the housing and mortgage markets in 2011. The economy is expected to generate new jobs and rising incomes, contributing to a gradual recovery in housing activity and declines in delinquency rates. However, several developments may adversely affect the prospects for a housing recovery. The current and expected increases in oil prices raise concerns about the overall economic recovery and housing markets as higher oil prices reduce consumers cash for other spending. We also expect rates on fixed-rate mortgages to be slightly higher in the second half of 2011, as stronger GDP growth and further labor market improvements generate higher demand for credit and consumer spending. Lastly, many large financial institutions experienced temporary delays in the foreclosure process late in 2010, and we believe the resumption of foreclosures will result in increased distressed sales of REO properties in 2011.

Our expectation for home prices, based on our own index, is that national average home prices will continue to decline over the near term before a long-term recovery in housing begins, due to, among other factors: (a) our expectation for

a sustained volume of distressed sales, which include short sales and sales by financial institutions of their REO properties; and (b) the likelihood that unemployment rates will remain high.

Single-Family

We expect our credit losses will likely increase in the near term and, for 2011, remain significantly above historical levels. This is in part due to the substantial number of mortgage loans in our single-family credit guarantee portfolio on which borrowers owe more than their home is currently worth, as well as the substantial backlog of seriously delinquent loans. For the near term, we also expect:

- loss severity rates to remain relatively high, as market conditions, such as home prices and the rate of home sales, continue to remain weak;

REO operations expense to continue to increase, as single-family REO acquisition volume and property inventory continues to be high;

non-performing assets, which include loans deemed TDRs, to continue to remain high;

the volume of loan workouts to remain high; and

continued high volume of loans in the foreclosure process as well as prolonged foreclosure timelines, which may result in a continued high loan loss reserve balance in the near term and increases in charge-offs in future periods.

Multifamily

We expect that the continuation of challenging economic conditions, including elevated unemployment in certain states in which we have substantial investments in multifamily mortgage loans, including Nevada, Arizona, and Georgia, may negatively impact our mortgage portfolio performance and may lead to additional non-performing assets. Improvements in loan performance historically lag improvements in broader economic and market trends during market recoveries. As a result, we may continue to experience elevated credit losses in the remainder of 2011 and delinquency rates may increase despite improving fundamentals. In addition, as more market participants re-emerged in the multifamily market during the first quarter of 2011, increased competition from other institutional investors may negatively impact our future purchase volumes as well as the pricing and credit quality of newly originated loans for the remainder of 2011.

Long-Term Financial Sustainability

We expect to request additional draws under the Purchase Agreement in future periods. Over time, our dividend obligation to Treasury will increasingly drive future draws. Although we may experience period-to-period variability in earnings and comprehensive income, it is unlikely that we will regularly generate net income or comprehensive income in excess of our annual dividends payable to Treasury over the long term. In addition, we are required under the Purchase Agreement to pay a quarterly commitment fee to Treasury, which could contribute to future draws if the fee is not waived in the future. Treasury waived the fee for the first and second quarters of 2011, but it has indicated that it remains committed to protecting taxpayers and ensuring that our future positive earnings are returned to taxpayers as compensation for their investment. The amount of the quarterly commitment fee has not yet been established and could be substantial. As a result of these factors, there is uncertainty as to our long-term financial sustainability.

There continues to be significant uncertainty in the current mortgage market environment, and continued high levels of unemployment, weakness in home prices, adverse changes in interest rates, mortgage security prices, spreads and other factors could lead to additional draws. For discussion of other factors that could result in additional draws, see LIQUIDITY AND CAPITAL RESOURCES Capital Resources.

There is also 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. While we are not aware of any current plans of our Conservator to significantly change our business model or capital structure in the near-term, there are likely to be significant changes beyond the near-term that we expect to be decided by the Obama Administration and Congress. Our future structure and role will be determined by the Obama Administration and Congress. We have no ability to predict the outcome of these deliberations. As discussed below in Legislative and Regulatory Developments, on February 11, 2011, the

Obama Administration delivered a report to Congress that lays out the Administration s plan to reform the U.S. housing finance market.

Limits on Mortgage-Related Investments Portfolio

Under the terms of the Purchase Agreement and FHFA regulation, our mortgage-related investments portfolio is subject to a cap that decreases by 10% each year until the portfolio reaches $250 billion. As a result, the UPB of our mortgage-related investments portfolio could not exceed $810 billion as of December 31, 2010 and may not exceed $729 billion as of December 31, 2011. FHFA has stated that we will not be a substantial buyer or seller of mortgages for our mortgage-related investments portfolio, except for purchases of delinquent mortgages out of PC pools.

Table 4 presents the UPB of our mortgage-related investments portfolio, for purposes of the limit imposed by the Purchase Agreement and FHFA regulation. We disclose our mortgage assets on this basis monthly under the caption Mortgage-Related Investments Portfolio Ending Balance in our Monthly Volume Summary reports, which are available on our web site at www.freddiemac.com and in current reports on Form 8-K we file with the SEC.

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We are providing our web site addresses here and elsewhere in this Form 10-Q solely for your information. Information appearing on our web site is not incorporated into this Form 10-Q.

The UPB of our mortgage-related investments portfolio declined from December 31, 2010 to March 31, 2011, primarily due to liquidations, partially offset by the purchase of $14.6 billion of seriously delinquent loans from PC trusts.

Table 4 Mortgage-Related Investments Portfolio[1]

	March 31, 2011	December 31, 2010
	(in millions)	
Investments segment Mortgage investments portfolio	$ 477,446	$ 481,677
Single-family Guarantee segment Single-family unsecuritized mortgage loans[2]	67,882	69,766
Multifamily segment Mortgage investments portfolio	146,710	145,431
Total mortgage-related investments portfolio	$ 692,038	$ 696,874

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

Legislative and Regulatory Developments

On February 11, 2011, the Obama Administration delivered a report to Congress that lays out the Administration s plan to reform the U.S. housing finance market, including options for structuring the government s long-term role in a housing finance system in which the private sector is the dominant provider of mortgage credit. The report recommends winding down Freddie Mac and Fannie Mae, and states that the Obama Administration will work with FHFA to determine the best way to responsibly reduce the role of Freddie Mac and Fannie Mae in the market and ultimately wind down both institutions. The report states that these efforts must be undertaken at a deliberate pace, which takes into account the impact that these changes will have on borrowers and the housing market.

The report states that the government is committed to ensuring that Freddie Mac and Fannie Mae have sufficient capital to perform under any guarantees issued now or in the future and the ability to meet any of their debt obligations, and further states that the Obama Administration will not pursue policies or reforms in a way that would impair the ability of Freddie Mac and Fannie Mae to honor their obligations. The report states the Obama Administration s belief that under the companies senior preferred stock purchase agreements with Treasury, there is sufficient funding to ensure the orderly and deliberate wind down of Freddie Mac and Fannie Mae, as described in the Administration s plan.

The report identifies a number of policy levers that could be used to wind down Freddie Mac and Fannie Mae, shrink the government s footprint in housing finance, and help bring private capital back to the mortgage market, including increasing guarantee fees, phasing in a 10% down payment requirement, reducing conforming loan limits, and winding down Freddie Mac and Fannie Mae s investment portfolios, consistent with the senior preferred stock purchase agreements.

These recommendations, if implemented, would have a material impact on our business volumes, market share, results of operations and financial condition. We cannot predict the extent to which these recommendations will be

implemented or when any actions to implement them may be taken. However, we are not aware of any current plans of our Conservator to significantly change our business model or capital structure in the near-term.

See LEGISLATIVE AND REGULATORY MATTERS for information on recent developments in GSE reform legislation and recently initiated rulemakings under the Dodd-Frank Act.

SELECTED FINANCIAL DATA[1]

The selected financial data presented below should be reviewed in conjunction with MD&A and our consolidated financial statements and related notes for the three months ended March 31, 2011.

	For the Three Months Ended March 31, 2011	2010
	(dollars in millions, except share-related amounts)	
Statements of Income and Comprehensive Income Data		
Net interest income	$ 4,540	$ 4,125
Provision for credit losses	(1,989)	(5,396)
Non-interest income (loss)	(1,252)	(4,854)
Non-interest expense	(697)	(667)
Net income (loss) attributable to Freddie Mac	676	(6,688)
Total comprehensive income (loss) attributable to Freddie Mac	2,740	(1,880)
Net loss attributable to common stockholders	(929)	(7,980)
Earnings (loss) per common share:		
Basic	(0.29)	(2.45)
Diluted	(0.29)	(2.45)
Cash dividends per common share		
Weighted average common shares outstanding (in thousands):[2]		
Basic	3,246,985	3,251,295
Diluted	3,246,985	3,251,295

	March 31, 2011	December 31, 2010
	(dollars in millions)	
Balance Sheets Data		
Mortgage loans held-for-investment, at amortized cost by consolidated trusts (net of allowance for loan losses)	$ 1,644,609	$ 1,646,172
Total assets	2,244,916	2,261,780
Debt securities of consolidated trusts held by third parties	1,510,426	1,528,648
Other debt	715,572	713,940
All other liabilities	17,681	19,593
Total Freddie Mac stockholders equity (deficit)	1,237	(401)
Portfolio Balances[3]		
Mortgage-related investments portfolio	$ 692,038	$ 696,874
Total Freddie Mac Mortgage-Related Securities[4]	1,689,978	1,712,918
Total mortgage portfolio[5]	2,143,472	2,164,859
Non-performing assets[6]	124,438	125,405

	For the Three Months Ended March 31,	
	2011	**2010**
Ratios[7]		
Return on average assets[8][11]	0.1%	(1.1)%
Non-performing assets ratio[9]	6.4	5.9
Equity to assets ratio[10][11]	0.0	(0.4)

(1) See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in our 2010 Annual Report for more information regarding our accounting policies.

(2) 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. This warrant is included in basic loss per share for the first quarters of 2011 and 2010, because it is unconditionally exercisable by the holder at a cost of $0.00001 per share.

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

(4) See Table 26 Freddie Mac Mortgage-Related Securities for the composition of this line item.

(5) See Table 11 Segment Mortgage Portfolio Composition for the composition of our total mortgage portfolio.

(6) See Table 42 Non-Performing Assets for a description of our non-performing assets.

(7) The return on common equity ratio is not presented because the simple average of the beginning and ending balances of total Freddie Mac stockholders equity (deficit), net of preferred stock (at redemption value), is less than zero for all periods presented. The dividend payout ratio on common stock is not presented because we are reporting a net loss attributable to common stockholders for all periods presented.

(8) Ratio computed as annualized net income (loss) attributable to Freddie Mac divided by the simple average of the beginning and ending balances of total assets.

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

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

(11) To calculate the simple averages for the three months ended March 31, 2010, the beginning balances of total assets, and total Freddie Mac stockholders equity are based on the January 1, 2010 balances included in NOTE 2: CHANGE IN ACCOUNTING PRINCIPLES Table 2.1 Impact of the Change in Accounting for Transfers of Financial Assets and Consolidation of Variable Interest Entities on Our Consolidated Balance Sheet in our 2010 Annual Report, so that both the beginning and ending balances reflect changes in accounting principles.

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

Table 5 Summary Consolidated Statements of Income and Comprehensive Income

	Three Months Ended March 31,	
	2011	2010
	(in millions)	
Net interest income	$ 4,540	$ 4,125
Provision for credit losses	(1,989)	(5,396)
Net interest income (loss) after provision for credit losses	2,551	(1,271)
Non-interest income (loss):		
Gains (losses) on extinguishment of debt securities of consolidated trusts	223	(98)
Gains (losses) on retirement of other debt	12	(38)
Gains (losses) on debt recorded at fair value	(81)	347
Derivative gains (losses)	(427)	(4,685)
Impairment of available-for-sale securities:		
Total other-than-temporary impairment of available-for-sale securities	(1,054)	(417)
Portion of other-than-temporary impairment recognized in AOCI	(139)	(93)
Net impairment of available-for-sale securities recognized in earnings	(1,193)	(510)
Other gains (losses) on investment securities recognized in earnings	(120)	(416)
Other income	334	546
Total non-interest income (loss)	(1,252)	(4,854)
Non-interest expense:		
Administrative expenses	(361)	(405)
REO operations expense	(257)	(159)
Other expenses	(79)	(103)
Total non-interest expense	(697)	(667)
Income (loss) before income tax benefit	602	(6,792)
Income tax benefit	74	103
Net income (loss)	676	(6,689)

Other comprehensive income (loss), net of taxes and reclassification adjustments:		
Changes in unrealized gains (losses) related to available-for-sale securities	1,941	4,646
Changes in unrealized gains (losses) related to cash flow hedge relationships	132	172
Changes in defined benefit plans	(9)	(10)
Total other comprehensive income (loss), net of taxes and reclassification adjustments	2,064	4,808
Comprehensive income (loss)	2,740	(1,881)
Less: Comprehensive (income) loss attributable to noncontrolling interest		1
Total comprehensive income (loss) attributable to Freddie Mac	$ 2,740	$ (1,880)

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Net Interest Income

Table 6 presents an analysis of net interest income, including average balances and related yields earned on assets and incurred on liabilities.

Table 6 Net Interest Income/Yield and Average Balance Analysis

	Three Months Ended March 31,					
	2011			2010		
	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	$ 37,561	$ 16	0.17%	$ 66,973	$ 17	0.10%
Federal funds sold and securities purchased under agreements to resell	47,861	18	0.15	51,645	16	0.12
Mortgage-related securities:						
Mortgage-related securities[(3)]	456,972	5,316	4.65	593,512	7,279	4.91
Extinguishment of PCs held by Freddie Mac	(167,528)	(2,063)	(4.93)	(256,951)	(3,441)	(5.36)
Total mortgage-related securities, net	289,444	3,253	4.50	336,561	3,838	4.56
Non-mortgage-related securities[(3)]	29,309	30	0.41	20,189	61	1.21
Mortgage loans held by consolidated trusts[(4)]	1,650,567	20,064	4.86	1,787,327	22,732	5.09
Unsecuritized mortgage loans[(4)]	240,557	2,334	3.88	159,780	1,961	4.91
Total interest-earning assets	$ 2,295,299	$ 25,715	4.48	$ 2,422,475	$ 28,625	4.73
Interest-bearing liabilities:						
Debt securities of consolidated trusts including PCs held by Freddie Mac	$ 1,665,608	$ (19,466)	(4.67)	$ 1,801,525	$ (23,084)	(5.13)
Extinguishment of PCs held by Freddie Mac	(167,528)	2,063	4.93	(256,951)	3,441	5.36
Total debt securities of consolidated trusts held by third parties	1,498,080	(17,403)	(4.65)	1,544,574	(19,643)	(5.09)
Other debt:						
Short-term debt	194,822	(115)	(0.24)	242,938	(141)	(0.23)
Long-term debt[(5)]	518,034	(3,450)	(2.66)	556,907	(4,458)	(3.20)

Total other debt	712,856	(3,565)	(2.00)	799,845	(4,599)	(2.30)
Total interest-bearing liabilities	2,210,936	(20,968)	(3.79)	2,344,419	(24,242)	(4.14)
Income (expense) related to derivatives[6]		(207)	(0.04)		(258)	(0.04)
Impact of net non-interest-bearing funding	84,363		0.14	78,056		0.13
Total funding of interest-earning assets	$ 2,295,299	$ (21,175)	(3.69)	$ 2,422,475	$ (24,500)	(4.05)
Net interest income/yield		$ 4,540	0.79		$ 4,125	0.68

(1) Excludes mortgage loans and mortgage-related securities traded, but not yet settled.
(2) We calculate average balances based on amortized cost.
(3) Interest income (expense) includes accretion of the portion of impairment charges recognized in earnings expected to be recovered.
(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 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 and net interest yield increased by $415 million and 11 basis points, respectively, during the three months ended March 31, 2011, compared to the three months ended March 31, 2010, due to: (a) lower funding costs from the replacement of debt at lower rates; and (b) the impact of a change in practice announced in February 2010 to purchase substantially all 120 day delinquent loans from PC trusts, as the average funding rate of the other debt used to purchase such loans from PC trusts is significantly less than the average funding rate of the debt securities of consolidated trusts held by third parties. These factors were partially offset by the reduction in the average balance of higher-yielding mortgage-related assets due to continued liquidations and limited purchase activity.

Interest income that we did not recognize, which we refer to as foregone interest income, and reversals of previously recognized interest income, net of cash received, related to non-performing loans was $1.0 billion during the three months ended March 31, 2011, compared to $1.1 billion during the three months ended March 31, 2010.

During the three months ended March 31, 2011, spreads on our debt and our access to the debt markets remained favorable relative to historical levels. For more information, see LIQUIDITY AND CAPITAL RESOURCES Liquidity.

Provision for Credit Losses

Since the beginning of 2008, on an aggregate basis, we have recorded provision for credit losses associated with single-family loans of approximately $64.3 billion, and have recorded an additional $4.6 billion in losses on loans

purchased from our PCs, 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 been provisioned for, we believe, as of March 31, 2011, that we have reserved for or charged-off the majority of the total expected credit losses for these loans. Nevertheless, various factors, such as continued high unemployment rates or further declines in home prices, could require us to provide for losses on these loans beyond our current expectations. See Table 3 Credit Statistics, Single-Family Credit Guarantee Portfolio for certain quarterly credit statistics for our single-family credit guarantee portfolio.

Our provision for credit losses decreased to $2.0 billion in the first quarter of 2011, compared to $5.4 billion in the first quarter of 2010, due to a decline in the number of delinquent loan inflows, and a decline in the rate at which seriously delinquent loans ultimately transition to a loss event. While the quarterly amount of our provision for credit losses declined for the last several consecutive quarters, our quarterly amount of charge-offs, net of recoveries remained elevated. We believe the level of our charge-offs will continue to remain high in 2011 due to the large number of single-family non-performing loans that will likely be resolved during the year. As of March 31, 2011 and December 31, 2010, the UPB of our single-family non-performing loans was $115.1 billion and $115.5 billion, respectively; these amounts include $32.2 billion and $26.6 billion, respectively, of single-family TDRs that are reperforming, or less than three months past due. As of March 31, 2011 and December 31, 2010, the UPB of multifamily non-performing loans was $3.0 billion and $2.9 billion, respectively. Although still at historically high levels, the UPB of our single-family non-performing loans declined slightly during the first quarter of 2011. See RISK MANAGEMENT Credit Risk *Mortgage Credit Risk* for further information on our single-family credit guarantee portfolio, including credit performance, charge-offs, and growth in the balance of our non-performing assets.

In the first quarter of 2011, we also continued to experience high volumes of loan modifications involving concessions to borrowers, which are considered TDRs. Impairment analysis for TDRs requires giving recognition in the provision for credit losses to the excess of our recorded investment in the loan over the present value of the expected future cash flows. This generally results in a higher allowance for loan losses for TDRs than for loans that are not TDRs. We expect the percentage of modifications that qualify as TDRs in 2011 will remain high, since the majority of our modifications are anticipated to include a significant reduction in the contractual interest rate, which represents a concession to the borrower.

The total number of seriously delinquent loans declined during the first quarter of 2011, but has remained high due to the continued weakness in home prices, persistently high unemployment, extended foreclosure timelines and foreclosure suspensions in many states, and challenges faced by servicers processing large volumes of problem loans. Our seller/servicers have an active role in our loan workout activities, including under the MHA Program, and a decline in their performance could result in a failure to realize the anticipated benefits of our loss mitigation plans. In an effort to help mitigate such risk, we began making significant investments in systems and personnel in the last months of 2010 to help our seller/servicers manage their performance. We believe this will help us to better realize the benefits of our loss mitigation plans, though it is too early to determine if this will be successful.

Our provision (benefit) for credit losses associated with our multifamily mortgage portfolio was $(60) million and $29 million for the first quarters of 2011 and 2010, respectively. Our loan loss reserve associated with our multifamily mortgage portfolio was $747 million and $828 million as of March 31, 2011 and December 31, 2010, respectively. The decrease in the reserves was driven by positive market trends in vacancy rates and effective rents reflected over the past several consecutive quarters, as well as stabilizing or improved property values and improved borrower credit profiles. However, some states in which we have substantial investments in multifamily mortgage loans, including Nevada, Arizona, and Georgia, continue to exhibit weaker than average fundamentals.

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 trust. 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. For the three months ended March 31, 2011 and 2010, we extinguished debt securities of consolidated trusts with a UPB of $24.8 billion and $2.1 billion, respectively (representing our purchase of single-family PCs with a corresponding UPB amount), and our gains (losses) on extinguishment of these debt securities of consolidated trusts were $223 million and $(98) million, respectively. The gains in the first quarter of 2011 were due to the repurchases of our debt securities at a discount resulting from an increase in interest rates during the period. See Table 18 Total Mortgage-Related Securities

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Purchase Activity for additional information regarding purchases of PCs, including those issued by consolidated PC trusts.

Gains (Losses) on Retirement of Other Debt

Gains (losses) on retirement of other debt were $12 million and $(38) million during the three months ended March 31, 2011 and 2010, respectively. We recognized gains on debt retirements in the first quarter of 2011 primarily due to the repurchase of other debt securities at a discount. We also recognized fewer losses on debt calls and puts in the first quarter of 2011 compared to the first quarter of 2010 due to a decreased level of debt call activity in the first quarter of 2011.

Gains (Losses) on Debt Recorded at Fair Value

Gains (losses) on debt recorded at fair value primarily relates to changes in the fair value of our foreign-currency denominated debt. For the three months ended March 31, 2011, we recognized losses on debt recorded at fair value of $81 million primarily due to the U.S. dollar weakening relative to the Euro. For the three months ended March 31, 2010, we recognized gains on debt recorded at fair value of $347 million primarily due to the U.S. dollar strengthening relative to the Euro. 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)

Table 7 presents derivative gains (losses) reported in our consolidated statements of income and comprehensive income. See NOTE 11: DERIVATIVES Table 11.2 Gains and Losses on Derivatives for information about gains and losses related to specific categories of derivatives. Changes in fair value and interest accruals on derivatives not in hedge accounting relationships are recorded as derivative gains (losses) in our consolidated statements of income and comprehensive income. At March 31, 2011 and December 31, 2010, we did not have any derivatives in hedge accounting relationships; however, there are amounts recorded in AOCI related to discontinued 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 management of interest-rate risk, they generally increase the volatility of reported net income (loss), 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 7 Derivative Gains (Losses)

	Derivative Gains (Losses) Three Months Ended March 31,	
	2011	2010
	(in millions)	
Interest-rate swaps	$ 1,723	$ (2,334)
Option-based derivatives[1]	(807)	(582)
Other derivatives[2]	(94)	(420)
Accrual of periodic settlements[3]	(1,249)	(1,349)

Total	$ (427)	$ (4,685)

(1) Primarily includes purchased call and put swaptions and purchased interest rate caps and floors.
(2) Includes futures, foreign currency swaps, commitments, swap guarantee derivatives, and credit derivatives. Foreign-currency swaps are defined as swaps in which net settlement is based on one leg calculated in a foreign-currency and the other leg calculated in U.S. dollars. Commitments include: (a) our commitments to purchase and sell investments in securities; (b) our commitments to purchase mortgage loans; and (c) our commitments to purchase and extinguish or issue debt securities of our consolidated trusts.
(3) Includes imputed interest on zero-coupon swaps.

Gains (losses) on derivatives not accounted for in hedge accounting relationships are principally driven by changes in: (a) swap and forward interest rates and implied volatility; and (b) the mix and volume of derivatives in our derivatives portfolio.

During the three months ended March 31, 2011, we recognized losses on derivatives of $0.4 billion primarily due to $1.2 billion of losses related to the accrual of periodic settlements on interest-rate swaps as we continued to be in a net pay-fixed swap position during the first quarter of 2011, partially offset by the improvement in derivative fair values as interest rates increased. As a result, we recognized fair value gains of $4.0 billion on our pay-fixed swaps, partially offset by fair value losses on our receive-fixed swaps of $2.2 billion. We recognized fair value losses of $0.8 billion on our

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option-based derivatives, resulting from losses on our purchased call swaptions primarily due to the increase in forward interest rates during the three months ended March 31, 2011.

During the three months ended March 31, 2010, the fair value of our derivative portfolio was impacted by a decline in swap interest rates and implied volatility, resulting in a loss on derivatives of $4.7 billion. As a result of these factors, we recorded losses of $4.7 billion on our pay-fixed swaps, partially offset by gains on our receive-fixed swap positions of $2.4 billion. We also recorded losses of $1.0 billion on our purchased put swaptions.

Investment Securities-Related Activities

Impairments of Available-For-Sale Securities

We recorded net impairments of available-for-sale securities recognized in earnings of $1.2 billion and $510 million during the three months ended March 31, 2011 and 2010, respectively. See CONSOLIDATED BALANCE SHEETS ANALYSIS Investments in Securities *Mortgage-Related Securities Other-Than-Temporary Impairments on Available-For-Sale Mortgage-Related Securities* and NOTE 7: INVESTMENTS IN SECURITIES for information regarding the accounting principles for investments in debt and equity securities and the other-than-temporary impairments recorded during the three months ended March 31, 2011 and 2010.

Other Gains (Losses) on Investment Securities Recognized in Earnings

Other gains (losses) on investment securities recognized in earnings primarily consists of gains (losses) on trading securities. We recognized $(200) million and $(417) million related to gains (losses) on trading securities during the three months ended March 31, 2011 and 2010, respectively.

During the three months ended March 31, 2011 and 2010, the losses on trading securities were primarily due to the movement of securities with unrealized gains towards maturity. During the three months ended March 31, 2011, these losses were partially offset by gains due to tightening of OAS levels on agency securities, and during the three months ended March 31, 2010, these losses were partially offset by fair value gains on our non-interest-only securities classified as trading primarily due to decreased interest rates.

Other Income

Table 8 summarizes the significant components of other income.

Table 8 Other Income

	Three Months Ended March 31,	
	2011	2010
	(in millions)	
Other income (losses):		
Guarantee-related income	$ 54	$ 59
Gains (losses) on sale of mortgage loans	95	95
Gains (losses) on mortgage loans recorded at fair value	(33)	21
Recoveries on loans impaired upon purchase	125	169
All other	93	202

Total other income	$ 334	$ 546

Other income declined during the first quarter of 2011, compared to the first quarter of 2010, primarily due to lower recoveries on loans impaired upon purchase, a decline in all other income during the first quarter of 2011, and the shift to net losses on mortgage loans recorded at fair value in the first quarter of 2011.

During the first quarters of 2011 and 2010, we recognized recoveries on loans impaired upon purchase of $125 million and $169 million, respectively. Our recoveries on loans impaired upon purchase declined in the first quarter of 2011, compared to the first quarter of 2010, due to a lower volume of foreclosure transfers associated with loans impaired upon purchase.

We principally recognize recoveries on impaired loans purchased prior to January 1, 2010, due to a change in accounting guidance effective on that date. Consequently, our recoveries on loans impaired upon purchase will generally decline over time.

All other income declined to $93 million in the first quarter of 2011 from $202 million in the first quarter of 2010. All other income was higher in the first quarter of 2010 primarily due to reduced expectations of losses from certain legal claims that were previously recognized.

Non-Interest Expense

Table 9 summarizes the components of non-interest expense.

Table 9 Non-Interest Expense

	Three Months Ended March 31,	
	2011	2010
	(in millions)	
Administrative expenses[1]:		
Salaries and employee benefits	$ 207	$ 234
Professional services	56	81
Occupancy expense	15	16
Other administrative expenses	83	74
Total administrative expenses	361	405
REO operations expense	257	159
Other expenses	79	103
Total non-interest expense	$ 697	$ 667

(1) In the first quarter of 2011, we reclassified certain expenses from other expenses to professional services expense. Prior period amounts have been reclassified to conform to the current presentation.

Administrative Expenses

Administrative expenses decreased in the first quarter of 2011 compared to the first quarter of 2010, due in part to our ongoing focus on cost reduction measures, particularly with regard to salaries and employee benefits and professional services costs. Administrative expenses declined during 2010 and we expect these expenses will continue to decline for the full year of 2011 when compared to 2010.

REO Operations Expense

The table below presents the components of our REO operations expense for the first quarters of 2011 and 2010, and REO inventory and disposition information.

Table 10 REO Operations Expense, REO Inventory, and REO Dispositions

	Three Months Ended March 31,	
	2011	2010
	(dollars in millions)	
REO operations expense:		
Single-family:		

REO property expenses[1]	$	308	$	232
Disposition (gains) losses, net[2][3]		126		13
Change in holding period allowance, dispositions		(155)		(67)
Change in holding period allowance, inventory[4]		151		137
Recoveries[5]		(173)		(159)
Total single-family REO operations expense		257		156
Multifamily REO operations (income) expense				3
Total REO operations expense	$	257	$	159
REO inventory (in properties), at March 31:				
Single-family		65,159		53,831
Multifamily		15		8
Total		65,174		53,839
REO property dispositions (in properties)		31,628		21,969

(1) Consists of costs incurred to acquire, 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) In the first quarter of 2011, we reclassified expenses related to the disposition of REO underlying Other Guarantee Transactions from REO property expense to disposition (gains) losses, net. Prior periods have been revised to conform to the current presentation.
(4) Represents the (increase) decrease in the estimated fair value of properties that were in inventory during the period.
(5) Includes recoveries from primary mortgage insurance, pool insurance and seller/servicer repurchases.

Total REO operations expense was $257 million in the first quarter of 2011 as compared to $159 million in the first quarter of 2010. This increase was primarily due to higher property expenses associated with larger REO inventories and higher disposition losses. Net disposition losses increased in the first quarter of 2011, compared to the first quarter of 2010, as we completed a higher volume of property dispositions in 2011 and home prices declined on a national basis. We

currently expect REO property expenses to continue to increase due to expected continued high levels of REO acquisitions and inventory in the remainder of 2011.

The pace of our REO acquisitions was slowed by delays in the foreclosure process arising from concerns about foreclosure documentation practices, particularly in states that require a judicial foreclosure process. The acquisition slowdown, coupled with high disposition levels, led to an approximate 10% reduction in REO property inventory from December 31, 2010 to March 31, 2011. We expect the pace of our REO acquisitions to increase in the remainder of 2011 in part due to the resumption of foreclosure activity by servicers. For more information on how concerns about foreclosure documentation practices could adversely affect our REO operations (income) expense, see RISK FACTORS Operational Risks *We have incurred and will continue to incur expenses and we may otherwise be adversely affected by deficiencies in foreclosure practices, as well as related delays in the foreclosure process* in our 2010 Annual Report. See RISK MANAGEMENT Credit Risk *Mortgage Credit Risk Credit Performance Non-Performing Assets* for additional information about our REO activity.

Other Expenses

Other expenses primarily consist of losses on loans purchased and other miscellaneous expenses. Our losses on loans purchased were $4 million during the first quarter of 2011 compared to $17 million during the first quarter of 2010. Losses on delinquent and modified loans purchased from mortgage pools within our non-consolidated securitization trusts occur when the acquisition basis of the purchased loan exceeds the estimated fair value of the loan on the date of purchase.

Income Tax Benefit

For the three months ended March 31, 2011 and 2010, we reported an income tax benefit of $74 million and $103 million, respectively. See NOTE 13: INCOME TAXES for additional information.

Total Comprehensive Income (Loss)

Our total comprehensive income (loss) was $2.7 billion and $(1.9) billion for the first quarters of 2011 and 2010, respectively, consisting of: (a) a net income (loss) of $676 million and $(6.7) billion, respectively; and (b) $2.1 billion and $4.8 billion of changes in AOCI, respectively, primarily resulting from improved fair values on available-for-sale securities. See CONSOLIDATED BALANCE SHEETS ANALYSIS Total Equity (Deficit) for additional information regarding changes in AOCI.

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. In our Investments segment, we invest principally in mortgage-related securities and single-family performing mortgage loans funded by other debt issuances and hedged using derivatives. Segment Earnings for this segment consist primarily of the returns on these investments, less the related funding, hedging, and administrative expenses.

The Single-family Guarantee segment reflects results from our single-family credit guarantee activities. In our Single-family Guarantee segment, we purchase single-family mortgage loans originated by our seller/servicers in the primary mortgage market. In most instances, we use the mortgage securitization process to package the purchased

mortgage loans into guaranteed mortgage-related securities. We guarantee the payment of principal and interest on the mortgage-related securities in exchange for management and guarantee fees. Segment Earnings for this segment consist primarily of management and guarantee fee revenues, including amortization of upfront fees, less the related credit costs (*i.e.*, provision for credit losses), administrative expenses, allocated funding costs, and amounts related to net float benefits or expenses.

The Multifamily segment reflects results from our investment and guarantee activities in multifamily mortgage loans and securities. We purchase multifamily mortgage loans primarily for purposes of aggregation and then securitization. Although we hold CMBS that we purchased for investment, we have not purchased significant amounts of non-agency CMBS for investment since 2008. The Multifamily segment does not issue REMIC securities but does issue Other Structured Securities, Other Guarantee Transactions, and other guarantee commitments. Segment Earnings for this segment primarily includes management and guarantee fee income and the interest earned on assets related to multifamily investment activities, net of allocated funding costs. The Multifamily segment reflects the impact of changes in fair value

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of CMBS and held-for-sale loans associated only with factors other than changes in interest rates, such as credit and liquidity.

We evaluate segment performance and allocate resources based on a Segment Earnings approach, subject to the conduct of our business under the direction of the Conservator. The financial performance of our segments is measured based on each segment s contribution to GAAP net income (loss) and GAAP total comprehensive income (loss). The sum of Segment Earnings for each segment and the All Other category equals GAAP net income (loss) attributable to Freddie Mac. Likewise, the sum of total comprehensive income (loss) for each segment and the All Other category equals GAAP total comprehensive income (loss) attributable to Freddie Mac.

The All Other category consists of material corporate level expenses that are: (a) infrequent in nature; and (b) based on management decisions outside the control of the management of our reportable segments. By recording these types of activities to the All Other category, we believe the financial results of our three reportable segments reflect the decisions and strategies that are executed within the reportable segments and provide greater comparability across time periods.

In presenting Segment Earnings, we make significant reclassifications to 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 our internal measures of performance. 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 income and 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 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.

See NOTE 17: SEGMENT REPORTING in our 2010 Annual Report for further information regarding our segments, including the descriptions and activities of the segments and the reclassifications and allocations used to present Segment Earnings.

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Table 11 provides information about our various segment mortgage portfolios at March 31, 2011 and December 31, 2010. For a discussion of each segment s portfolios, see *Segment Earnings Results.*

Table 11 Segment Mortgage Portfolio Composition[1]

	March 31, 2011	December 31, 2010
	(in millions)	
Segment portfolios:		
Investments Mortgage investments portfolio:		
Single-family unsecuritized mortgage loans[2]	$ 88,301	$ 79,097
Freddie Mac mortgage-related securities	256,283	263,152
Non-agency mortgage-related securities	94,592	99,639
Non-Freddie Mac agency mortgage-related securities	38,270	39,789
Total Investments Mortgage investments portfolio	477,446	481,677
Single-family Guarantee Managed loan portfolio:[3]		
Single-family unsecuritized mortgage loans[4]	67,882	69,766
Single-family Freddie Mac mortgage-related securities held by us	256,283	261,508
Single-family Freddie Mac mortgage-related securities held by third parties	1,416,882	1,437,399
Single-family other guarantee commitments[5]	9,990	8,632
Total Single-family Guarantee Managed loan portfolio	1,751,037	1,777,305
Multifamily Guarantee portfolio:[3]		
Multifamily Freddie Mac mortgage-related securities held by us	2,197	2,095
Multifamily Freddie Mac mortgage-related securities held by third parties	14,615	11,916
Multifamily other guarantee commitments[5]	9,947	10,038
Total Multifamily Guarantee portfolio	26,759	24,049
Multifamily Mortgage investments portfolio:[3]		
Multifamily investment securities portfolio	62,558	59,548
Multifamily loan portfolio	84,152	85,883
Total Multifamily Mortgage investments portfolio	146,710	145,431
Total Multifamily portfolio	173,469	169,480
Less: Freddie Mac single-family and multifamily securities[6]	(258,480)	(263,603)
Total mortgage portfolio	$ 2,143,472	$ 2,164,859

(1) Based on UPB and excludes mortgage loans and mortgage-related securities traded, but not yet settled.
(2) Excludes unsecuritized non-performing single-family loans managed by the Single-family Guarantee segment. However, the Single-family Guarantee segment continues to earn management and guarantee fees associated with

unsecuritized single-family loans in the Investments segment.

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

(4) Represents unsecuritized non-performing 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.

(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.

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Segment Earnings Results

Investments

Table 12 presents the Segment Earnings of our Investments segment.

Table 12 Segment Earnings and Key Metrics Investments[1]

	Three Months Ended March 31,	
	2011	2010
	(dollars in millions)	
Segment Earnings:		
Net interest income	$ 1,653	$ 1,311
Non-interest income (loss):		
Net impairment of available-for-sale securities	(1,029)	(376)
Derivative gains (losses)	1,103	(2,702)
Other non-interest income (loss)	236	(22)
Total non-interest income (loss)	310	(3,100)
Non-interest expense:		
Administrative expenses	(95)	(122)
Other non-interest expense		(7)
Total non-interest expense	(95)	(129)
Segment adjustments[2]	203	510
Segment Earnings (loss) before income tax benefit	2,071	(1,408)
Income tax benefit	66	97
Segment Earnings (loss), net of taxes, including noncontrolling interest	2,137	(1,311)
Less: Net (income) loss noncontrolling interest		(2)
Segment Earnings (loss), net of taxes	2,137	(1,313)
Total other comprehensive income, net of taxes	1,126	3,120
Total comprehensive income	$ 3,263	$ 1,807
Key metrics Investments:		
Portfolio balances:		
Average balances of interest-earning assets:[3][4][5]		
Mortgage-related securities[6]	$ 399,113	$ 530,865
Non-mortgage-related investments[7]	114,732	138,806
Unsecuritized single-family loans	85,515	43,559

Total average balances of interest-earning assets	$ 599,360	$ 713,230
Return:		
Net interest yield Segment Earnings basis (annualized)	1.10%	0.74%

(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 15: SEGMENT REPORTING Table 15.2 Segment Earnings and Reconciliation to GAAP Results.
(2) For a description of our segment adjustments, see NOTE 15: SEGMENT REPORTING Segment Earnings.
(3) Excludes mortgage loans and mortgage-related securities traded, but not yet settled.
(4) Excludes non-performing single-family mortgage loans.
(5) We calculate average balances based on amortized cost.
(6) Includes our investments in single-family PCs and certain Other Guarantee Transactions, which have been consolidated under GAAP on our consolidated balance sheet beginning on January 1, 2010.
(7) 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.

Our total comprehensive income for our Investments segment was $3.3 billion and $1.8 billion for the three months ended March 31, 2011 and 2010, respectively, consisting of: (a) Segment Earnings (loss) of $2.1 billion and $(1.3) billion, respectively; and (b) $1.1 billion and $3.1 billion of changes in AOCI, respectively.

The UPB of the Investments segment mortgage investments portfolio declined by 3.5% on an annualized basis from $482 billion at December 31, 2010 to $477 billion at March 31, 2011, compared to a decline of 30.5% on an annualized basis from December 31, 2009 to March 31, 2010.

We held $294.6 billion of agency securities and $94.6 billion of non-agency mortgage-related securities as of March 31, 2011 compared to $302.9 billion of agency securities and $99.6 billion of non-agency mortgage-related securities as of December 31, 2010. The decline in UPB of agency securities is due mainly to liquidations, including prepayments and select sales. 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 of liquidated loans and, to a lesser extent, voluntary repayments of the underlying collateral, representing a partial return of our investments in these securities. See CONSOLIDATED BALANCE SHEETS ANALYSIS Investments in Securities for additional information regarding our mortgage-related securities.

Segment Earnings net interest income and net interest yield increased $342 million and 36 basis points, respectively, during the three months ended March 31, 2011, compared to the three months ended March 31, 2010. The primary driver was lower funding costs, primarily due to the replacement of debt at lower rates. These lower funding costs were partially offset by the reduction in the average balance of higher-yielding mortgage-related assets, due to continued liquidations.

Segment Earnings non-interest income (loss) increased by $3.4 billion to $310 million during the three months ended March 31, 2011, compared to $(3.1) billion during the three months ended March 31, 2010. Non-interest income for the three months ended March 31, 2011 was primarily attributable to derivative gains, partially offset by net impairments of available-for-sale securities. Non-interest loss for the three months ended March 31, 2010 was primarily driven by derivative losses and net impairments of available-for-sale securities.

Impairments recorded in our Investments segment increased by $653 million during the three months ended March 31, 2011, compared to the three months ended March 31, 2010. See CONSOLIDATED BALANCE SHEETS ANALYSIS Investments in Securities *Mortgage-Related Securities Other-Than-Temporary Impairments on Available-For-Sale Mortgage-Related Securities* for additional information on our impairments.

We recorded derivative gains (losses) for this segment of $1.1 billion in the three months ended March 31, 2011, compared to $(2.7) billion in the three months ended March 31, 2010. While derivatives are an important aspect of our management of interest-rate risk, they generally increase the volatility of reported Segment Earnings, because, while fair value changes in derivatives affect Segment Earnings, fair value changes in several of the types of assets and liabilities being hedged do not affect Segment Earnings. During the three months ended March 31, 2011, longer-term swap interest rates increased, resulting in fair value gains on our pay-fixed swaps that were partially offset by fair value losses on our receive-fixed swaps and purchased call swaptions. During the three months ended March 31, 2010, longer-term swap interest rates decreased, resulting in losses on our pay-fixed interest-rate swaps partially offset by fair value gains on our receive-fixed swaps. See Non-Interest Income (Loss) *Derivative Gains (Losses)* for additional information on our derivatives.

Our Investments segment s change in AOCI for the three months ended March 31, 2011 was $1.1 billion compared to $3.1 billion for the three months ended March 31, 2010. Net unrealized losses in AOCI on our available-for-sale securities decreased by $1.0 billion during the three months ended March 31, 2011, primarily attributable to the recognition in earnings of other-than-temporary impairments on our non-agency mortgage-related securities. Net unrealized losses in AOCI on our available-for-sale securities decreased by $3.0 billion during the three months ended March 31, 2010, primarily attributable to fair value gains related to the movement of securities with unrealized losses towards maturity.

The objectives set forth for us under our charter and conservatorship, restrictions set forth in the Purchase Agreement and restrictions imposed by FHFA have negatively impacted, and will continue to negatively impact, our Investments segment results. For example, our mortgage-related investments portfolio is subject to a cap that decreases by 10% each year until the portfolio reaches $250 billion. This will likely cause a corresponding reduction in our net interest income from these assets and therefore negatively affect our Investments segment results. FHFA also stated its expectation that any net additions to our mortgage-related investments portfolio would be related to purchasing seriously delinquent mortgages out of PC pools. We are also subject to limits on the amount of mortgage assets we can sell in any calendar month without review and approval by FHFA and, if FHFA so determines, Treasury.

For information on the impact of the requirement to reduce the mortgage-related investments portfolio limit by 10% annually, see NOTE 2: CONSERVATORSHIP AND RELATED MATTERS Impact of the Purchase Agreement and FHFA Regulation on the Mortgage-Related Investments Portfolio.

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Single-Family Guarantee

Table 13 presents the Segment Earnings of our Single-family Guarantee segment.

Table 13 Segment Earnings and Key Metrics Single-Family Guarantee[1]

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(dollars in millions)	
Segment Earnings:		
Net interest income	$ 100	$ 59
Provision for credit losses	(2,284)	(6,041)
Non-interest income:		
Management and guarantee income	870	848
Other non-interest income	211	210
Total non-interest income	1,081	1,058
Non-interest expense:		
Administrative expenses	(215)	(229)
REO operations expense	(257)	(156)
Other non-interest expense	(66)	(79)
Total non-interest expense	(538)	(464)
Segment adjustments[2]	(185)	(213)
Segment Earnings (loss) before income tax benefit (expense)	(1,826)	(5,601)
Income tax benefit	6	5
Segment Earnings (loss), net of taxes	$ (1,820)	$ (5,596)
Total other comprehensive income (loss), net of taxes	(4)	(4)
Total comprehensive income (loss)	$ (1,824)	$ (5,600)
Key metrics Single-family Guarantee:		
Balances and Growth (in billions, except rate):		
Average balance of single-family credit guarantee portfolio	$ 1,819	$ 1,874
Issuance Single-family credit guarantees[3]	$ 96	$ 94
Fixed-rate products Percentage of purchases[4]	94%	98%
Liquidation rate Single-family credit guarantees (annualized)[5]	28%	35%
Management and Guarantee Fee Rate (in bps, annualized):		
Contractual management and guarantee fees	13.6	13.3
Amortization of delivery fees	5.5	4.8
Segment Earnings management and guarantee income	19.1	18.1

Credit:		
Serious delinquency rate, at end of period	3.63%	4.13%
REO inventory, at end of period (number of properties)	65,159	53,831
Single-family credit losses, in bps (annualized)(6)	71.0	62.3
Market:		
Single-family mortgage debt outstanding (total U.S. market, in billions)(7)	$ 10,070	$ 10,226
30-year fixed mortgage rate(8)	4.9%	5.1%

(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 15: SEGMENT REPORTING Table 15.2 Segment Earnings and Reconciliation to GAAP Results.
(2) For a description of our segment adjustments, see NOTE 15: SEGMENT REPORTING Segment Earnings.
(3) Based on UPB.
(4) Excludes Other Guarantee Transactions, and includes purchases of interest-only mortgages with fixed interest rates.
(5) Includes our purchases of delinquent loans from PCs. On February 10, 2010, we announced that we would begin purchasing substantially all 120 days or more delinquent mortgages from our PC pools. See NOTE 5: INDIVIDUALLY IMPAIRED AND NON-PERFORMING LOANS for more information.
(6) Credit losses are equal to REO operations expenses plus charge-offs, net of recoveries, associated with single-family mortgage loans. Calculated as the amount of credit losses divided by the sum of the average balance of our single-family credit guarantee portfolio.
(7) Source: Federal Reserve Flow of Funds Accounts of the United States of America dated March 10, 2011. The outstanding amount for March 31, 2011 reflects the balance as of December 31, 2010, which is the latest available information.
(8) 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%.

Financial Results

For the first quarters of 2011 and 2010, total comprehensive (loss) for our Single-family Guarantee segment, which is comprised almost entirely of Segment Earnings (loss), was $(1.8) billion and $(5.6) billion, respectively. Segment Earnings (loss) improved in the first quarter of 2011, compared to the first quarter of 2010, primarily due to a decline in provision for credit losses, partially offset by an increase in REO operations expense.

Segment Earnings management and guarantee income consists of contractual amounts due to us related to our management and guarantee fees as well as amortization of delivery fees.

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Segment Earnings management and guarantee income increased slightly in the first quarter of 2011 compared to the first quarter of 2010, primarily due to an increase in the amortization of delivery fees. Increased amortization of delivery fees reflects the impact of higher delivery fees associated with loans purchased after 2008 combined with continued high prepayment rates on guaranteed mortgages in the first quarter of 2011 as mortgage rates remained low and refinancing activity remained high.

During the first quarters of 2011 and 2010, our Segment Earnings provision for credit losses for the Single-family Guarantee segment was $2.3 billion and $6.0 billion, respectively. Segment Earnings provision for credit losses decreased in the first quarter of 2011, compared to the first quarter of 2010, primarily due to a decline in the number of delinquent loan inflows, and a decline in the rate at which delinquent loans ultimately transition to a loss event.

Table 14 provides summary information about the composition of Segment Earnings (loss) for this segment in the first quarter of 2011.

Table 14 Segment Earnings Composition Single-Family Guarantee Segment

	Three Months Ended March 31, 2011				
	Segment Earnings Management and Guarantee Income[1]		Credit Expenses[2]		
	Amount	Average Rate	Amount	Average Rate[3]	Net Amount[4]
	(dollars in millions, rates in bps)				
Year of origination[5]:					
2011	$ 26	15.0	$ (3)	3.2	$ 23
2010	184	20.6	(54)	5.8	130
2009	170	18.5	(50)	5.3	120
2008	110	24.6	(211)	57.0	(101)
2007	101	18.8	(884)	180.3	(783)
2006	59	17.0	(763)	208.3	(704)
2005	66	16.6	(403)	96.6	(337)
2004 and prior	154	18.4	(173)	18.8	(19)
Total	$ 870	19.1	$ (2,541)	55.9	(1,671)
Administrative expenses					(215)
Net interest income					100
Income tax benefit and other non-interest income and (expense), net[6]					(34)
Segment Earnings (loss), net of taxes					$ (1,820)

(1) Includes amortization of delivery fees of $252 million for the three months ended March 31, 2011.

(2) Consists of the aggregate of the Segment Earnings provision for credit losses and Segment Earnings REO operations expense.
(3) Based on the average securitized balance of the single-family credit guarantee portfolio. Historical rates of average credit expenses may not be representative of future results.
(4) Calculated as Segment Earnings management and guarantee income less credit expenses.
(5) Segment Earnings management and guarantee income is presented by year of guarantee origination, whereas credit expenses are presented based on year of loan origination.
(6) Includes segment adjustments.

We currently believe our management and guarantee fee rates for guarantee issuances after 2008, when coupled with the higher credit quality of the mortgages within our new guarantee issuances, will provide management and guarantee fee income, over the long term, that exceeds our anticipated credit-related and administrative expenses associated with the underlying loans. However, our management and guarantee fee rates associated with guarantee issuances in 2005 through 2008 have not been adequate to provide related income to cover the credit and administrative expenses associated with such loans. We also believe that the management and guarantee fees associated with originations after 2008 will not be sufficient to offset the future expenses associated with our 2005 to 2008 guarantee issuances. Consequently, we expect to continue reporting net losses for the Single-family Guarantee segment at least through 2011.

Key Metrics

The UPB of the Single-family Guarantee managed loan portfolio was $1.75 trillion at March 31, 2011 compared to $1.78 trillion at December 31, 2010. The slight decline in this portfolio was primarily attributable to liquidations of Freddie Mac mortgage-related securities, which are due to high levels of refinancing, and our repurchases of delinquent loans from PC pools during the first quarter of 2011. The annualized liquidation rate on our securitized single-family credit guarantees was 28.1% for the first quarter of 2011, compared to 34.7% in the first quarter of 2010.

Refinance volumes continued to be high due to continued low interest rates, and represented 85% of our single-family mortgage purchase volume during the first quarter of 2011. Relief refinance mortgages represented approximately 30% and 24% of our single-family mortgage purchase volume during the first quarters of 2011 and 2010, respectively. Due to increasing interest rates and improving economic conditions we believe that, overall and as a percentage of our

purchase volume, refinance loan volume should decline substantially, and mortgages originated for home purchases should increase during the remainder of 2011.

The serious delinquency rate on our single-family credit guarantee portfolio decreased slightly to 3.63% as of March 31, 2011 from 3.84% as of December 31, 2010 due to a high volume of loan modifications and foreclosure transfers, as well as a slowdown in new serious delinquencies. As of March 31, 2011, more than 40% of our single-family credit guarantee portfolio is comprised of mortgage loans originated after 2008. These new vintages reflect a combination of changes in underwriting practices and a higher composition of fixed-rate and refinanced mortgage products, and represent an increasingly large proportion of our single-family credit guarantee portfolio. The proportion of the portfolio represented by older vintages, which have a higher composition of loans with higher-risk characteristics, continues to decline principally due to liquidations resulting from repayments, payoffs, and refinancing activity as well as those resulting from foreclosure events and foreclosure alternatives. We currently expect that, over time, the replacement of older vintages should positively impact the serious delinquency rates and credit-related expenses of our single-family credit guarantee portfolio. However, the rate at which this replacement occurs has slowed in recent quarterly periods, due to a decline in the volume of home purchase mortgage originations and an increase in the proportion of relief refinance mortgage activity. Although the volume of new serious delinquencies declined in each of the last five quarters, our serious delinquency rate remains high, reflecting continued stress in the housing and labor markets.

Single-family credit losses as a percentage of the average balance of the single-family credit guarantee portfolio, increased to 71 basis points in the first quarter of 2011, compared to 62 basis points in the first quarter of 2010. Charge-offs, excluding recoveries, associated with single-family loans increased to $3.7 billion in the first quarter of 2011, compared to $3.4 billion in the first quarter of 2010, primarily due to a decline in home prices and increased short sale activity during the first quarter of 2011, partially offset by a lower volume of foreclosure transfers, as compared to the first quarter of 2010. See RISK MANAGEMENT Credit Risk *Mortgage Credit Risk* for further information on our single-family credit guarantee portfolio, including credit performance, charge-offs, and growth in the balance of our non-performing assets.

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Multifamily

Table 15 presents the Segment Earnings of our Multifamily segment.

Table 15 Segment Earnings and Key Metrics Multifamily[1]

	Three Months Ended March 31,	
	2011	2010
	(dollars in millions)	
Segment Earnings:		
Net interest income	$ 279	$ 238
Benefit (provision) for credit losses	60	(29)
Non-interest income:		
Management and guarantee income	28	24
Security impairments	(135)	(55)
Derivative gains (losses)	2	5
Other non-interest income	187	108
Total non-interest income	82	82
Non-interest expense:		
Administrative expenses	(51)	(54)
REO operations expense		(3)
Other non-interest expense	(13)	(17)
Total non-interest expense	(64)	(74)
Segment Earnings before income tax benefit	357	217
Income tax benefit	2	1
Segment Earnings, net of taxes, including noncontrolling interest	359	218
Less: Net (income) loss noncontrolling interest		3
Segment Earnings, net of taxes	359	221
Total other comprehensive income, net of taxes	942	1,692
Total comprehensive income	$ 1,301	$ 1,913
Key metrics Multifamily:		
Balances and Growth:		
Average balance of Multifamily loan portfolio	$ 85,779	$ 83,456
Average balance of Multifamily guarantee portfolio	$ 25,312	$ 18,179
Average balance of Multifamily investment securities portfolio	$ 62,842	$ 62,501
Liquidation rate Multifamily loan portfolio (annualized)	5.8%	2.5%
Growth rate (annualized)	3.6%	8.2%
Yield and Rate:		

Net interest yield Segment Earnings basis (annualized)	0.75%	0.65%
Average Management and guarantee fee rate, in bps (annualized)[2]	46.8	52.8
Credit:		
Delinquency rate[3]	0.36%	0.22%
Loan loss reserves at period end	$ 747	$ 842
Loan loss reserves, in bps	67.4	81.5
Credit losses, in bps (annualized)[4]	4.2	8.2

(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 15: SEGMENT REPORTING Table 15.2 Segment Earnings and Reconciliation to GAAP Results.

(2) Represents Multifamily Segment Earnings management and guarantee income, excluding prepayment and certain other fees, divided by the sum of the average balance of the multifamily guarantee portfolio and the average balance of guarantees associated with the HFA initiative, excluding certain bonds under the NIBP.

(3) See RISK MANAGEMENT Credit Risk *Mortgage Credit Risk Credit Performance Delinquencies* for information on our reported multifamily delinquency rate.

(4) Credit losses are equal to REO operations expenses plus charge-offs, net of recoveries, associated with multifamily mortgage loans. Calculated as the amount of credit losses divided by the sum of the combined average balances of our multifamily loan portfolio and multifamily guarantee portfolio.

Our total comprehensive income (loss) for our Multifamily segment was $1.3 billion and $1.9 billion for the first quarters of 2011 and 2010, respectively, consisting of: (a) Segment Earnings of $0.4 billion and $0.2 billion, respectively; and (b) $0.9 billion and $1.7 billion of changes in AOCI, respectively, primarily resulting from improved fair values related to credit risk on available-for-sale securities.

Segment Earnings for our Multifamily segment increased to $359 million for the first quarter of 2011 compared to $221 million for the first quarter of 2010, primarily due to increased net interest income and a recognized benefit for credit losses in the first quarter of 2011. We currently expect to generate positive Segment Earnings in the Multifamily segment in 2011.

Net interest income increased $41 million, or 17%, for the first quarter of 2011 compared to the first quarter of 2010, primarily attributable to growth in the multifamily loan portfolio with higher interest rates relative to allocated funding costs in the first quarter of 2011.

Segment Earnings non-interest income for the Multifamily segment was unchanged in the first quarter of 2011 compared to the first quarter of 2010. Within Segment Earnings non-interest income, we experienced higher security impairments on CMBS that were offset primarily by fair value gains on mortgage loans during the first quarter of 2011, compared to the first quarter of 2010. CMBS impairments during the first quarters of 2011 and 2010 totaled $135 million and $55 million, respectively. We recognized $83 million in gain on sales of $3.4 billion in UPB of multifamily loans during the first quarter of 2011, compared to $107 million of gain on sales of $1.8 billion in UPB of multifamily loans during the first quarter of 2010. Gains on sales of multifamily loans in the multifamily segment are presented net of changes in fair value due to changes in interest rates.

Multifamily market fundamentals, including vacancy rates and effective rents, continued to improve nationally and in most states and metropolitan areas during the first quarter of 2011. These improving fundamentals continued to help stabilize property values in a number of markets. While multifamily market fundamentals reflect positive trends for much of the nation, certain states in which we have substantial investments in multifamily mortgage loans, including Nevada, Arizona, and Georgia, continue to exhibit weaker than average fundamentals and elevated unemployment and may negatively impact our mortgage portfolio performance and may lead to additional non-performing assets. For further information on delinquencies, including geographical and other concentrations, see NOTE 17: CONCENTRATION OF CREDIT AND OTHER RISKS.

Our Multifamily segment recognized a benefit for credit losses of $60 million in the first quarter of 2011 compared to a provision for credit losses of $29 million in the first quarter of 2010. Our loan loss reserve associated with our multifamily mortgage portfolio was $747 million and $828 million as of March 31, 2011 and December 31, 2010, respectively. The decrease in our loan loss reserve in the first quarter of 2011 was driven by positive trends in vacancy rates and effective rents reflected over the past several consecutive quarters, as well as stabilizing or improved property values and improved borrower credit profiles. For loans where we identified deteriorating collateral performance characteristics, such as estimated current LTV ratio and DSCRs, we evaluate each individual loan, using estimates of property value, to determine if a specific loan loss reserve is needed. Although we use the most recently available results of our multifamily borrowers to assess a property s value, there may be a significant lag in reporting as they prepare their results in the normal course of business.

The delinquency rate for loans in the multifamily mortgage portfolio was 0.36% and 0.26% as of March 31, 2011 and December 31, 2010, respectively. As of March 31, 2011, our delinquent multifamily loans are concentrated in Georgia and Texas. Loans in these two states represented approximately 17% of the loans in our multifamily mortgage portfolio and approximately 37% of our multifamily delinquent loans, both on a UPB basis, as of March 31, 2011. As of March 31, 2011, approximately one-half of the multifamily loans, measured both in terms of number of loans and on a UPB basis, that were two or more monthly payments past due had credit enhancements that we currently believe will reduce our expected losses on those loans. The multifamily delinquency rate of credit-enhanced loans as of March 31, 2011 and December 31, 2010, was 0.75% and 0.85%, respectively, while the delinquency rate for non-credit-enhanced loans was 0.25% and 0.12%, respectively. See RISK MANAGEMENT Credit Risk *Mortgage Credit Risk Credit Performance Delinquencies* for further information about our reported multifamily delinquency rates, including factors that can positively impact such rates.

Multifamily credit losses as a percentage of the combined average balance of our multifamily loan and guarantee portfolios decreased from 8.2 basis points in the first quarter of 2010 to 4.2 basis points in the first quarter of 2011, driven by decreased charge-offs and REO operations expense for the first quarter of 2011. Charge-offs, excluding recoveries, associated with multifamily loans declined to $12 million in the first quarter of 2011, compared to $18 million in the first quarter of 2010, due to a lower number of foreclosures in the 2011 period. Although our charge-offs were low for the first quarter of 2011, we expect that our charge-offs will increase in the remainder of 2011.

The UPB of the total multifamily portfolio increased to $173.5 billion at March 31, 2011 from $169.5 billion at December 31, 2010, due primarily to increased guarantees of securities issued during the first quarter of 2011 as part of our CME securitization program as well as the transfer of certain housing revenue bonds to the Multifamily Segment that were previously managed by the Investments segment. We issued $3.0 billion and $3.2 billion of Freddie Mac mortgage-related securities and other guarantee commitments related to multifamily mortgage loans in the first quarters of 2011 and 2010, respectively. Increased competition in certain markets has exerted and may continue to exert downward pressure on pricing and credit for new activity in the remainder of 2011, and could negatively impact our future purchase volumes. Our primary multifamily business strategy in 2011 is to purchase loans and subsequently securitize them under our CME securitization program, which supports liquidity for the multifamily market and affordability for multifamily rental housing.

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CONSOLIDATED BALANCE SHEETS ANALYSIS

The following discussion of our consolidated balance sheets should be read in conjunction with our consolidated financial statements, including the accompanying notes. Also, see CRITICAL ACCOUNTING POLICIES AND ESTIMATES for more information concerning our more 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 commercial banks that are members of the Federal Reserve System. 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 related to our consolidated VIEs are comprised primarily of restricted cash and cash equivalents and investments in securities purchased under agreements to resell. These short-term assets related to our consolidated VIEs decreased by $19.9 billion from December 31, 2010 to March 31, 2011, primarily due to a relative decline in refinancing activities as a result of the increase in mortgage rates during the period.

Excluding amounts related to our consolidated VIEs, we held $34.3 billion and $37.0 billion of cash and cash equivalents, $5.8 billion and $1.4 billion of federal funds sold, and $20.5 billion and $15.8 billion of securities purchased under agreements to resell at March 31, 2011 and December 31, 2010, respectively. The aggregate increase in these assets is largely related to an increase in forecasted debt redemptions. In addition, excluding amounts related to our consolidated VIEs, we held on average $32.0 billion of cash and cash equivalents and $28.6 billion of federal funds sold and securities purchased under agreements to resell during the three months ended March 31, 2011.

Investments in Securities

Table 16 provides detail regarding our investments in securities as of March 31, 2011 and December 31, 2010. Table 16 does not include our holdings of single-family PCs and certain Other Guarantee Transactions. For information on our holdings of such securities, see Table 11 Segment Mortgage Portfolio Composition.

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Table 16 Investments in Securities

	Fair Value	
	March 31, 2011	December 31, 2010
	(in millions)	
Investments in securities:		
Available-for-sale:		
Available-for-sale mortgage-related securities:		
Freddie Mac[1]	$ 85,744	$ 85,689
Subprime	33,344	33,861
CMBS	57,944	58,087
Option ARM	6,989	6,889
Alt-A and other	12,937	13,168
Fannie Mae	22,844	24,370
Obligations of states and political subdivisions	8,875	9,377
Manufactured housing	878	897
Ginnie Mae	283	296
Total available-for-sale mortgage-related securities	229,838	232,634
Total investments in available-for-sale securities	229,838	232,634
Trading:		
Trading mortgage-related securities:		
Freddie Mac[1]	15,951	13,437
Fannie Mae	18,586	18,726
Ginnie Mae	167	172
Other	26	31
Total trading mortgage-related securities	34,730	32,366
Trading non-mortgage-related securities:		
Asset-backed securities	94	44
Treasury bills	9,397	17,289
Treasury notes	16,123	10,122
FDIC-guaranteed corporate medium-term notes	1,009	441
Total trading non-mortgage-related securities	26,623	27,896
Total investments in trading securities	61,353	60,262
Total investments in securities	$ 291,191	$ 292,896

(1)

For information on the types of instruments that are included, see NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Investments in Securities in our 2010 Annual Report.

Non-Mortgage-Related Securities

Our investments in non-mortgage-related securities provide an additional source of liquidity for us. We held investments in non-mortgage-related securities of $26.6 billion and $27.9 billion as of March 31, 2011 and December 31, 2010, respectively. Our holdings of non-mortgage-related securities at March 31, 2011 decreased slightly compared to December 31, 2010 while continuing to meet required liquidity and contingency levels.

We did not hold any available-for-sale non-mortgage-related securities during the three months ended March 31, 2011 and did not record a net impairment of available-for-sale securities recognized in earnings during the three months ended March 31, 2010 on our non-mortgage-related securities.

Mortgage-Related Securities

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

Table 17 provides the UPB of our investments in mortgage-related securities classified as available-for-sale or trading on our consolidated balance sheets. Table 17 does not include our holdings of single-family PCs and certain Other Guarantee Transactions. For further information on our holdings of such securities, see Table 11 Segment Mortgage Portfolio Composition.

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

	March 31, 2011			December 31, 2010		
	Fixed Rate	Variable Rate[1]	Total	Fixed Rate	Variable Rate[1]	Total
			(in millions)			
Freddie Mac mortgage-related securities:[2]						
Single-family	$ 81,067	$ 9,018	$ 90,085	$ 79,955	$ 8,118	$ 88,073
Multifamily	503	1,694	2,197	339	1,756	2,095
Total Freddie Mac mortgage-related securities	81,570	10,712	92,282	80,294	9,874	90,168
Non-Freddie Mac mortgage-related securities:						
Agency securities:[3]						
Fannie Mae:						
Single-family	20,732	17,140	37,872	21,238	18,139	39,377
Multifamily	163	87	250	228	88	316
Ginnie Mae:						
Single-family	284	114	398	296	117	413
Multifamily	27		27	27		27
Total agency securities	21,206	17,341	38,547	21,789	18,344	40,133
Non-agency mortgage-related securities:						
Single-family:[4]						
Subprime	351	52,492	52,843	363	53,855	54,218
Option ARM		15,232	15,232		15,646	15,646
Alt-A and other	2,333	15,977	18,310	2,405	16,438	18,843
CMBS	21,002	36,857	57,859	21,401	37,327	58,728
Obligations of states and political subdivisions[5]	9,359	24	9,383	9,851	26	9,877
Manufactured housing	904	145	1,049	930	150	1,080
Total non-agency mortgage-related securities[6]	33,949	120,727	154,676	34,950	123,442	158,392
Total UPB of mortgage-related securities	$ 136,725	$ 148,780	285,505	$ 137,033	$ 151,660	288,693
Premiums, discounts, deferred fees, impairments of UPB and			(11,959)			(11,839)

other basis adjustments		
Net unrealized (losses) on mortgage-related securities, pre-tax	(8,978)	(11,854)
Total carrying value of mortgage-related securities	$ 264,568	$ 265,000

(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) 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. We do not consolidate our resecuritization trusts since we are not deemed to be the primary beneficiary of such trusts. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Investments in Securities in our 2010 Annual Report for further information.
(3) Agency securities are generally not separately rated by nationally recognized statistical rating organizations, but are 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 22 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 50% of these securities held at both March 31, 2011 and December 31, 2010 were AAA-rated as of those dates, based on 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 22% and 23% of total non-agency mortgage-related securities held at March 31, 2011 and December 31, 2010, respectively, were AAA-rated as of those dates, based on the UPB and the lowest rating available.

The total UPB of our investments in mortgage-related securities on our consolidated balance sheets decreased from $288.7 billion at December 31, 2010 to $285.5 billion at March 31, 2011 primarily as a result of liquidations exceeding our purchase activity during the three months ended March 31, 2011.

Table 18 summarizes our mortgage-related securities purchase activity for the three months ended March 31, 2011 and 2010. The purchase activity includes single-family PCs and certain Other Guarantee Transactions issued by trusts that we consolidated. Purchases of single-family PCs and certain Other Guarantee Transactions issued by trusts that we consolidated are recorded as an extinguishment of debt securities of consolidated trusts held by third parties on our consolidated balance sheets.

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

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
	(in millions)			
Non-Freddie Mac mortgage-related securities purchased for resecuritization:				
Ginnie Mae Certificates	$	16	$	13
Non-agency mortgage-related securities purchased for Other Guarantee Transactions[2]		2,879		5,621
Total Non-Freddie Mac mortgage-related securities purchased for resecuritization		2,895		5,634
Non-Freddie Mac mortgage-related securities purchased as investments in securities:				
Agency securities:				
Fannie Mae:				
Fixed-rate		1,019		
Variable-rate		168		47
Total agency securities		1,187		47
Total non-Freddie Mac mortgage-related securities purchased as investments in securities		1,187		47
Total non-Freddie Mac mortgage-related securities purchased	$	4,082	$	5,681
Freddie Mac mortgage-related securities purchased:				
Single-family:				
Fixed-rate	$	36,679	$	4,840
Variable-rate		2,542		203
Multifamily:				
Fixed-rate		25		25
Variable-rate				31
Total Freddie Mac mortgage-related securities purchased	$	39,246	$	5,099

(1) Based on UPB. Excludes mortgage-related securities traded but not yet settled.
(2) Purchases for the three months ended March 31, 2010 include HFA bonds we acquired and resecuritized under the NIBP. See NOTE 3: CONSERVATORSHIP AND RELATED MATTERS in our 2010 Annual Report for further information on this component of the HFA Initiative.

We did not purchase any non-agency mortgage-related securities during the first quarters of 2011 or 2010, other than purchases for resecuritization as Other Guarantee Transactions.

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

At March 31, 2011, our gross unrealized losses, pre-tax, on available-for-sale mortgage-related securities were $20.2 billion, compared to $23.1 billion at December 31, 2010. This improvement in unrealized losses was primarily due to an increase in fair value on non-agency mortgage-related securities, as spreads tightened on CMBS, coupled with fair value gains related to the movement of non-agency mortgage-related securities with unrealized losses towards maturity. Additionally, net unrealized losses recorded in AOCI decreased due to the recognition in earnings of other-than-temporary impairments on our non-agency mortgage-related securities. We believe the unrealized losses related to these securities at March 31, 2011 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 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. Tables 19 and 20 present information about our holdings of these 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.

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

	As of				
	3/31/2011	12/31/2010	09/30/2010	06/30/2010	03/31/2010
	(dollars in millions)				
UPB:					
Subprime first lien	$ 52,403	$ 53,756	$ 55,250	$ 56,922	$ 58,912
Option ARM	15,232	15,646	16,104	16,603	17,206
Alt-A[2]	15,487	15,917	16,406	16,909	17,476
Gross unrealized losses, pre-tax:[3]					
Subprime first lien	$ 12,481	$ 14,026	$ 16,446	$ 17,757	$ 18,462
Option ARM	3,170	3,853	4,815	5,770	6,147
Alt-A[2]	1,941	2,096	2,542	3,335	3,539
Present value of expected credit losses:					
Subprime first lien	$ 6,612	$ 5,937	$ 4.364	$ 3,311	$ 4,444
Option ARM	4,993	4,850	4,208	3,534	3,769
Alt-A[2]	2,401	2,469	2,101	1,653	1,635
Collateral delinquency rate:[4]					
Subprime first lien	44%	45%	45%	46%	49%
Option ARM	44	44	44	45	46
Alt-A[2]	26	27	26	26	27
Cumulative collateral loss:[5]					
Subprime first lien	19%	18%	17%	16%	15%
Option ARM	14	13	11	10	9
Alt-A[2]	7	6	6	5	5
Average credit enhancement:[6]					
Subprime first lien	24%	25%	25%	26%	28%
Option ARM	11	12	12	13	15
Alt-A[2]	8	9	9	10	10

(1) See *Ratings of Non-Agency Mortgage-Related Securities* for additional information about these securities.
(2) Excludes non-agency mortgage-related securities backed by other loans, which are primarily comprised of securities backed by home equity lines of credit.
(3) Represents the aggregate of the amount by which amortized cost, after other-than-temporary impairments, exceeds fair value measured at the individual lot level.
(4) 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.
(5) 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 first lien, option ARM, and Alt-A loans were structured to include credit enhancements, particularly through subordination and other structural enhancements.
(6) 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 monoline bond insurance, overcollateralization and other forms of credit enhancement.

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

	Three Months Ended				
	3/31/2011	12/31/2010	09/30/2010	06/30/2010	03/31/2010
	(in millions)				
Net impairment of available-for-sale securities recognized in earnings:					
Subprime first and second liens	$ 734	$ 1,207	$ 213	$ 17	$ 332
Option ARM	281	668	577	48	102
Alt-A and other	40	372	296	333	19
Principal repayments and cash shortfalls:(2)					
Subprime first and second liens:					
Principal repayments	$ 1,361	$ 1,512	$ 1,685	$ 2,001	$ 2,117
Principal cash shortfalls	14	6	8	12	13
Option ARM:					
Principal repayments	$ 315	$ 347	$ 377	$ 435	$ 449
Principal cash shortfalls	100	111	122	80	32
Alt-A and other:					
Principal repayments	$ 452	$ 537	$ 582	$ 653	$ 617
Principal cash shortfalls	81	62	56	67	22

(1) See *Ratings of Non-Agency Mortgage-Related Securities* for additional information about these securities.
(2) In addition to the contractual interest payments, we receive monthly remittances of principal repayments from both the recoveries of liquidated loans and, to a lesser extent, voluntary repayments of the underlying collateral of these securities representing a partial return of our investment in these securities.

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As discussed below, we recognized impairment in earnings on our holdings of such securities during the three months ended March 31, 2011 and 2010. See Table 21 Net Impairment on Available-For-Sale Mortgage-Related Securities Recognized in Earnings for more information.

For purposes of our impairment analysis, our estimate of the present value of expected future credit losses on our portfolio of non-agency mortgage-related securities increased to $15.2 billion at March 31, 2011 from $14.3 billion at December 31, 2010. All of this amount has been reflected in our net impairment of available-for-sale securities recognized in earnings in this and prior periods. The increase in our estimate of the present value of expected future credit losses resulted primarily from our expectation of slower prepayments, and to a lesser extent from deteriorating delinquency data on the underlying loans, decreases in actual and forward home prices, and higher forward interest rates.

Since the beginning of 2007, we have incurred actual principal cash shortfalls of $903 million on impaired non-agency mortgage-related securities, of which $199 million related to the three months ended March 31, 2011. 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. We currently estimate that the future expected principal and interest shortfalls on non-agency mortgage-related securities we hold will be significantly less than the fair value declines experienced on these securities.

The investments in non-agency mortgage-related securities we hold backed by subprime first lien, option ARM, and Alt-A loans were 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 reasons we expect our actual losses, through principal or interest shortfalls, to be less than the underlying collateral losses in aggregate. It is difficult to estimate the point at which structural credit enhancements will be exhausted. During the three months ended March 31, 2011, we continued to experience the depletion of structural credit enhancements on selected securities backed by subprime first lien, option ARM, and Alt-A loans due to poor performance of the underlying collateral. For more information, see RISK MANAGEMENT Credit Risk *Institutional Credit Risk Bond Insurers*.

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

Table 21 provides information about the mortgage-related securities for which we recognized other-than-temporary impairments for the three months ended March 31, 2011 and 2010.

Table 21 Net Impairment on Available-For-Sale Mortgage-Related Securities Recognized in Earnings

	Three Months Ended			
	March 31, 2011		March 31, 2010	
	UPB	Net Impairment of Available-For-Sale Securities Recognized in Earnings	UPB	Net Impairment of Available-For-Sale Securities Recognized in Earnings
	(in millions)			
Subprime:				

2006 & 2007 first lien	$ 34,370	$ 712	$ 19,084	$ 317
Other years first and second liens[1]	1,089	22	643	15
Total subprime first and second liens[1]	35,459	734	19,727	332
Option ARM:				
2006 & 2007	9,929	232	7,251	88
Other years	2,170	49	223	14
Total option ARM	12,099	281	7,474	102
Alt-A:				
2006 & 2007	2,416	15	1,625	9
Other years	3,728	23	292	2
Total Alt-A	6,144	38	1,917	11
Other loans	520	2	491	8
Total subprime, option ARM, Alt-A and other loans	54,222	1,055	29,609	453
CMBS	1,404	135	1,629	55
Manufactured housing	314	3	83	2
Total available-for-sale mortgage-related securities	$ 55,940	$ 1,193	$ 31,321	$ 510

(1) Includes all second liens.

We recorded net impairment of available-for-sale mortgage-related securities recognized in earnings of $1.2 billion and $510 million during the three months ended March 31, 2011 and 2010, respectively, as our estimate of the present value of expected future credit losses on certain individual securities increased during the periods. Included in these net

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impairments are $1.1 billion and $453 million of impairments related to securities backed by subprime, option ARM, and Alt-A and other loans during the three months ended March 31, 2011 and 2010, respectively.

The credit performance of loans underlying our holdings of non-agency mortgage-related securities has declined since 2007. This decline has been particularly severe for subprime, option ARM, and Alt-A and other loans. Economic factors impacting the performance of our investments in non-agency mortgage-related securities include high unemployment, a large inventory of seriously delinquent mortgage loans and unsold homes, tight credit conditions, and weak consumer confidence, which contributed to poor performance during the three months ended March 31, 2011 and 2010. In addition, subprime, option ARM, and Alt-A and other loans backing the securities we hold have significantly greater concentrations in the states that are undergoing the greatest economic stress, such as California and Florida. Loans in these states undergoing economic stress 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 monoline 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 monoline bond insurers ability to pay our future claims on expected credit losses related to our non-agency mortgage-related security investments. This uncertainty contributed to the impairments recognized in earnings during the three months ended March 31, 2011 and 2010. See NOTE 17: CONCENTRATION OF CREDIT AND OTHER RISKS Bond Insurers for additional information.

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 March 31, 2011. Based on our conclusion that we do not intend to sell our remaining available-for-sale mortgage-related securities in an unrealized loss position 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 March 31, 2011 and as such has been recorded in AOCI.

Our assessments concerning other-than-temporary impairment require significant judgment and the use of models, and are subject to potentially significant change due to changes in the performance of the individual securities and in mortgage market conditions. Depending on the structure of the individual mortgage-related security and our estimate of collateral losses relative to the amount of credit support available for the tranches we own, a change in collateral loss estimates can have a disproportionate impact on the loss estimate for the security. Additionally, servicer performance, loan modification programs and backlogs, bankruptcy reform and other forms of government intervention in the housing market can significantly affect the performance of these securities, including the timing of loss recognition of the underlying loans and thus the timing of losses we recognize on our securities. Foreclosure processing suspensions can also affect our losses. For example, while defaulted loans remain in the trusts prior to completion of the foreclosure process, the subordinate classes of securities issued by the securitization trusts may continue to receive interest payments, rather than absorbing default losses. This may reduce the amount of funds available for the tranches we own. Given the extent of the housing and economic downturn, 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 how delays in the foreclosure process, including delays related to concerns about deficiencies in foreclosure documentation practices, could adversely affect the values of, and the losses on, the non-agency mortgage-related securities we hold, see RISK FACTORS Operational Risks *We have incurred and will continue to incur expenses and we may otherwise be adversely affected by deficiencies in foreclosure practices, as well as related delays in the foreclosure process* in our 2010 Annual Report.

Ratings of Non-Agency Mortgage-Related Securities

Table 22 shows the ratings of non-agency mortgage-related securities backed by subprime, option ARM, Alt-A and other loans, and CMBS held at March 31, 2011 based on their ratings as of March 31, 2011 as well as those held at December 31, 2010 based on their ratings as of December 31, 2010 using the lowest rating available for each security.

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

Credit Ratings as of March 31, 2011	UPB	Percentage of UPB	Amortized Cost	Gross Unrealized Losses	Monoline Insurance Coverage[1]
	(dollars in millions)				
Subprime loans:					
AAA-rated	$ 1,433	3%	$ 1,433	$ (97)	$ 23
Other investment grade	3,069	6	3,069	(367)	400
Below investment grade[2]	48,341	91	41,328	(12,029)	1,779
Total	$ 52,843	100%	$ 45,830	$ (12,493)	$ 2,202
Option ARM loans:					
AAA-rated	$	%	$	$	$
Other investment grade	116	1	116	(13)	116
Below investment grade[2]	15,116	99	10,018	(3,157)	48
Total	$ 15,232	100%	$ 10,134	$ (3,170)	$ 164
Alt-A and other loans:					
AAA-rated	$ 769	4%	$ 773	$ (43)	$ 7
Other investment grade	2,198	12	2,217	(268)	353
Below investment grade[2]	15,343	84	12,105	(1,904)	2,365
Total	$ 18,310	100%	$ 15,095	$ (2,215)	$ 2,725
CMBS:					
AAA-rated	$ 27,331	47%	$ 27,386	$ (27)	$ 42
Other investment grade	26,525	46	26,496	(468)	1,654
Below investment grade[2]	4,003	7	3,577	(998)	1,702
Total	$ 57,859	100%	$ 57,459	$ (1,493)	$ 3,398
Total subprime, option ARM, Alt-A and other loans, and CMBS:					
AAA-rated	$ 29,533	21%	$ 29,592	$ (167)	$ 72
Other investment grade	31,908	22	31,898	(1,116)	2,523
Below investment grade[2]	82,803	57	67,028	(18,088)	5,894
Total	$ 144,244	100%	$ 128,518	$ (19,371)	$ 8,489
Total investments in mortgage-related securities	$ 285,505				

Percentage of subprime, option ARM, Alt-A and other loans, and CMBS of total investments in mortgage-related securities	51%				

Credit Ratings as of December 31, 2010					
Subprime loans:					
AAA-rated	$ 2,085	4%	$ 2,085	$ (199)	$ 31
Other investment grade	3,407	6	3,408	(436)	449
Below investment grade[2]	48,726	90	42,423	(13,421)	1,789
Total	$ 54,218	100%	$ 47,916	$ (14,056)	$ 2,269
Option ARM loans:					
AAA-rated	$	%	$	$	$
Other investment grade	139	1	140	(18)	129
Below investment grade[2]	15,507	99	10,586	(3,835)	50
Total	$ 15,646	100%	$ 10,726	$ (3,853)	$ 179
Alt-A and other loans:					
AAA-rated	$ 1,293	7%	$ 1,301	$ (87)	$ 7
Other investment grade	2,761	15	2,765	(362)	368
Below investment grade[2]	14,789	78	11,498	(2,002)	2,443
Total	$ 18,843	100%	$ 15,564	$ (2,451)	$ 2,818
CMBS:					
AAA-rated	$ 28,007	48%	$ 28,071	$ (52)	$ 42
Other investment grade	26,777	45	26,740	(676)	1,655
Below investment grade[2]	3,944	7	3,653	(1,191)	1,704
Total	$ 58,728	100%	$ 58,464	$ (1,919)	$ 3,401
Total subprime, option ARM, Alt-A and other loans, and CMBS:					
AAA-rated	$ 31,385	21%	$ 31,457	$ (338)	$ 80
Other investment grade	33,084	23	33,053	(1,492)	2,601
Below investment grade[2]	82,966	56	68,160	(20,449)	5,986
Total	$ 147,435	100%	$ 132,670	$ (22,279)	$ 8,667
Total investments in mortgage-related securities	$ 288,693				
Percentage of subprime, option ARM, Alt-A and other loans, and CMBS of total investments in mortgage-related securities	51%				

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

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

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Mortgage Loans

The UPB of mortgage loans on our consolidated balance sheet increased to $1,888 billion as of March 31, 2011 from $1,885 billion as of December 31, 2010. See NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES for further detail about the mortgage loans on our consolidated balance sheets.

The UPB of unsecuritized single-family mortgage loans increased by $7.3 billion, to $156.2 billion at March 31, 2011 from $148.9 billion at December 31, 2010, primarily due to our purchases of seriously delinquent and modified loans from the mortgage pools underlying our PCs. As guarantor, we have the right to purchase mortgages that back our PCs from the underlying loan pools when they are significantly past due or when we determine that loss of the property is likely or default by the borrower is imminent due to borrower incapacity, death or other extraordinary circumstances that make future payments unlikely or impossible. This right to repurchase mortgages is known as our repurchase option, and we also exercise this option when we modify a mortgage. See NOTE 5: INDIVIDUALLY IMPAIRED AND NON-PERFORMING LOANS for more information on our purchases of single-family loans from PC pools.

The UPB of unsecuritized multifamily mortgage loans was $84.2 billion at March 31, 2011 and $85.9 billion at December 31, 2010. Our multifamily loan activity in the first quarters of 2011 and 2010 primarily consisted of purchases of loans intended for securitization and sales through Other Guarantee Transactions as part of our CME securitization program. We expect to continue to purchase and subsequently securitize multifamily loans in 2011 under our CME securitization program, which supports liquidity for the multifamily market and affordability for multifamily rental housing, as our primary multifamily business strategy in 2011.

Table 23 summarizes our purchase and guarantee activity in mortgage loans for the three months ended March 31, 2011 and 2010. This activity consists of: (a) mortgage loans underlying consolidated single-family PCs and certain Other Guarantee Transactions (regardless of whether such securities are held by us or third parties); (b) unsecuritized single-family and multifamily mortgage loans; and (c) mortgage loans underlying our mortgage-related financial guarantees which are not consolidated on our balance sheets.

Table 23 Mortgage Loan Purchase and Other Guarantee Commitment Activity[1]

	Three Months Ended March 31,			
	2011		2010	
	Purchase Amount	% of Purchases	Purchase Amount	% of Purchases
	(dollars in millions)			
Mortgage loan purchases and guarantee issuances:				
Single-family:				
30-year or more amortizing fixed-rate	$ 62,898	62%	$ 65,614	72%
20-year amortizing fixed-rate	6,715	7	3,358	4
15-year amortizing fixed-rate	22,110	22	15,114	17
Adjustable-rate[2]	5,741	6	1,858	2
Interest-only[3]			321	<1
FHA/VA and other governmental	87	<1	2,783	3
Total single-family[4]	97,551	97%	89,048	98%

Multifamily	3,049	3	2,113	2
Total mortgage loan purchases and other guarantee commitment activity[5]	$ 100,600	100%	$ 91,161	100%
Percentage of mortgage purchases and other guarantee commitment activity with credit enhancements[6]	7%		13%	

(1) Based on UPB. Excludes mortgage loans traded but not yet settled. Excludes net additions of seriously delinquent loans and balloon/reset mortgages purchased out of PC pools. Includes other guarantee commitments associated with mortgage loans. See endnote (5) for further information.
(2) Includes amortizing ARMs with 1-, 3-, 5-, 7- and 10-year initial fixed-rate periods. We did not purchase any option ARM loans during the first quarter of 2011 or 2010.
(3) Represents loans where the borrower pays interest only for a period of time before the borrower begins making principal payments. Includes both fixed-rate and variable-rate interest-only loans.
(4) Includes $7.3 billion and $5.9 billion of mortgage loans in excess of $417,000, which we refer to as conforming jumbo mortgages, for the three months ended March 31, 2011 and 2010, respectively.
(5) Includes issuances of other guarantee commitments on single-family loans of $1.8 billion and $2.8 billion and issuances of other guarantee commitments on multifamily loans of $0.2 billion and $0.6 billion during the three months ended March 31, 2011 and 2010, respectively, which include our unsecuritized guarantees of HFA bonds under the TCLFP in the first quarter of 2010.
(6) 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 single-family credit guarantee portfolio.

See RISK MANAGEMENT Credit Risk *Mortgage Credit Risk* and NOTE 17: CONCENTRATION OF CREDIT AND OTHER RISKS Table 17.2 Certain Higher-Risk Categories in the Single-Family Credit Guarantee Portfolio for information about 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 derivative purchases, terminations, or assignments prior to contractual maturity and expiration of the derivatives at their contractual maturity. We classify net derivative interest receivable or payable, trade/settle receivable or payable, and cash collateral held or posted on our consolidated balance sheets to derivative assets, net and derivative liabilities, net. See NOTE 11: DERIVATIVES for additional information regarding our derivatives.

At March 31, 2011, the net fair value of our total derivative portfolio was $(0.7) billion, as compared to $(1.1) billion at December 31, 2010. The increase in the net fair value of our total derivative portfolio was primarily due to increasing longer-term swap interest rates. See NOTE 11: DERIVATIVES Table 11.1 Derivative Assets and Liabilities at Fair Value for our notional or contractual amounts and related fair values of our total derivative portfolio by product type at March 31, 2011 and December 31, 2010. Also see CONSOLIDATED RESULTS OF OPERATIONS Non-Interest Income (Loss) *Derivative Gains (Losses)* for a description of gains (losses) on our derivative positions.

Table 24 shows the fair value for each derivative type and the maturity profile of our derivative positions as of March 31, 2011. A positive fair value in Table 24 for each derivative type is the estimated amount, prior to netting by counterparty, that we would be entitled to receive if the derivatives of that type were terminated. A negative fair value for a derivative type is the estimated amount, prior to netting by counterparty, that we would owe if the derivatives of that type were terminated. See Table 30 Derivative Counterparty Credit Exposure for additional information regarding derivative counterparty credit exposure. Table 24 also provides the weighted average fixed rate of our pay-fixed and receive-fixed swaps.

Table 24 Derivative Fair Values and Maturities

	March 31, 2011					
			Fair Value[1]			
	Notional or Contractual Amount[2]	Total Fair Value[3]	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	$ 230,197	$ 432	$ 185	$ 262	$ 272	$ (287)
Weighted average fixed rate[4]			1.36%	1.18%	2.42%	3.68%
Forward-starting swaps[5]	19,596	141		8	(1)	134
Weighted average fixed rate[4]				1.37%	1.57%	4.50%
Total receive-fixed	249,793	573	185	270	271	(153)
Basis (floating to floating)	3,375	3			3	
Pay-fixed:						
Swaps	299,011	(13,473)	(178)	(1,144)	(2,761)	(9,390)
Weighted average fixed rate[4]			3.21%	2.44%	3.24%	4.07%
Forward-starting swaps[5]	31,004	(2,682)				(2,682)
Weighted average fixed rate[4]						4.96%
Total pay-fixed	330,015	(16,155)	(178)	(1,144)	(2,761)	(12,072)
Total interest-rate swaps	583,183	(15,579)	7	(874)	(2,487)	(12,225)
Option-based:						
Call swaptions						
Purchased	104,850	7,172	3,319	1,127	1,340	1,386
Written	23,775	(566)	(4)	(415)	(147)	
Put swaptions						
Purchased	60,475	1,819	56	615	462	686
Written	6,000	(1)	(1)			
Other option-based derivatives[6]	44,884	1,388	(4)			1,392
Total option-based	239,984	9,812	3,366	1,327	1,655	3,464
Futures	157,197	(97)	(97)			
Foreign-currency swaps	2,138	281	88	193		
Commitments[7]	15,877					
Swap guarantee derivatives	3,731	(36)		(1)	(1)	(34)

Subtotal	1,002,110	(5,619)	$ 3,364	$ 645	$ (833)	$ (8,795)
Credit derivatives	11,664	2				
Subtotal	1,013,774	(5,617)				
Derivative interest receivable (payable), net		(1,596)				
Trade/settle receivable (payable), net		3				
Derivative collateral (held) posted, net		6,518				
Total	$ 1,013,774	$ (692)				

(1) Fair value is categorized based on the period from March 31, 2011 until the contractual maturity of the derivative.
(2) Notional or contractual amounts are used to calculate the periodic settlement amounts to be received or paid and generally do not represent actual amounts to be exchanged. Notional or contractual amounts are not recorded as assets or liabilities on our consolidated balance sheets.
(3) The value of derivatives on our consolidated balance sheets is reported as derivative assets, net and derivative liabilities, net, and includes derivative interest receivable or (payable), net, trade/settle receivable or (payable), net and derivative cash collateral (held) or posted, net.
(4) Represents the notional weighted average rate for the fixed leg of the swaps.
(5) Represents interest-rate swap agreements that are scheduled to begin on future dates ranging from less than one year to fifteen years.
(6) Primarily includes purchased interest rate caps and floors.
(7) Commitments include: (a) our commitments to purchase and sell investments in securities; (b) our commitments to purchase mortgage loans; and (c) our commitments to purchase and extinguish or issue debt securities of our consolidated trusts.

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Table 25 summarizes the changes in derivative fair values.

Table 25 Changes in Derivative Fair Values

	Three Months Ended March 31,(1)	
	2011	2010
	(in millions)	
Beginning balance, at January 1 Net asset (liability)	$ (6,560)	$ (2,267)
Net change in:		
Commitments(2)	20	10
Credit derivatives	(5)	(2)
Swap guarantee derivatives		(1)
Other derivatives:(3)		
Changes in fair value	986	(3,302)
Fair value of new contracts entered into during the period(4)	233	56
Contracts realized or otherwise settled during the period	(291)	380
Ending balance, at December 31 Net asset (liability)	$ (5,617)	$ (5,126)

(1) The value of derivatives on our consolidated balance sheets is reported as derivative assets, net and derivative liabilities, net, and includes derivative interest receivable (payable), net, trade/settle receivable (payable), net and derivative cash collateral (held) posted, net. Refer to Table 24 Derivative Fair Values and Maturities for reconciliation of fair value to the amounts presented on our consolidated balance sheets as of March 31, 2011. Fair value excludes derivative interest receivable or (payable), net of $(1.5) billion, trade/settle receivable or (payable), net of $3 million, and derivative cash collateral posted, net of $5.7 billion at March 31, 2010.
(2) Commitments include: (a) our commitments to purchase and sell investments in securities; (b) our commitments to purchase mortgage loans; and (c) our commitments to purchase and extinguish or issue debt securities of our consolidated trusts.
(3) Includes fair value changes for interest-rate swaps, option-based derivatives, futures, and foreign-currency swaps.
(4) Consists primarily of cash premiums paid or received on options.

REO, Net

As a result of borrower default on mortgage loans that we own, or for which we have issued our financial guarantee, we acquire properties which are recorded as REO assets on our consolidated balance sheets. The balance of our REO, net, declined to $6.4 billion at March 31, 2011 from $7.1 billion at December 31, 2010. The pace of our REO acquisitions temporarily slowed beginning in the fourth quarter of 2010 due to delays in the foreclosure process, including delays related to concerns about deficiencies in foreclosure documentation practices. These delays in foreclosures continued in the first quarter of 2011, particularly in states that require a judicial foreclosure process. While foreclosure proceedings generally resumed during the first quarter of 2011, the rate of foreclosure completion is slower than prior to the suspensions. We expect our REO inventory to grow in the remainder of 2011. See RISK MANAGEMENT Credit Risk *Mortgage Credit Risk Credit Performance Non-Performing Assets* for additional information about our REO activity.

Deferred Tax Assets, Net

In connection with our entry into conservatorship, we determined that it was more likely than not that a portion of our net deferred tax assets would not be realized due to our inability to generate sufficient taxable income and, therefore, we recorded a valuation allowance. After evaluating all available evidence, including our losses, the events and developments related to our conservatorship, volatility in the economy, and related difficulty in forecasting future profit levels, we reached a similar conclusion in all subsequent quarters, including in the first quarter of 2011. Our valuation allowance decreased by $91 million during the first quarter of 2011 to $33.3 billion, primarily due to the reversal of temporary differences during the period. As of March 31, 2011, after consideration of the valuation allowance, we had a net deferred tax asset of $4.5 billion, primarily representing the tax effect of unrealized losses on our available-for-sale securities. We believe the deferred tax asset related to these unrealized losses is more likely than not to be realized because of our assertion that we have the intent and ability to hold our available-for-sale securities until any temporary unrealized losses are recovered.

IRS Examinations

The IRS completed its examinations of tax years 1998 to 2007. We received Statutory Notices from the IRS assessing $3.0 billion of additional income taxes and penalties for the 1998 to 2005 tax years. We filed a petition with the U.S. Tax Court on October 22, 2010 in response to the Statutory Notices. The principal matter of controversy involves questions of timing and potential penalties regarding our tax accounting method for certain hedging transactions. The IRS responded to our petition with the U.S. Tax Court on December 21, 2010. We currently believe adequate reserves have been provided for settlement on reasonable terms. For additional information, see NOTE 13: INCOME TAXES.

Other Assets

Other assets consist of the guarantee asset related to non-consolidated trusts and other guarantee commitments, accounts and other receivables, and other miscellaneous assets. Other assets decreased to $8.1 billion as of March 31, 2011 from $10.9 billion as of December 31, 2010 primarily because of a decrease in servicer receivables resulting from lower loan liquidations on mortgage loans held by consolidated trusts. See NOTE 21: SELECTED FINANCIAL STATEMENT LINE ITEMS for additional information.

Total Debt, Net

PCs and Other Guarantee Transactions issued by our consolidated trusts and held by third parties are recognized as debt securities of consolidated trusts held by third parties on our consolidated balance sheets. Debt securities of consolidated trusts held by third parties represents our liability to third parties that hold beneficial interests in our consolidated trusts. The debt securities of our consolidated trusts may be prepaid without penalty at any time.

Other debt consists of unsecured short-term and long-term debt securities we issue to third parties to fund our business activities. It is classified as either short-term or long-term based on the contractual maturity of the debt instrument. See LIQUIDITY AND CAPITAL RESOURCES for a discussion of our management activities related to other debt.

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Table 26 presents the UPB for Freddie Mac issued mortgage-related securities by the underlying mortgage product type based on the UPB of the securities.

Table 26 Freddie Mac Mortgage-Related Securities[1][2]

	March 31, 2011			December 31, 2010		
	Issued by Consolidated Trusts	Issued by Non-Consolidated Trusts	Total	Issued by Consolidated Trusts	Issued by Non-Consolidated Trusts	Total
			(in millions)			
Single-family:						
30-year or more amortizing fixed-rate	$ 1,192,471	$	$ 1,192,471	$ 1,213,448	$	$ 1,213,448
20-year amortizing fixed-rate	67,076		67,076	65,210		65,210
15-year amortizing fixed-rate	249,148		249,148	248,702		248,702
Adjustable-rate[3]	62,160		62,160	61,269		61,269
Interest-only[4]	72,630		72,630	79,835		79,835
FHA/VA and other governmental	3,570		3,570	3,369		3,369
Total single-family	1,647,055		1,647,055	1,671,833		1,671,833
Multifamily		4,560	4,560		4,603	4,603
Total single-family and multifamily	1,647,055	4,560	1,651,615	1,671,833	4,603	1,676,436
Other Guarantee Transactions:						
HFA bonds:[5]						
Single-family		6,152	6,152		6,168	6,168
Multifamily		1,146	1,146		1,173	1,173
Total HFA bonds		7,298	7,298		7,341	7,341
Other:						
Single-family[6]	14,979	4,146	19,125	15,806	4,243	20,049
Multifamily		11,107	11,107		8,235	8,235
Total Other Guarantee Transactions	14,979	15,253	30,232	15,806	12,478	28,284
REMICs and Other Structured Securities backed by Ginnie Mae Certificates[7]		833	833		857	857

Total Freddie Mac Mortgage-Related Securities	$ 1,662,034	$ 27,944	$ 1,689,978	$ 1,687,639	$ 25,279	$ 1,712,918
Less: Repurchased Freddie Mac Mortgage-Related Securities[8]	(164,185)			(170,638)		
Total UPB of debt securities of consolidated trusts held by third parties	$ 1,497,849			$ 1,517,001		

(1) Based on UPB of the securities and excludes mortgage-related debt traded, but not yet settled.
(2) Excludes other guarantee commitments for mortgage assets held by third parties that require us to purchase loans from lenders when these loans meet certain delinquency criteria.
(3) Includes $1.2 billion and $1.3 billion in UPB of option ARM mortgage loans as of March 31, 2011 and December 31, 2010, respectively. See endnote (6) for additional information on option ARM loans that back our Other Guarantee Transactions.
(4) Represents loans where the borrower pays interest only for a period of time before the borrower begins making principal payments. Includes both fixed- and variable-rate interest-only loans.
(5) Consists of bonds we acquired and resecuritized under the NIBP.
(6) Backed by non-agency mortgage-related securities that include prime, FHA/VA and subprime mortgage loans and also include $8.2 billion and $8.4 billion in UPB of securities backed by option ARM mortgage loans at March 31, 2011 and December 31, 2010, respectively.
(7) Backed by FHA/VA loans.
(8) Represents the UPB of repurchased Freddie Mac mortgage-related securities that are consolidated on our balance sheets and includes certain remittance amounts associated with our security trust administration that are payable to third-party mortgage-related security holders. Our holdings of non-consolidated Freddie Mac mortgage-related securities are presented in Table 17 Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets.

Table 27 presents issuances and extinguishments of the debt securities of our consolidated trusts during the three months ended March 31, 2011 and 2010 as well as the UPB of consolidated trusts held by third parties.

Table 27 Issuances and Extinguishments of Debt Securities of Consolidated Trusts[1]

	Three Months Ended March 31,	
	2011	2010
	(in millions)	
Beginning balance of debt securities of consolidated trusts held by third parties	$ 1,517,001	$ 1,564,093
Issuances to third parties of debt securities of consolidated trusts:		
Issuances based on underlying mortgage product type:		
30-year or more amortizing fixed-rate	61,791	68,424
20-year amortizing fixed-rate	6,243	2,873
15-year amortizing fixed-rate	19,866	13,207
Adjustable-rate	5,646	1,770
Interest-only	152	284
FHA/VA	160	1,074
Debt securities of consolidated trusts retained by us at issuance	(6,345)	(2,310)
Net issuances of debt securities of consolidated trusts	87,513	85,322
Reissuances of debt securities of consolidated trusts previously held by us[2]	24,576	7,911
Total issuances to third parties of debt securities of consolidated trusts	112,089	93,233
Extinguishments, net[3]	(131,241)	(114,264)
Ending balance of debt securities of consolidated trusts held by third parties	$ 1,497,849	$ 1,543,062

(1) Based on UPB.
(2) Represents our sales of PCs and certain Other Guarantee Transactions previously held by us.
(3) Represents: (a) UPB of our purchases from third parties of PCs and Other Guarantee Transactions issued by our consolidated trusts; (b) principal repayments related to PCs and Other Guarantee Transactions issued by our consolidated trusts; and (c) certain remittance amounts associated with our trust security administration that are payable to third-party mortgage-related security holders as of March 31, 2011 and 2010.

Other Liabilities

Other liabilities consist of the guarantee obligation, the reserve for guarantee losses on non-consolidated trusts and other mortgage-related financial guarantees, servicer liabilities, accounts payable and accrued expenses, and other miscellaneous liabilities. Other liabilities decreased to $7.5 billion as of March 31, 2011 from $8.1 billion as of December 31, 2010 primarily because of a decrease in servicer liabilities during the first quarter of 2011. See NOTE 21: SELECTED FINANCIAL STATEMENT LINE ITEMS for additional information.

Total Equity (Deficit)

Total equity (deficit) increased from $(401) million at December 31, 2010 to $1.2 billion at March 31, 2011, reflecting: (a) a $1.9 billion decrease in unrealized losses recorded in AOCI on our available-for-sale securities; (b) net

income of $676 million for the three months ended March 31, 2011; (c) $500 million received from Treasury during the first quarter of 2011 under the Purchase Agreement; and (d) a $132 million decrease in unrealized losses recorded in AOCI related to our closed cash flow hedge relationships. These amounts were partially offset by the payment of senior preferred stock dividends in an aggregate amount of $1.6 billion.

The balance of AOCI at March 31, 2011 was a net loss of approximately $10.0 billion, net of taxes, compared to a net loss of $12.0 billion, net of taxes, at December 31, 2010. Net unrealized losses in AOCI on our available-for-sale securities decreased by $1.9 billion during the first quarter of 2011, primarily due to an increase in prices on non-agency mortgage-related securities, as spreads tightened on CMBS, coupled with fair value gains related to the movement of non-agency mortgage-related securities with unrealized losses towards maturity. Additionally, net unrealized losses recorded in AOCI decreased due to the recognition in earnings of other-than-temporary impairments on our non-agency mortgage-related securities. Net unrealized losses in AOCI on our closed cash flow hedge relationships decreased by $132 million during the first quarter of 2011, primarily attributable to the reclassification of losses into earnings related to our closed cash flow hedges as the originally forecasted transactions affected earnings.

RISK MANAGEMENT

Our investment and credit guarantee activities expose us to three broad categories of risk: (a) credit risk; (b) interest-rate risk and other market risk; and (c) operational risk. See RISK FACTORS in our 2010 Annual Report and in this Form 10-Q for additional information regarding these and other risks.

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Credit Risk

We are subject primarily to two types of credit risk: institutional credit risk and mortgage credit risk. Institutional credit risk is the risk that a counterparty that has entered into a business contract or arrangement with us will fail to meet its obligations. Mortgage credit risk is the risk that a borrower will fail to make timely payments on a mortgage we own or guarantee. We are exposed to mortgage credit risk on our total mortgage portfolio because we either hold the mortgage assets or have guaranteed mortgages in connection with the issuance of a Freddie Mac mortgage-related security, or other guarantee commitment.

Institutional Credit Risk

In recent periods, challenging market conditions adversely affected the liquidity and financial condition of our counterparties and this trend has continued in 2011. The concentration of our exposure to our counterparties has increased in recent periods due to industry consolidation and counterparty failures. In addition, previously highly-rated mortgage insurers have been downgraded in prior periods due to their weakened financial condition. As a result, we continue to face challenges in reducing our risk concentrations with counterparties.

Our exposure to mortgage seller/servicers remained high in 2010 and the three months ended March 31, 2011 with respect to their repurchase obligations arising from breaches of representations and warranties made to us for loans they underwrote and sold to us. We rely significantly on our seller/servicers to perform loan workout activities as well as foreclosures on loans that they service for us. Our credit losses could increase to the extent that our seller/servicers do not fully perform these obligations in a prudent and timely manner. Our exposure to derivatives counterparties remains highly concentrated as compared to historical levels.

Our investments in securities expose us to institutional credit risk to the extent that servicers, issuers, guarantors, or third parties providing credit enhancements become insolvent or do not perform their obligations. Our investments in non-Freddie Mac mortgage-related securities include both agency and non-agency securities. However, agency securities have historically presented minimal institutional credit risk due to the guarantee provided by those institutions. See CONSOLIDATED BALANCE SHEETS ANALYSIS Investments in Securities for additional information on credit risk associated with our investments in mortgage-related securities, including higher-risk components and impairment charges we recognized in the three months ended March 31, 2011 and 2010 related to these investments. For information about institutional credit risk associated with our investments in non-mortgage-related securities, see NOTE 7: INVESTMENTS IN SECURITIES Table 7.9 Trading Securities as well as Cash and Other Investments Counterparties below.

We are working to enforce our rights as an investor with respect to the non-agency mortgage-related securities we hold, and are engaged in efforts to potentially mitigate losses on our investments in non-agency mortgage-related securities. Our Conservator directed us to work with Fannie Mae to enforce investor rights in securitization trusts in which we both have interests. We are also pursuing other loss mitigation strategies, in some cases in conjunction with other investors. The effectiveness of our efforts is highly uncertain and any potential recoveries may take significant time to realize. See CONSOLIDATED BALANCE SHEETS ANALYSIS Investments in Securities for information on our investments in non-agency mortgage-related securities.

Consolidation in the industry and any efforts we take to reduce exposure to financially weakened counterparties could further increase our exposure to individual counterparties. The failure of any of our primary counterparties to meet their obligations to us could have a material adverse effect on our results of operations, financial condition, and our ability to conduct future business.

Mortgage Seller/Servicers

We acquire a significant portion of our single-family mortgage purchase volume from several large lenders, or seller/servicers. Our top 10 single-family seller/servicers provided approximately 85% of our single-family purchase volume during the three months ended March 31, 2011. Wells Fargo Bank, N.A., Chase Home Finance LLC, Bank of America, N.A. and U.S. Bank, N.A. accounted for 30%, 13%, 12%, and 11% respectively, of our single-family mortgage purchase volume and were the only single-family seller/servicers that comprised 10% or more of our purchase volume for the three months ended March 31, 2011. For the three months ended March 31, 2011, our top three multifamily lenders, CBRE Capital Markets, Inc., Berkadia Commercial Mortgage LLC and Holliday, Fenoglio Fowler, L.P., accounted for 26%, 14%, and 13%, respectively, of our multifamily purchase volume. Our top 10 multifamily lenders represented an aggregate of approximately 90% of our multifamily purchase volume for the three months ended March 31, 2011.

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We are exposed to institutional credit risk arising from the potential insolvency or non-performance by our mortgage seller/servicers, including non-performance of their repurchase obligations arising from breaches of the representations and warranties made to us for loans they underwrote and sold to us or failure to honor their recourse and indemnification obligations to us. Pursuant to their repurchase obligations, our seller/servicers are obligated to repurchase mortgages sold to us when there has been a breach of the representations and warranties made to us with respect to the mortgages. In lieu of repurchase, we may choose to allow a seller/servicer to indemnify us against losses realized on such mortgages or otherwise compensate us for the risk of continuing to hold the mortgages. In some cases, the ultimate amounts of recovery payments we received and may receive in the future from seller/servicers were and may be significantly less than the amount of our estimates of potential exposure to losses related to their obligations.

Some of our seller/servicers have failed to fully perform their repurchase obligations due to lack of financial capacity, while others, including many of our larger seller/servicers, have not fully performed their repurchase obligations in a timely manner. The UPB of loans subject to repurchase requests issued to our single-family seller/servicers declined to approximately $3.4 billion as of March 31, 2011 from $3.8 billion as of December 31, 2010, primarily because resolved requests of $3.2 billion exceeded our issuance of $2.8 billion of new requests for the three months ended March 31, 2011. Our contracts require that a seller/servicer repurchase a mortgage after we issue a repurchase request, unless the seller/servicer avails itself of an appeals process provided for in our contracts, in which case the deadline for repurchase is extended until we decide the appeal. As of March 31, 2011 and December 31, 2010, approximately 38% and 34%, respectively, of these repurchase requests were outstanding for more than four months since issuance of our initial repurchase request, as measured by the UPB of the loans subject to the requests. The amount we expect to collect on the outstanding requests is significantly less than the UPB amount primarily because many of these requests will likely be satisfied by reimbursement of our realized losses by seller/servicers, or may be rescinded in the course of the contractual appeal process. Based on our historical loss experience and the fact that many of these loans are covered by credit enhancement, we expect the actual credit losses experienced by us should we fail to collect on these repurchase requests would also be less than the UPB of the loans. As of March 31, 2011, a significant portion of the repurchase requests outstanding more than four months relates to requests made because the mortgage insurer rescinded the mortgage insurance on the loan or denied the mortgage insurance claim. Our actual credit losses could increase should the mortgage insurance coverage not be reinstated or we fail to collect on these repurchase requests.

During the three months ended March 31, 2011, we recovered amounts that covered losses with respect to $1.2 billion of UPB of loans associated with our repurchase requests. Four of our largest single-family seller/servicers collectively had approximately 40% and 32% of their repurchase obligations outstanding more than four months at March 31, 2011 and December 31, 2010, respectively, as measured by the UPB of loans associated with our repurchase requests. In order to resolve outstanding repurchase requests on a more timely basis with our single-family seller/servicers in the future, we have begun to require certain of our larger seller/servicers to commit to plans for completing repurchases, with financial consequences or with stated remedies for non-compliance, as part of the annual renewals of our contracts with them. While these provisions are in place for certain of our seller/servicers, it is too early to tell if these provisions will help in resolving future repurchase requests in a more timely manner or the impact they may have on the size or timing of our credit losses. We may also enter into agreements with seller/servicers to resolve claims for outstanding or future repurchases.

Our estimate of probable incurred losses for exposures to seller/servicer repurchase obligations is considered in our allowance for loan losses as of March 31, 2011 and December 31, 2010; however, our actual losses may be different than our estimates. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Allowance for Loan Losses and Reserve for Guarantee Losses in our 2010 Annual Report for further information.

On August 24, 2009, Taylor, Bean & Whitaker Mortgage Corp., or TBW, filed for bankruptcy. Prior to that date, we had terminated TBW s status as a seller/servicer of our loans. We have exposure to TBW with respect to its loan

repurchase obligations. We also have exposure with respect to certain borrower funds that TBW held for the benefit of Freddie Mac. TBW received and processed such funds in its capacity as a servicer of loans owned or guaranteed by Freddie Mac. TBW maintained certain bank accounts, primarily at Colonial Bank, to deposit such borrower funds and to provide remittance to Freddie Mac. Colonial Bank was placed into receivership by the FDIC in August 2009.

On or about June 14, 2010, we filed a proof of claim in the TBW bankruptcy aggregating $1.78 billion. Of this amount, approximately $1.15 billion relates to current and projected repurchase obligations and approximately $440 million relates to funds deposited with Colonial Bank, or with the FDIC as its receiver, which are attributable to mortgage loans owned or guaranteed by us and previously serviced by TBW. The remaining $190 million represents miscellaneous costs and expenses incurred in connection with the termination of TBW s status as a seller/servicer of our loans. On July 1, 2010, TBW filed a comprehensive final reconciliation report in the bankruptcy court indicating, among

other things, that approximately $203 million in funds held in bank accounts maintained by TBW related to its servicing of Freddie Mac s loans and was potentially available to pay Freddie Mac s claims. These assets include certain funds on deposit with Colonial Bank. We have analyzed the report and, as necessary and appropriate, may revise the amount of our claim.

We estimate that our loss exposure to TBW at March 31, 2011, excluding potential claims by Ocala Funding, LLC discussed below, was approximately $690 million. This estimated exposure has been previously recognized by us through March 31, 2011. However, our ultimate losses could exceed this estimate.

No actions against Freddie Mac related to TBW or Ocala Funding, LLC, which is a wholly-owned subsidiary of TBW, have been initiated in bankruptcy court or elsewhere to recover assets. However, we understand that Ocala or its creditors may file an action to recover certain funds paid to, and loans acquired by, us prior to the TBW bankruptcy. Based on court filings and other information, we understand that Ocala or its creditors may assert fraudulent transfer and possibly other claims totaling approximately $840 million against us related to funds that were alledgedly transferred from Ocala to Freddie Mac custodial accounts. Ocala may also make claims against us asserting ownership of a large number of loans that we purchased from TBW. We are unable to estimate our loss exposure related to any claim against us concerning such loans.

On or about May 14, 2010, certain underwriters at Lloyds, London and London Market Insurance Companies brought an adversary proceeding in bankruptcy court against TBW, Freddie Mac and other parties seeking a declaration rescinding mortgage bankers bonds insuring against loss resulting from dishonest acts by TBW s officers, directors, and employees. Freddie Mac has filed a proof of loss under the bonds, but we are unable at this time to estimate our potential recovery, if any, thereunder. Discovery in the proceeding has been stayed at the request of the U.S. Department of Justice, pending completion of a criminal trial involving the former chairman and chief executive officer of TBW. See NOTE 19: LEGAL CONTINGENCIES for additional information on our claim arising from TBW s bankruptcy.

We also are exposed to the risk that seller/servicers might fail to service mortgages in accordance with our contractual requirements, resulting in increased credit losses. For example, our seller/servicers have an active role in our loan workout efforts, including under the MHA Program, and therefore we also have exposure to them to the extent a decline in their performance results in a failure to realize the anticipated benefits of our loss mitigation plans.

A significant portion of our single-family mortgage loans are serviced by several large seller/servicers. Our top five single-family loan servicers, Wells Fargo Bank N.A., Bank of America N.A., JPMorgan Chase Bank, N.A., Citimortgage, Inc., and U.S. Bank, N.A., together serviced approximately 67% of our single-family mortgage loans as of March 31, 2011. Wells Fargo Bank N.A., Bank of America N.A., and JPMorgan Chase Bank, N.A. serviced approximately 26%, 14%, and 12%, respectively, of our single-family mortgage loans, as of March 31, 2011. Since we do not have our own servicing operation, if our servicers lack appropriate process controls, experience a failure in their controls, or experience an operating disruption in their ability to service mortgage loans, it could have an adverse impact on our business and financial results. For more information on developments in mortgage servicing, see Operational Risks.

During the second half of 2010, a number of our single-family servicers, including several of our largest, announced that they were evaluating the potential extent of issues relating to the possible improper execution of documents associated with foreclosures of loans they service, including those they service for us. Some of these companies temporarily suspended foreclosure proceedings in certain states in which they do business. While these servicers generally resumed foreclosure proceedings in the first quarter of 2011, the rate at which they are effecting foreclosures has been slower than prior to the suspensions. See RISK FACTORS Operational Risks *We have incurred and will continue to incur expenses and we may otherwise be adversely affected by deficiencies in foreclosure practices, as*

well as related delays in the foreclosure process in our 2010 Annual Report. For information on our problem loan workouts, see *Mortgage Credit Risk Portfolio Management Activities Loan Workout Activities.*

While we have legal remedies against seller/servicers who fail to comply with our contractual servicing requirements, we are exposed to institutional credit risk in the event of their insolvency or if, for other causes, seller/servicers fail to perform their obligations to repurchase affected mortgages, indemnify us for losses resulting from any breach, or pay damages for any breach. In the event a seller/servicer does not fulfill its repurchase or other responsibilities, we may seek partial recovery of amounts owed by the seller/servicer by transferring the applicable mortgage servicing rights of the seller/servicer to a different servicer. However, this option may be difficult to accomplish with respect to our largest seller/servicers due to the operational and capacity challenges of transferring a large servicing portfolio.

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As of March 31, 2011, our top four multifamily servicers, Berkadia Commercial Mortgage LLC, Wells Fargo Bank, N.A., CBRE Capital Markets, Inc., and Deutsche Bank Berkshire Mortgage, each serviced more than 10% of our multifamily mortgage portfolio and together serviced approximately 52% of our multifamily mortgage portfolio.

Similarly, in our multifamily business, we are exposed to the risk that multifamily seller/servicers could come under financial pressure due to the current stressful economic environment, which could potentially cause degradation in the quality of servicing they provide to us or, in certain cases, reduce the likelihood that we could recover losses through recourse agreements or other credit enhancements, where applicable. We continue to monitor the status of all our multifamily seller/servicers in accordance with our counterparty credit risk management framework.

Mortgage Insurers

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

Table 28 summarizes our exposure to mortgage insurers as of March 31, 2011. In the event that a mortgage insurer fails to perform, the coverage outstanding represents our maximum exposure to credit losses resulting from such failure.

Table 28 Mortgage Insurance by Counterparty

			As of March 31, 2011		
			Primary	Pool	Coverage
Counterparty Name	**Credit Rating[1]**	**Credit Rating Outlook[1]**	**Insurance[2]**	**Insurance[2]**	**Outstanding[3]**
				(in billions)	
Mortgage Guaranty Insurance Corporation (MGIC)	B+	Negative	$ 51.7	$ 32.3	$ 13.7
Radian Guaranty Inc.	B+	Negative	38.0	15.5	11.2
Genworth Mortgage Insurance Corporation	BB+	Negative	33.2	0.9	8.5
United Guaranty Residential Insurance Co.	BBB	Stable	28.7	0.3	7.0
PMI Mortgage Insurance Co.	B	Positive	26.9	2.4	6.7
Republic Mortgage Insurance Company	BB+	Negative	22.5	2.4	5.6
Triad Guaranty Insurance Corp.[4]	NR	NR	9.8	1.0	2.4
CMG Mortgage Insurance Co.	BBB	Negative	2.8	0.1	0.7
Total			$ 213.6	$ 54.9	$ 55.8

(1) Latest rating available as of April 22, 2011. Represents the lower of S&P and Moody s credit ratings and outlooks. In this table, the rating and outlook of the legal entity is stated in terms of the S&P equivalent.
(2)

Represents the amount of UPB at the end of the period for our single-family credit guarantee portfolio covered by the respective insurance type.

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

(4) Beginning on June 1, 2009, Triad began paying valid claims 60% in cash and 40% in deferred payment obligations.

We believe that our pool insurance policies with MGIC provide us with the right to obtain recoveries for losses up to the aggregate limit indicated in Table 28. However, based on information we received from MGIC, we understand that MGIC may challenge our future claims under those policies if the claims reach an aggregate loss limit that is approximately $0.5 billion lower than the coverage outstanding amount set forth in Table 28.

We received proceeds of $587 million and $294 million during the three months ended March 31, 2011 and 2010, respectively, from our primary and pool mortgage insurance policies for recovery of losses on our single-family loans. We had outstanding receivables from mortgage insurers, net of associated reserves, of $1.5 billion at both March 31, 2011 and December 31, 2010.

The UPB of single-family loans covered by pool insurance declined approximately 4% during the three months ended March 31, 2011, primarily due to payoffs and other liquidation events. We did not purchase pool insurance on single-family loans during the quarter ended March 31, 2011. In recent periods we also reached the maximum limit of recovery on certain of these policies.

Based upon currently available information, we believe that all of our mortgage insurance counterparties have the capacity to pay all claims as due in the normal course for the near term, except for claims obligations of Triad that were partially deferred beginning June 1, 2009, under order of Triad s state regulator. To date, Triad s regulator has not allowed Triad to begin paying its deferred payment obligations, and it is uncertain when or if Triad will be permitted to do so.

We believe at least one of our largest servicers entered into arrangements with two of our mortgage insurance counterparties for settlement of future rescission activity for certain mortgage loans. Under such agreements, servicers pay and/or indemnify mortgage insurers in exchange for the mortgage insurers agreeing not to issue mortgage insurance

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rescissions and /or denials of coverage related to origination defects on Freddie Mac-owned mortgages. For loans covered by these agreements, we may be at risk of additional loss to the extent we do not independently uncover loan defects and require lender repurchase for loans that otherwise would have resulted in mortgage insurance rescission. Additionally, this type of activity could result in negative financial impacts on our mortgage insurers ability to pay in some economic scenarios. In April 2011, we issued an industry letter to our servicers reminding them that they may not enter into these types of agreements without our consent. It is unclear how widespread this type of agreement between our servicers and mortgage insurers may become or how many loans it may impact.

Bond Insurers

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

Table 29 presents our coverage amounts of monoline bond insurance, including secondary coverage, for the non-agency mortgage-related securities we hold. In the event a monoline bond insurer fails to perform, the coverage outstanding represents our maximum exposure to credit losses related to such a failure.

Table 29 Monoline Bond Insurance by Counterparty

			March 31, 2011	
Counterparty Name	**Credit Rating[1]**	**Credit Rating Outlook[1]**	**Coverage Outstanding[2] (dollars in billions)**	**Percent of Total[2]**
Ambac Assurance Corporation (Ambac)[3]	NR	N/A	$ 4.4	43%
Financial Guaranty Insurance Company (FGIC)[3]	NR	N/A	2.0	19
MBIA Insurance Corp.	B	Negative	1.4	14
Assured Guaranty Municipal Corp.	AA	Negative	1.2	12
National Public Finance Guarantee Corp.	BBB	Developing	1.2	11
Syncora Guarantee Inc.[3]	NR	N/A	0.1	1
Total			$ 10.3	100%

(1) Latest ratings available as of April 22, 2011. Represents the lower of S&P and Moody s credit ratings. In this table, the rating and outlook of the legal entity is stated in terms of the S&P equivalent.
(2) Represents the remaining contractual limit for reimbursement of losses, including lost interest and other expenses, on non-agency mortgage-related securities.
(3) Neither S&P nor Moody s provide credit ratings for Ambac, FGIC, or Syncora Guarantee Inc., since these companies continue to operate under regulatory supervision.

We continue to actively monitor the financial strength of our bond insurers in accordance with our risk management policies. We expect to receive substantially less than full payment of our claims from FGIC and Ambac due to adverse

developments concerning these companies. FGIC and Ambac are currently not paying any claims. We believe that we will likely receive substantially less than full payment of our claims from some of our other bond insurers, because they also lack sufficient ability to fully meet all of their expected lifetime claims-paying obligations to us as such claims emerge. In the event one or more of these bond insurers were to become subject to a regulatory order or insolvency proceeding, our ability to recover certain unrealized losses on our mortgage-related securities would be negatively impacted, which may result in further impairment losses to be recognized on our investments in securities. We considered our expectations regarding our bond insurers ability to meet their obligations, including those of Ambac and FGIC, in making our impairment determinations at March 31, 2011 and December 31, 2010. See NOTE 7: INVESTMENTS IN SECURITIES Other-Than-Temporary Impairments on Available-For-Sale Securities for additional information regarding impairment losses on securities covered by bond insurers.

Cash and Other Investments Counterparties

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

Our cash and other investment counterparties are primarily financial institutions and the Federal Reserve Bank. As of March 31, 2011 and December 31, 2010, there were $78.3 billion and $91.6 billion, respectively, of cash and other non-

mortgage assets invested in financial instruments with institutional counterparties or deposited with the Federal Reserve Bank. As of March 31, 2011, these included:

- $30.1 billion of cash equivalents invested in 46 counterparties that had short-term credit ratings of A-1 or above on the S&P or equivalent scale;
- $4.5 billion of federal funds sold with three counterparties that had short-term S&P ratings of A-1 or above;
- $1.3 billion of federal funds sold with one counterparty that had a short-term S&P rating of A-2;
- $16.7 billion of securities purchased under agreements to resell with seven counterparties that had short-term S&P ratings of A-1 or above;
- $15.3 billion of securities purchased under agreements to resell with seven counterparties that had short-term S&P ratings of A-2; and
- $9.6 billion of cash deposited with the Federal Reserve Bank.

Derivative Counterparties

We are exposed to institutional credit risk arising from the possibility that a derivative counterparty will not be able to meet its contractual obligations. We are an active user of exchange-traded products, such as Treasury and Eurodollar futures, to reduce our overall exposure to derivative counterparties. Exchange-traded derivatives do not measurably increase our institutional credit risk because changes in the value of open exchange-traded contracts are settled daily through a financial clearinghouse established by each exchange. OTC derivatives, however, expose us to institutional credit risk because transactions are executed and settled directly between us and the counterparty. When our net position with an OTC counterparty subject to a master netting agreement has a market value above zero at a given date (*i.e.*, it is an asset reported as derivative assets, net on our consolidated balance sheets), then the counterparty could potentially be obligated to deliver cash, securities, or a combination of both having that market value necessary to satisfy its net obligation to us under the derivatives (subject to a threshold).

The Dodd-Frank Act will require that, in the future, many types of derivatives be centrally cleared and traded on exchanges or comparable trading facilities. Pursuant to the Dodd-Frank Act, the U.S. Commodity Futures Trading Commission, or CFTC, is in the process of determining the types of derivatives that must be subject to this requirement. See LEGISLATIVE AND REGULATORY MATTERS Dodd-Frank Act for more information. In addition, we continue to work with the Chicago Mercantile Exchange and other parties to implement a central clearing platform for interest rate derivatives. We will be exposed to institutional credit risk with respect to the Chicago Mercantile Exchange or other comparable exchanges or trading facilities in the future, to the extent we use them to clear and trade derivatives, and to the members of such clearing organizations that execute and submit our transactions for clearing.

We seek to manage our exposure to institutional credit risk related to our OTC derivative counterparties using several tools, including:

- review of external rating analyses;
- strict standards for approving new derivative counterparties;
- ongoing monitoring of our positions with each counterparty;

managing diversification mix among counterparties;

master netting agreements and collateral agreements; and

stress-testing to evaluate potential exposure under possible adverse market scenarios.

On an ongoing basis, we review the credit fundamentals of all of our OTC derivative counterparties to confirm that they continue to meet our internal standards. We assign internal ratings, credit capital, and exposure limits to each counterparty based on quantitative and qualitative analysis, which we update and monitor on a regular basis. We conduct additional reviews when market conditions dictate or certain events affecting an individual counterparty occur.

All of our OTC derivative counterparties are major financial institutions and are experienced participants in the OTC derivatives market. A large number of OTC derivative counterparties have credit ratings below AA . We require such counterparties to post collateral if our net exposure to them on derivative contracts exceeds $1 million. See NOTE 17: CONCENTRATION OF CREDIT AND OTHER RISKS for additional information.

The relative concentration of our derivative exposure among our primary derivative counterparties remains high. This concentration has increased since 2008 due to industry consolidation and the failure of certain counterparties, and could further increase. Table 30 summarizes our exposure to our derivative counterparties, which represents the net positive fair

value of derivative contracts, related accrued interest and collateral held by us from our counterparties, after netting by counterparty as applicable (*i.e.*, net amounts due to us under derivative contracts).

Table 30 Derivative Counterparty Credit Exposure

	March 31, 2011					
Rating[1]	**Number of Counterparties[2]**	**Notional or Contractual Amount[3]**	**Total Exposure at Fair Value[4]**	**Exposure, Net of Collateral[5]**	**Weighted Average Contractual Maturity (in years)**	**Collateral Posting Threshold[6]**
	(dollars in millions)					
AA	3	$ 50,259	$	$	6.1	$10 million or less
AA	4	236,106	1,671	15	6.2	$10 million or less
A+	7	362,192	18	1	5.8	$1 million or less
A	3	159,669	15	1	5.7	$1 million or less
Subtotal[7]	17	808,226	1,704	17	5.9	
Other derivatives[8]		185,940				
Commitments[9]		15,877	32	32		
Swap guarantee derivatives		3,731				
Total derivatives[10]		$ 1,013,774	$ 1,736	$ 49		

	December 31, 2010					
Rating[1]	**Number of Counterparties[2]**	**Notional or Contractual Amount[3]**	**Total Exposure at Fair Value[4]**	**Exposure, Net of Collateral[5]**	**Weighted Average Contractual Maturity (in years)**	**Collateral Posting Threshold[6]**
	(dollars in millions)					
AA	3	$ 53,975	$	$	6.8	$10 million or less
AA−	4	270,694	1,668	29	6.4	$10 million or less
A+	7	441,004	460	1	6.2	$1 million or less
A	3	177,277	16	2	5.2	$1 million or less
Subtotal[7]	17	942,950	2,144	32	6.1	
Other derivatives[8]		244,640				
Commitments[9]		14,292	103	103		
Swap guarantee derivatives		3,614				

Total derivatives[10]	$ 1,205,496	$ 2,247	$ 135

(1) We use the lower of S&P and Moody s ratings to manage collateral requirements. In this table, the rating of the legal entity is stated in terms of the S&P equivalent.
(2) Based on legal entities. Affiliated legal entities are reported separately.
(3) Notional or contractual amounts are used to calculate the periodic settlement amounts to be received or paid and generally do not represent actual amounts to be exchanged.
(4) For each counterparty, this amount includes derivatives with a net positive fair value (recorded as derivative assets, net), including the related accrued interest receivable/payable (net) and trade/settle fees.
(5) Calculated as Total Exposure at Fair Value less cash collateral held as determined at the counterparty level. Includes amounts related to our posting of cash collateral in excess of our derivative liability as determined at the counterparty level.
(6) Counterparties are required to post collateral when their exposure exceeds agreed-upon collateral posting thresholds. These thresholds are typically based on the counterparty s credit rating and are individually negotiated.
(7) Consists of OTC derivative agreements for interest-rate swaps, option-based derivatives (excluding certain written options), foreign-currency swaps, and purchased interest-rate caps.
(8) Consists primarily of exchange-traded contracts, certain written options, and certain credit derivatives. Written options do not present counterparty credit exposure, because we receive a one-time up-front premium in exchange for giving the holder the right to execute a contract under specified terms, which generally puts us in a liability position.
(9) Commitments include: (a) our commitments to purchase and sell investments in securities; (b) our commitments to purchase mortgage loans; and (c) our commitments to purchase and extinguish or issue debt securities of our consolidated trusts.
(10) The difference between the exposure, net of collateral column above and derivative assets, net on our consolidated balance sheets primarily represents exchange-traded contracts which are settled daily through a clearinghouse, and thus, do not present counterparty credit exposure.

Over time, our exposure to individual counterparties for OTC interest-rate swaps, option-based derivatives, foreign-currency swaps, and purchased interest rate caps varies depending on changes in fair values, which are affected by changes in period-end interest rates, the implied volatility of interest rates, foreign-currency exchange rates, and the amount of derivatives held. If all of our counterparties for these derivatives defaulted simultaneously on March 31, 2011, our uncollateralized exposure to these counterparties, or our maximum loss for accounting purposes after applying netting agreements and collateral, would have been approximately $17 million. Our uncollateralized exposure as of December 31, 2010 was $32 million. One of our counterparties, HSBC Bank USA, which was rated AA as of April 22, 2011, accounted for greater than 10% of our net uncollateralized exposure to derivatives counterparties at March 31, 2011.

As indicated in Table 30, approximately 99% of our counterparty credit exposure for OTC interest-rate swaps, option-based derivatives, foreign-currency swaps, and purchased interest rate caps was collateralized at March 31, 2011. The uncollateralized exposure was primarily due to exposure amounts below the applicable counterparty collateral posting threshold, as well as market movements during the time period between when a derivative was marked to fair value and

the date we received the related collateral. Collateral is typically transferred within one business day based on the values of the related derivatives.

In the event a derivative counterparty defaults, our economic loss may be higher than the uncollateralized exposure of our derivatives if we are not able to replace the defaulted derivatives in a timely and cost-effective fashion. We could also incur economic loss if the collateral held by us cannot be liquidated at prices that are sufficient to recover the amount of such exposure. We monitor the risk that our uncollateralized exposure to each of our OTC counterparties for interest-rate swaps, option-based derivatives, foreign-currency swaps, and purchased interest rate caps will increase under certain adverse market conditions by performing daily market stress tests. These tests, which involve significant management judgment, evaluate the potential additional uncollateralized exposure we would have to each of these derivative counterparties on OTC derivatives contracts assuming certain changes in the level and implied volatility of interest rates and certain changes in foreign currency exchange rates over a brief time period. Our actual exposure could vary significantly from amounts forecasted by these tests.

As indicated in Table 30, the total exposure on our OTC forward purchase and sale commitments, which are treated as derivatives, was $32 million and $103 million at March 31, 2011 and December 31, 2010, respectively. These commitments are uncollateralized. Because the typical maturity of our forward purchase and sale commitments is less than 60 days and they are generally settled through a clearinghouse, we do not require master netting and collateral agreements for the counterparties of these commitments. However, we monitor the credit fundamentals of the counterparties to our forward purchase and sale commitments on an ongoing basis in an effort to ensure that they continue to meet our internal risk-management standards.

Mortgage Credit Risk

We are exposed to mortgage credit risk on our total mortgage portfolio because we either hold the mortgage assets or have guaranteed mortgages in connection with the issuance of a Freddie Mac mortgage-related security, or other guarantee commitment. Mortgage credit risk is primarily influenced by the credit profile of the borrower on the mortgage, the features of the mortgage itself, the type of property securing the mortgage and general economic conditions. All mortgages that we purchase or guarantee have an inherent risk of default.

Through our delegated underwriting process, single-family mortgage loans and the borrowers ability to repay the loans are evaluated using several critical risk characteristics, including but not limited to the borrower s credit score and credit history, the borrower s monthly income relative to debt payments, the original LTV ratio, the type of mortgage product and the occupancy type of the loan. See BUSINESS Our Business and BUSINESS Our Business Segments *Single-Family Guarantee Segment Underwriting Requirements and Quality Control Standards* in our 2010 Annual Report for information about our charter requirements for single-family loans purchases, delegated underwriting, and our quality control monitoring.

Conditions in the mortgage market continued to remain challenging during the first quarter of 2011. All single-family mortgage loans, especially those originated between 2005 and 2008, have been affected by the compounding pressures on household wealth caused by significant declines in home values that began in 2006 and the ongoing weak employment environment. Our serious delinquency rates remained high in the first quarter of 2011, primarily due to economic factors which adversely affected borrowers. Also contributing to high serious delinquency rates were: (a) delays related to servicer processing capacity constraints; (b) delays associated with the HAMP trial period and related processes; and (c) delays in the foreclosure process, including those associated with deficiencies in foreclosure documentation practices, and other delays imposed by third parties. These delays lengthen the period of time in which loans remain in seriously delinquent status, as the delays extend the time it takes for seriously delinquent loans to be modified, foreclosed upon or otherwise resolved and thus transition out of seriously delinquent status. While still at historically high levels, the UPB of our single-family non-performing loans declined during the first quarter of 2011,

and the number of loans that transitioned to serious delinquency declined.

Characteristics of the Single-Family Credit Guarantee Portfolio

The average UPB of loans in our single-family credit guarantee portfolio was approximately $151,000 and $150,000 at March 31, 2011 and December 31, 2010, respectively. Our single-family mortgage purchases and other guarantee commitment activity in the first quarter of 2011 increased by 10% to $97.6 billion, as compared to $89.0 billion in the first quarter of 2010. The substantial majority of the single-family mortgages we purchased in the first quarter of 2011 were 30-year and 15-year fixed-rate mortgages. Approximately 85% of our purchases for the single-family credit guarantee portfolio in the first quarter of 2011 were refinance mortgages.

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An important safeguard against credit losses on mortgage loans in our single-family credit guarantee portfolio is provided by the borrowers equity in the underlying properties. As estimated current LTV ratios increase, the borrower s equity in the home decreases, which negatively affects the borrower s ability to refinance or sell the property for an amount at or above the balance of the outstanding mortgage loan. If a borrower has an estimated current LTV ratio greater than 100%, the borrower is underwater and is more likely to default than other borrowers. The percentage of borrowers in our single-family credit guarantee portfolio, based on UPB, with estimated current LTV ratios greater than 100% was 19% and 18% as of March 31, 2011 and December 31, 2010, respectively. The serious delinquency rate for single-family loans with estimated current LTV ratios greater than 100% was 13.7% and 14.9% as of March 31, 2011 and December 31, 2010, respectively. In addition, as of March 31, 2011 and December 31, 2010, for the loans in our single-family credit guarantee portfolio with greater than 80% estimated current LTV ratios, the borrowers had a weighted average credit score at origination of 723 and 721, respectively.

A second lien mortgage also reduces the borrower s equity in the home, and has a similar negative effect on the borrower s ability to refinance or sell the property for an amount at or above the combined balances of the first and second mortgages. As of March 31, 2011 and December 31, 2010, approximately 15% and 14% of loans in our single-family credit guarantee portfolio had second lien financing at the time of origination of the first mortgage, and we estimate that these loans comprised 18% and 19%, respectively, of our seriously delinquent loans, based on UPB. However, borrowers are free to obtain second lien financing after origination and we are not entitled to receive notification when a borrower does so. Therefore, it is likely that additional borrowers have post-origination second lien mortgages.

Table 31 provides additional characteristics of single-family mortgage loans purchased during the three months ended March 31, 2011 and 2010, and of our single-family credit guarantee portfolio at March 31, 2011 and December 31, 2010.

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Table 31 Characteristics of the Single-Family Credit Guarantee Portfolio[1]

	Purchases During the Three Months Ended March 31,		Portfolio[2] at	
	2011	2010	March 31, 2011	December 31, 2010
Original LTV Ratio Range[3][4]				
60% and below	33%	32%	23%	23%
Above 60% to 70%	18	17	16	16
Above 70% to 80%	42	45	43	43
Above 80% to 90%	4	4	9	9
Above 90% to 100%	3	2	8	8
Above 100%			1	1
Total	100%	100%	100%	100%
Weighted average original LTV ratio	66%	67%	71%	71%
Estimated Current LTV Ratio Range[5]				
60% and below			26%	27%
Above 60% to 70%			12	12
Above 70% to 80%			18	17
Above 80% to 90%			15	16
Above 90% to 100%			10	10
Above 100% to 110%			6	6
Above 110% to 120%			4	4
Above 120%			9	8
Total			100%	100%
Weighted average estimated current LTV ratio:				
Relief refinance mortgages[6]			78%	78%
All other mortgages			78%	78%
Total mortgages			78%	78%
Credit Score[3][7]				
740 and above	74%	70%	53%	53%
700 to 739	18	19	21	21
660 to 699	7	8	15	15
620 to 659	1	2	7	7
Less than 620		1	3	3
Not available			1	1

Total	100%	100%	100%	100%
Weighted average credit score:				
Relief refinance mortgages[6]	745	742	745	745
All other mortgages	758	754	733	732
Total mortgages	754	751	734	733
Loan Purpose				
Purchase	15%	21%	30%	31%
Cash-out refinance	19	23	28	29
Other refinance[8]	66	56	42	40
Total	100%	100%	100%	100%
Property Type				
Detached/townhome[9]	94%	94%	92%	92%
Condo/Co-op	6	6	8	8
Total	100%	100%	100%	100%
Occupancy Type				
Primary residence	92%	92%	91%	91%
Second/vacation home	4	5	5	5
Investment	4	3	4	4
Total	100%	100%	100%	100%

(1) Purchases and ending balances are based on the UPB of the single-family credit guarantee portfolio. Other Guarantee Transactions with ending balances of $2 billion at both March 31, 2011 and December 31, 2010, are excluded from portfolio balance data since these securities are backed by non- Freddie Mac issued securities for which the loan characteristics data was not available.
(2) Includes loans acquired under our relief refinance initiative, which began in 2009.
(3) Purchases columns exclude mortgage loans acquired under our relief refinance initiative. See Table 35 Single-Family Refinance Loan Volume for further information on the LTV ratios of these loans.
(4) Original LTV ratios are calculated as the amount of the mortgage we guarantee including the credit-enhanced portion, divided by the lesser of the appraised value of the property at the time of mortgage origination or the mortgage borrower s purchase price. Second liens not owned or guaranteed by us are excluded from the LTV ratio calculation. The existence of a second lien mortgage reduces the borrower s equity in the home, and therefore, can increase the risk of default.
(5) Current market values are estimated by adjusting the value of the property at origination based on changes in the market value of homes since origination. Estimated current LTV ratio range is not applicable to purchase activity, and excludes any secondary financing by third parties.
(6) The ending balances of relief refinance mortgages comprised approximately 9% and 7% of our single-family credit guarantee portfolio as of March 31, 2011 and December 31, 2010, respectively.
(7) Credit score data is based on FICO scores. 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 only the credit score of the borrower at the time of loan origination.
(8) Other refinance transactions include: (a) refinance mortgages with no cash-out to the borrower; and (b) refinance mortgages for which the delivery data provided was not sufficient for us to determine whether the mortgage was a cash-out or a no cash-out refinance transaction.

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

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Attribute Combinations

Certain combinations of loan characteristics often can also indicate a higher degree of credit risk. For example, single-family mortgages with both high LTV ratios and borrowers who have lower credit scores typically experience higher rates of serious delinquency and default. We estimate that there were $11.6 billion and $11.8 billion at March 31, 2011 and December 31, 2010, respectively, of loans in our single-family credit guarantee portfolio with both original LTV ratios greater than 90% and FICO scores less than 620 at the time of loan origination. Certain mortgage product types, such as interest-only or option ARM loans, that have additional higher risk characteristics, such as lower credit scores or higher LTV ratios, will also have a higher risk of default than those same products without these characteristics. The presence of a second lien mortgage can also increase the risk that a borrower will default.

Single-Family Mortgage Product Types

The primary mortgage products in our single-family credit guarantee portfolio are first lien, fixed-rate mortgage loans. The majority of our loan modifications result in new terms that include fixed interest rates after modification. However, our HAMP loan modifications result in an initial interest rate that subsequently adjusts to a new rate that is fixed for the remaining life of the loan. We have classified these loans as fixed-rate products for presentation within this Form 10-Q and elsewhere in our reporting even though they have a one-time rate adjustment provision, because the change in rate is determined at the time of modification rather than at a future date.

The following paragraphs provide information on the interest-only, option ARM and conforming jumbo loans in our single-family credit guarantee portfolio. Interest-only and option ARM loans have experienced significantly higher serious delinquency rates than other mortgage products.

Interest-Only Loans

Interest-only loans have an initial period during which the borrower pays only interest, and at a specified date the monthly payment changes to begin reflecting repayment of principal until maturity. At both March 31, 2011 and December 31, 2010, interest-only loans represented approximately 5% of the UPB of our single-family credit guarantee portfolio. Beginning September 1, 2010, we no longer purchase interest-only loans. We purchased $0.3 billion of these loans during the first quarter of 2010.

Option ARM Loans

Most option ARM loans have initial periods during which the borrower has various options as to the amount of each monthly payment, until a specified date, when the terms are recast. At both March 31, 2011 and December 31, 2010, option ARM loans represented approximately 1% of the UPB of our single-family credit guarantee portfolio. Included in this exposure was $8.2 billion and $8.4 billion of option ARM securities underlying certain of our Other Guarantee Transactions at March 31, 2011 and December 31, 2010, respectively. We have not identified these option ARM securities as either subprime or Alt-A securities. These option ARM securities could exhibit similar credit performance to collateral identified as subprime or Alt-A. We have not purchased option ARM loans in our single-family credit guarantee portfolio since 2007. For information on our exposure to option ARM loans through our holdings of non-agency mortgage-related securities, see CONSOLIDATED BALANCE SHEETS ANALYSIS Investments in Securities.

Conforming Jumbo Loans

We purchased $7.3 billion and $5.9 billion of conforming jumbo loans during the first quarters of 2011 and 2010, respectively. The UPB of conforming jumbo loans in our single-family credit guarantee portfolio as of March 31, 2011 and December 31, 2010 was $42.8 billion and $37.8 billion, respectively. The average size of these loans was approximately $549,000 and $548,000 at March 31, 2011 and December 31, 2010, respectively. Our purchases of conforming jumbo loans will likely decline beginning in the fourth quarter of 2011 if the temporary increase in limits on the size of loans we may purchase expires as scheduled on September 30, 2011. See LEGISLATIVE AND REGULATORY MATTERS for further information on the conforming loan limits.

Other Categories of Single-Family Mortgage Loans

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

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Subprime Loans

Participants in the mortgage market may characterize single-family loans based upon their overall credit quality at the time of origination, generally considering them to be prime or subprime. While we have not historically characterized the loans in our single-family credit guarantee portfolio as either prime or subprime, we do monitor the amount of loans we have guaranteed with characteristics that indicate a higher degree of credit risk (see *Higher Risk Loans in the Single-Family Credit Guarantee Portfolio* and Table 40 Single-Family Credit Guarantee Portfolio by Attribute Combinations for further information).

We estimate that approximately $2.5 billion of security collateral underlying our Other Guarantee Transactions at both March 31, 2011 and December 31, 2010, were identified as subprime based on information provided to us when we entered into these transactions.

We also categorize our investments in non-agency mortgage-related securities as subprime if they were identified as such based on information provided to us when we entered into these transactions. At March 31, 2011 and December 31, 2010, we held $52.8 billion and $54.2 billion, respectively, in UPB of non-agency mortgage-related securities backed by subprime loans. These securities were structured to provide credit enhancements, and 9% and 10% of these securities were investment grade at March 31, 2011 and December 31, 2010, respectively. The credit performance of loans underlying these securities has deteriorated significantly since the beginning of 2008 and has continued to deteriorate during the first quarter of 2011. For more information on our exposure to subprime mortgage loans through our investments in non-agency mortgage-related securities see CONSOLIDATED BALANCE SHEETS ANALYSIS Investments in Securities.

Alt-A Loans

Although there is no universally accepted definition of Alt-A, many mortgage market participants classify single-family loans with credit characteristics that range between their prime and subprime categories as Alt-A because these loans have a combination of characteristics of each category, may be underwritten with lower or alternative income or asset documentation requirements compared to a full documentation mortgage loan, or both. The UPB of Alt-A loans in our single-family credit guarantee portfolio declined to $109.2 billion as of March 31, 2011 from $115.5 billion as of December 31, 2010. The UPB of our Alt-A loans declined in the first quarter of 2011 primarily due to refinancing into other mortgage products, foreclosure transfers, and other liquidation events. As of March 31, 2011, for Alt-A loans in our single-family credit guarantee portfolio, the average FICO credit score at origination was 719. Although Alt-A mortgage loans comprised approximately 6% of our single-family credit guarantee portfolio as of March 31, 2011, these loans represented approximately 31% of our credit losses during the first quarter of 2011. During the first quarter of 2011, we identified approximately $0.6 billion in UPB of single-family loans underlying certain Other Guarantee Transactions that had been previously reported in both the Alt-A and subprime categories. As of March 31, 2011, we no longer report these loans as Alt-A (but continue to report them as subprime) and we revised the prior periods to conform to the current period presentation.

We did not purchase any new single-family Alt-A mortgage loans in our single-family credit guarantee portfolio during the first quarter of 2011. Although we discontinued new purchases of mortgage loans with lower documentation standards for assets or income beginning March 1, 2009 (or later, as our customers contracts permitted), we continued to purchase certain amounts of these mortgages in cases where the loan was either: (a) purchased pursuant to a previously issued other guarantee commitment; (b) part of our relief refinance mortgage initiative; or (c) in another refinance mortgage initiative and the pre-existing mortgage (including Alt-A loans) was originated under less than full documentation standards. However, in the event we purchase a refinance mortgage in one of these programs and the original loan had been previously identified as Alt-A, such refinance loan may no longer be categorized or reported as an Alt-A mortgage in this Form 10-Q and our other financial reports because the

new refinance loan replacing the original loan would not be identified by the seller/servicer as an Alt-A loan. As a result, our reported Alt-A balances may be lower than would otherwise be the case had such refinancing not occurred. From the time the product became available in 2009 to March 31, 2011, we purchased approximately $12.1 billion of relief refinance mortgages that were previously categorized as Alt-A loans in our portfolio, including $1.9 billion during the first quarter of 2011.

We also hold investments in non-agency mortgage-related securities backed by single-family Alt-A loans. At March 31, 2011 and December 31, 2010, we held investments of $18.3 billion and $18.8 billion, respectively, of non-agency mortgage-related securities backed by Alt-A and other mortgage loans and 16% and 22%, respectively, of these securities were categorized as investment grade. The credit performance of loans underlying these securities has deteriorated significantly since the beginning of 2008 and has continued to deteriorate during the first quarter of 2011. We categorize our investments in non-agency mortgage-related securities as Alt-A if the securities were identified as such

based on information provided to us when we entered into these transactions. For more information on our exposure to Alt-A mortgage loans through our investments in non-agency mortgage-related securities see CONSOLIDATED BALANCE SHEETS ANALYSIS Investments in Securities.

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

Table 32 presents information about certain categories of single-family mortgage loans within our single-family credit guarantee portfolio that we believe have certain higher-risk characteristics. These loans include categories based on product type and borrower characteristics present at origination. The table includes a presentation of each higher risk category in isolation. A single loan may fall within more than one category (for example, an interest-only loan may also have an original LTV ratio greater than 90%). Mortgage loans with higher LTV ratios have a higher risk of default, especially during housing and economic downturns, such as the one the U.S. has experienced since 2007.

Table 32 Certain Higher-Risk[1] Categories in the Single-Family Credit Guarantee Portfolio

	As of March 31, 2011			
	UPB	Estimated Current LTV[2]	Percentage Modified[3]	Serious Delinquency Rate[4]
	(dollars in billions)			
Loans with one or more specified characteristics	$ 363.2	102%	6.0%	9.7%
Categories (individual characteristics):				
Alt-A[5]	109.2	101%	6.6%	11.9%
Interest-only[6]	88.4	115%	0.6%	17.9%
Option ARM[7]	9.2	116%	3.2%	21.5%
Original LTV ratio greater than 90%[8][9]	160.0	105%	5.6%	7.1%
Lower original FICO scores (less than 620)[8]	59.8	90%	11.4%	13.0%

	As of December 31, 2010			
	UPB	Estimated Current LTV[2]	Percentage Modified[3]	Serious Delinquency Rate[4]
	(dollars in billions)			
Loans with one or more specified characteristics	$ 368.8	100%	5.5%	10.3%
Categories (individual characteristics):				
Alt-A[5]	115.5	99%	5.7%	12.2%
Interest-only[6]	95.4	112%	0.5%	18.4%
Option ARM[7]	9.4	115%	3.1%	21.2%
Original LTV ratio greater than 90%[8][9]	154.3	104%	5.3%	7.8%
Lower original FICO scores (less than 620)[8]	61.2	89%	10.4%	13.9%

(1) Categories are not additive and a single loan may be included in multiple categories if more than one characteristic is associated with the loan. Loans with a combination of these characteristics will have an even higher risk of default than those with an individual characteristic.

(2) Based on our first lien exposure on the property and excludes secondary financing by third parties, if applicable. The existence of a second lien reduces the borrower s equity in the property and, therefore, can increase the risk of default. For refinance mortgages, the original LTV ratios are based on third-party appraisals used in loan origination, whereas new purchase mortgages are based on the lower of an appraisal or property sales price.
(3) Represents the percentage of loans based on loan count in our single-family credit guarantee portfolio that have been modified under agreement with the borrower, including those with no changes in the interest rate or maturity date, but where past due amounts are added to the outstanding principal balance of the loan. Excludes loans underlying certain Other Guarantee Transactions for which data was not available.
(4) See *Portfolio Management Activities Credit Performance* Delinquencies for further information about our reported serious delinquency rates.
(5) Loans within the Alt-A category continue to remain as such following modification, even though the borrower may have provided full documentation of assets and income to complete the modification.
(6) The percentages of interest-only loans which have been modified at period end reflect that a number of these loans have not yet been assigned to their new product category (post modification), primarily due to delays in processing.
(7) Loans within the option ARM category continue to remain as such following modification, even though the modified loan no longer provides for optional payment provisions.
(8) See endnotes (4) and (7) to Table 31 Characteristics of the Single-Family Credit Guarantee Portfolio for information on our calculation of original LTV ratios and our use of FICO scores, respectively.
(9) Includes approximately $45 billion and $37 billion at March 31, 2011 and December 31, 2010, respectively, of mortgages associated with our relief refinance initiative which allow for LTV ratios up to 125%.

Loans with one or more of the above attributes comprised approximately 20% of our single-family credit guarantee portfolio as of both March 31, 2011 and December 31, 2010. The total UPB of loans in our single-family credit guarantee portfolio with one or more of these characteristics declined approximately 2%, to $363.2 billion as of March 31, 2011 from $368.8 billion as of December 31, 2010. This decline was principally due to liquidations resulting from repayments, payoffs, and refinancing activity as well as those resulting from foreclosure events and foreclosure alternatives. The serious delinquency rates associated with these loans declined to 9.7% as of March 31, 2011 from 10.3% as of December 31, 2010.

Multifamily Mortgage Portfolio Diversification, Characteristics and Product Types

Portfolio diversification is an important aspect of our strategy to manage mortgage credit risk for multifamily loans. We monitor a variety of mortgage loan characteristics which may affect the default experience on our overall mortgage portfolio, such as the LTV ratio, DSCR, geographic location and loan duration. See NOTE 17: CONCENTRATION OF CREDIT AND OTHER RISKS for information about geographic concentrations and original DSCR of loans in our multifamily mortgage portfolio. We also monitor the performance and risk concentrations of our multifamily loans and the underlying properties throughout the life of the loan.

Table 33 provides certain attributes of our multifamily mortgage portfolio at March 31, 2011 and December 31, 2010.

Table 33 Multifamily Mortgage Portfolio by Attribute

	UPB at December 31,		**Delinquency Rate[2] at**	
	March 31, 2011	**December 31, 2010**	**March 31, 2011**	**December 31, 2010**
Original LTV Ratio[1]	**(dollars in billions)**			
Below 75%	$ 73.2	$ 72.0	0.21%	0.08%
75% to 80%	29.9	29.9	0.24	0.24
Above 80%	6.7	6.8	2.56	2.30
Total	$ 109.8	$ 108.7	0.36%	0.26%
Weighted average LTV ratio at origination	70%	70%		
Maturity Dates				
2011	$ 1.7	$ 2.3	1.32%	0.97%
2012	4.0	4.1	1.11	0.82
2013	6.7	6.8	0.94	
2014	8.4	8.5	0.05	0.02
2015	11.9	12.0	0.09	0.09
Beyond 2015	77.1	75.0	0.33	0.29
Total	$ 109.8	$ 108.7	0.36%	0.26%
Year of Acquisition or Guarantee[3]				
2004 and prior	$ 15.2	$ 15.9	0.34%	0.31%
2005	7.8	8.0		
2006	11.5	11.7	0.62	0.25
2007	20.8	20.8	0.95	0.97
2008	22.9	23.0	0.34	0.03

2009	15.0	15.2		
2010	13.6	14.1		
2011	3.0	N/A		N/A
Total	$ 109.8	$ 108.7	0.36%	0.26%
Current Loan Size Distribution				
Above $25 million	$ 39.8	$ 39.7	0.23%	0.07%
Above $5 million to $25 million	60.7	59.7	0.44	0.38
$5 million and below	9.3	9.3	0.43	0.37
Total	$ 109.8	$ 108.7	0.36%	0.26%
Legal Structure				
Unsecuritized loans	$ 84.2	$ 85.9	0.24%	0.11%
Non-consolidated Freddie Mac mortgage-related securities	16.0	13.1	1.07	1.30
Other guarantee commitments	9.6	9.7	0.23	0.23
Total	$ 109.8	$ 108.7	0.36%	0.26%

(1) Original LTV ratios are calculated as the UPB of the mortgage, divided by the lesser of the appraised value of the property at the time of mortgage origination or, except for refinance loans, the mortgage borrower s purchase price. Second liens not owned or guaranteed by us are excluded from the LTV ratio calculation. The existence of a second lien reduces the borrowers equity in the property and, therefore, can increase the risk of default.

(2) See *Credit Performance* Delinquencies for more information about our delinquency rates.

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

Our multifamily mortgage portfolio consists of product types that are categorized based on loan terms. Multifamily loans may be interest-only or amortizing, fixed or variable rate, or may switch between fixed and variable rate over time. However, our multifamily loans generally have balloon maturities ranging from five to ten years. Amortizing loans reduce our credit exposure over time because the UPB declines with each mortgage payment. As of March 31, 2011 and

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December 31, 2010, approximately 84% and 85%, respectively, of the multifamily loans on our consolidated balance sheets had fixed interest rates while the remaining loans had variable-rates.

We estimate that approximately 8% of loans in our multifamily mortgage portfolio had a current LTV ratio of greater than 100% as of March 31, 2011, and the estimated current average DSCR for these loans as of that date was 1.2, based on the latest available income information for these properties and our assessments of market conditions. Our estimates of the current LTV ratios for multifamily loans are based on values we receive from a third-party service provider as well as our internal estimates of property value, for which we may use changes in tax assessments, market vacancy rates, rent growth and comparable property sales in local areas as well as third-party appraisals for a portion of the portfolio. We periodically perform our own valuations or obtain third-party appraisals in cases where a significant deterioration in a borrower s financial condition has occurred, the borrower has applied for refinancing, or in certain other circumstances where we deem it appropriate to reassess the property value. Although we use the most recently available results of our multifamily borrowers to assess a property s value, there may be a significant lag in reporting as they prepare their results in the normal course of business.

Because multifamily loans generally have a balloon payment and typically have a shorter contractual term than single-family mortgages, the maturity date for a multifamily loan is an important loan characteristic. Borrowers may be less able to refinance their obligations during periods of rising interest rates or if the underlying fundamentals of the property deteriorate, which could lead to default if the borrower is unable to find affordable refinancing. Loan size at origination does not generally indicate the degree of a loan s risk, but it does indicate our potential exposure to default.

Portfolio Management Activities

The portfolio information below relates to our single-family credit guarantee and multifamily mortgage portfolios, which exclude our holdings of non-Freddie Mac mortgage-related securities. See CONSOLIDATED BALANCE SHEETS ANALYSIS Investments in Securities *Mortgage-Related Securities* for credit enhancement and other information about our investments in non-Freddie Mac mortgage-related securities.

Credit Enhancements

Our charter requires that single-family mortgages with LTV ratios above 80% at the time of purchase be covered by specified credit enhancements or participation interests. Primary mortgage insurance is the most prevalent type of credit enhancement protecting our single-family credit guarantee portfolio, and is typically provided on a loan-level basis. In addition, for some mortgage loans, we elect to share the default risk by transferring a portion of that risk to various third parties through a variety of other credit enhancements.

At both March 31, 2011 and December 31, 2010, our credit-enhanced mortgages represented 15% of our single-family credit guarantee portfolio and multifamily mortgage portfolio, on a combined basis, excluding those backing Ginnie Mae Certificates and HFA bonds guaranteed by us under the HFA initiative. Freddie Mac securities backed by Ginnie Mae Certificates and HFA bonds guaranteed by us under the HFA initiative are excluded because we consider the incremental credit risk to which we are exposed to be insignificant.

We had recoveries associated with charged-off loans of $0.7 billion and $0.6 billion in the first quarter of 2011 and 2010, respectively, under our primary and pool mortgage insurance policies and other credit enhancements related to our single-family credit guarantee portfolio. In the first quarter of 2011 and in the full year of 2010, the credit enhancement coverage for new purchases was lower than in periods before 2010, primarily as a result of the high refinance activity during the first quarter of 2011 and the full year of 2010. Refinance loans (other than relief refinance mortgages) typically have lower LTV ratios, and are more likely to fall below the 80% charter threshold noted above.

In addition, we have been purchasing significant amounts of relief refinance mortgages. These mortgages allow for the refinance of existing loans guaranteed by us under terms such that we may not have mortgage insurance for some or all of the UPB of the mortgage in excess of 80% of the value of the property for certain of these loans.

See NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES for information about credit protection and other forms of credit enhancements covering loans in our single-family credit guarantee portfolio as of March 31, 2011 and December 31, 2010.

Other Credit Risk Management Activities

To compensate us for higher levels of risk in some mortgage products, we may charge upfront delivery fees above a base management and guarantee fee, which are calculated based on credit risk factors such as the mortgage product type, loan purpose, LTV ratio and other loan or borrower characteristics. We announced delivery fee increases in the fourth

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quarter of 2010 that became effective March 1, 2011 (or later, as outstanding contracts permit) for loans with higher LTV ratios. These increased fees do not apply to relief refinance mortgages with settlement dates on or after July 1, 2011.

MHA Program

The MHA Program is designed to help in the housing recovery, promote liquidity and housing affordability, expand foreclosure prevention efforts and set market standards. Participation in the MHA Program is an integral part of our mission of providing stability to the housing market. Through our participation in this program, we help borrowers maintain home ownership. Some of the key initiatives of this program include:

Home Affordable Modification Program. HAMP commits U.S. government, Freddie Mac and Fannie Mae funds to help eligible homeowners avoid foreclosures and keep their homes through mortgage modifications, where possible. Under this program, we offer loan modifications to financially struggling homeowners with mortgages on their primary residences that reduce the monthly principal and interest payments on their mortgages. HAMP applies both to delinquent borrowers and to those current borrowers at risk of imminent default. See MD&A RISK MANAGEMENT Credit Risk *Mortgage Credit Risks* *Portfolio Management Activities* *MHA Program* in our 2010 Annual Report for further information on HAMP.

Table 34 presents the number of single-family loans that completed modification or were in trial periods under HAMP as of March 31, 2011 and December 31, 2010.

Table 34 Single-Family Home Affordable Modification Program Volume[1]

	As of March 31, 2011		As of December 31, 2010	
	Amount[2]	Number of Loans	Amount[2]	Number of Loans
	(dollars in millions)			
Completed HAMP modifications[3]	$ 26,409	119,690	$ 23,635	107,073
Loans in the HAMP trial period	$ 4,327	19,897	$ 4,905	22,352

(1) Based on information reported by our servicers to the MHA Program administrator.
(2) For loans in the HAMP trial period, this reflects the loan balance prior to modification. For completed HAMP modifications, the amount represents the balance of loans after modification under HAMP.
(3) Completed HAMP modifications are those where the borrower has made the last trial period payment, has provided the required documentation to the servicer and the modification has become effective. Amounts presented represent completed HAMP modifications with effective dates since our implementation of HAMP in 2009 through March 31, 2011 and December 31, 2010, respectively.

As of March 31, 2011, the borrower s monthly payment was reduced on average by an estimated $566, which amounts to an average of $6,792 per year, and a total of $813 million in annual reductions for all of our completed HAMP modifications (these amounts are calculated by multiplying the number of completed modifications by the average reduction in monthly payment, and have not been adjusted to reflect the actual performance of the loans following modification). Except in limited instances, each borrower s reduced payment will remain in effect for a minimum of five years and borrowers whose payments were adjusted below current market levels will have their payment gradually increase after the fifth year to a rate consistent with the market rate at the time of modification. We bear the cost associated with the borrowers payment reductions. Although mortgage investors under the MHA Program are

entitled to certain subsidies from Treasury for reducing the borrowers monthly payments from 38% to 31% of the borrower s income, we do not receive such subsidies on modified mortgages owned or guaranteed by us.

The number of our loans in the HAMP trial period declined to 19,897 as of March 31, 2011 from 22,352 as of December 31, 2010. A large number of borrowers entered into trial period plans when the program was initially introduced in 2009, and significantly fewer new borrowers entered into HAMP trial period plans after 2009. Consequently, we expect fewer borrowers will complete a HAMP modification during 2011 than did in 2010, since a large number of the delinquent borrowers that were eligible for the program have already completed the trial period or attempted to do so, but failed. When a borrower s HAMP trial period is cancelled, the loan is considered for our other workout activities. For more information on our HAMP modifications, including redefault rates on these loans, see *Loan Workout Activities.*

Home Affordable Refinance Program. HARP gives eligible homeowners with loans owned or guaranteed by us or Fannie Mae an opportunity to refinance into loans with more affordable monthly payments and/or fixed-rate terms and is available until June 2012. Under HARP, we allow eligible borrowers who have mortgages with current LTV ratios up to 125% to refinance their mortgages without obtaining new mortgage insurance in excess of what is already in place.

The relief refinance initiative is our implementation of HARP. HARP is targeted at borrowers with current LTV ratios above 80%; however, our program also allows borrowers with LTV ratios below 80% to participate. HARP loans may not perform as well as other refinance mortgages over time due, in part, to the continued high LTV ratios of these loans. Through our relief refinance initiative, we offer this refinancing option only for qualifying mortgage loans that we hold or

guarantee. We continue to bear the credit risk for refinanced loans under this program, to the extent that such risk is not covered by existing mortgage insurance or other existing credit enhancements.

The implementation of the relief refinance mortgage product has resulted in a higher volume of purchases and increased delivery fees from the new loans than we would expect in the absence of the program. However, we believe the net effect of the refinance activity on our financial results has not been significant.

Table 35 below presents the composition of our purchases of refinanced single-family loans during the three months ended March 31, 2011 and 2010.

Table 35 Single-Family Refinance Loan Volume[1]

	Three Months Ended March 31, 2011			Three Months Ended March 31, 2010		
	Amount	Number of Loans	Percent	Amount	Number of Loans	Percent
			(dollars in millions)			
Relief refinance mortgages:						
Above 105% LTV ratio	$ 2,527	10,747	2.8%	$ 608	2,508	0.8%
80% to 105% LTV ratio	12,006	54,974	14.1	10,355	44,459	13.8
Below 80% LTV ratio	14,573	87,025	22.3	10,816	60,640	18.8
Total relief refinance mortgages	$ 29,106	152,746	39.2%	$ 21,779	107,607	33.4%
Total refinance loan volume[2]	$ 81,757	390,008	100%	$ 68,014	321,886	100%

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

Relief refinance mortgages comprised approximately 39% and 33% of our total refinance volume in the first quarter of 2011 and 2010, respectively. Relief refinance mortgages with LTV ratios of 80% and above represented approximately 15% and 12% of our total single-family credit guarantee portfolio purchases in the first quarter of 2011 and 2010, respectively. Relief refinance mortgages comprised approximately 9% and 7% of our total single-family credit guarantee portfolio at March 31, 2011 and December 31, 2010, respectively.

Home Affordable Foreclosure Alternatives Program. HAFA is designed to permit borrowers who meet basic HAMP eligibility requirements to sell their homes in short sales, if such borrowers did not qualify for or participate in a trial period, failed to complete their HAMP trial period, or defaulted on their HAMP modification. HAFA also provides a process for borrowers to convey title to their homes through a deed in lieu of foreclosure. HAFA took effect in April 2010 and we began our implementation of this program in August 2010. We completed a small number of HAFA transactions on our single-family mortgage loans during the first quarter of 2011.

Hardest Hit Fund. In 2010, the federal government created the Hardest Hit Fund, which provides funding for state HFAs to create programs to assist homeowners in those states that have been hit hardest by the housing crisis and economic downturn. To the extent our borrowers participate in the HFA unemployment assistance programs and the

full contractual payment is made by an HFA, a borrower s mortgage delinquency status will remain static and will not fall into further delinquency. We believe participation in these programs by our borrowers has been limited through March 31, 2011, and our delinquency statistics have not been significantly affected.

Impact of the MHA Program on Freddie Mac

As previously discussed, HAMP is intended to provide borrowers the opportunity to obtain more affordable monthly payments and to reduce the number of delinquent mortgages that proceed to foreclosure and, ultimately, mitigate our credit losses by reducing or eliminating a portion of the costs related to foreclosed properties. We believe our overall loss mitigation programs, including efforts outside of the MHA Program, could reduce our ultimate credit losses over the long term. However, we cannot currently estimate whether, or the extent to which, costs incurred in the near term from HAMP or other MHA Program efforts may be offset, if at all, by the prevention or reduction of potential future costs of serious delinquencies and foreclosures due to these initiatives.

The costs we incur related to loan modifications and other activities under HAMP have been, and will likely continue to be, significant for the following reasons:

- Except for certain Other Guarantee Transactions and loans underlying our other guarantee commitments, we bear the full cost of the monthly payment reductions related to modifications of loans we own or guarantee and all servicer and borrower incentive fees and we will not receive a reimbursement of these costs from Treasury. We paid $60 million of servicer and borrower incentive fees in the first quarter of 2011, as compared to $24 million of such fees in the first quarter of 2010. We also have the potential to incur additional servicer incentive fees and

borrower incentive fees as long as the borrower remains current on a loan modified under HAMP. As of March 31, 2011, we accrued $81 million for both initial fees and recurring incentive fees not yet due.

Under HAMP, we typically provide concessions to borrowers, including interest rate reductions and forbearance of principal and interest on a portion of the UPB. To the extent borrowers successfully obtain HAMP modifications, we will continue to experience high volumes of TDRs, similar to our experience during 2010 and the first quarter of 2011.

Some borrowers will fail to complete the HAMP trial period and others will default on their HAMP modified loans. For those borrowers who redefault or who do not complete the trial period and do not qualify for another loan workout, HAMP will have delayed the foreclosure process. If home prices decline while these events take place, a delay in the foreclosure process may increase the losses we recognize on these loans, to the extent the prices we ultimately receive for the foreclosed properties are less than the prices we could have received had we foreclosed upon the properties earlier.

Non-GSE mortgages modified under HAMP include mortgages backing our investments in non-agency mortgage-related securities. Such modifications reduce the monthly payments due from affected borrowers, and thus reduce the payments we receive on these securities (to the extent the payment reductions have not been absorbed by subordinated investors or by other credit enhancement).

Loan Workout Activities

Loan workout activities are a key component of our loss mitigation strategy for managing and resolving troubled assets and lowering credit losses. The majority of our workout activities are for single-family loans. Our single-family loss mitigation strategy emphasizes early intervention in seriously delinquent mortgages and provides alternatives to foreclosure. Other single-family loss mitigation activities include providing our single-family servicers with default management tools designed to help them manage non-performing loans more effectively and to assist borrowers in retaining home ownership where possible, or facilitate foreclosure alternatives when continued homeownership is not an option. Loan workouts are intended to reduce the number of seriously delinquent mortgages that proceed to foreclosure and, ultimately, mitigate our total credit losses by reducing or eliminating a portion of the costs related to foreclosed properties and avoiding the additional credit losses that likely would be incurred in a REO sale. See BUSINESS Our Business Segments *Single-Family Guarantee Segment Loss Mitigation and Workout Activities* in our 2010 Annual Report for a general description of our loan workouts.

In February 2011, FHFA directed Freddie Mac and Fannie Mae to discuss with FHFA and with each other, and wherever feasible to develop, consistent requirements, policies and processes for the servicing of non-performing loans. This directive was designed to create greater consistency in servicing practices and to build on the best practices of each of the GSEs. Pursuant to this directive, on April 28, 2011, FHFA announced a new set of aligned standards for servicing by Freddie Mac and Fannie Mae, which are designed to help servicers do a better job of engaging with homeowners and to bring greater accountability to the servicing industry. The aligned requirements include earlier and more frequent communication with borrowers, consistent requirements for collecting documents from borrowers, consistent timelines for responding to borrowers, a consistent approach to modifications, and consistent timelines for processing foreclosures. This initiative will result in the alignment of the processes for both HAMP and non-HAMP workout solutions, and will be implemented over the course of 2011. We believe this effort will result in certain changes in our non-HAMP loan modification processes which may temporarily result in delays in these activities while the changes are implemented by us and our servicers. Servicers will also be subject to incentives and sanctions with respect to performance under these standards.

For multifamily loans, we monitor a variety of mortgage loan characteristics such as the LTV ratio, DSCR and geographic location, among others, that help us assess the financial performance of the property and the borrower s ability to repay the loan. In certain cases, we may provide short-term loan extensions of up to 12 months with no changes to the effective borrowing rate. We do not modify or extend loans in situations where we believe we would experience a loss in the future that is greater than or equal to the loss we would experience if we foreclosed on the property at the time of the agreement. During the first quarter of 2011, we extended and modified multifamily loans totaling $13 million in UPB, compared with $99 million in the first quarter of 2010. Multifamily loan modifications during the first quarter of 2011 included: (a) $1 million in UPB for short-term loan extensions; and (b) $12 million in UPB for loan modifications. None of our multifamily modified loans, including those classified as TDRs, were delinquent at March 31, 2011. Where we have granted a concession to borrowers experiencing financial difficulties, we account for these loans as TDRs. When we execute a modification classified as a TDR, the loan is then classified as nonperforming for the life of the loan regardless

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of its delinquency status. At March 31, 2011, we had $897 million of multifamily loan UPB classified as TDRs on our consolidated balance sheets, all of which were performing.

We require our single-family seller/servicers to first evaluate problem loans for possible modification under HAMP. If a borrower is not eligible for a modification under HAMP, the borrower is considered for modification under our other loan modification programs. If the borrower is not eligible for any such programs, the loan is considered for other workout options. In the first quarter of 2011, we helped more than 62,000 borrowers either stay in their homes or sell their properties and avoid foreclosures through our various workout programs, including HAMP, and we completed approximately 31,000 foreclosures.

Table 36 presents volumes of single-family workouts, serious delinquency, and foreclosures for the three months ended March 31, 2011 and 2010.

Table 36 Single-Family Loan Workouts, Serious Delinquency, and Foreclosure Volumes[1]

	Three Months Ended March 31,			
	2011		2010	
	Number of Loans	Loan Balances	Number of Loans	Loan Balances
	(dollars in millions)			
Home retention actions:				
Loan modifications[2]				
with no change in terms[3]	1,265	$ 219	737	$ 116
with extension of loan terms	5,280	961	3,961	657
with reduction of contractual interest rate	9,365	2,134	13,914	3,043
with rate reduction and term extension	13,603	3,033	16,199	3,573
with rate reduction, term extension and principal forbearance	5,645	1,505	9,417	2,464
Total loan modifications[4]	35,158	7,852	44,228	9,853
Repayment plans[5]	9,099	1,286	8,761	1,268
Forbearance agreements[6]	7,678	1,526	8,858	1,856
Total home retention actions:	51,935	10,664	61,847	12,977
Foreclosure alternatives:				
Short sale	10,621	2,488	6,957	1,609
Deed-in-lieu transactions	85	15	107	15
Total foreclosure alternatives	10,706	2,503	7,064	1,624
Total single-family loan workouts	62,641	$ 13,167	68,911	$ 14,601
Delinquent loan additions	97,464		150,941	
Single-family foreclosures[7]	31,087		32,301	

Delinquent loans, at period end	436,314	516,219

(1) Based on completed actions with borrowers for loans within our single-family credit guarantee portfolio. Excludes those modification, repayment and forbearance activities for which the borrower has started the required process, but the actions have not been made permanent, or effective, such as loans in the trial period under HAMP. Also excludes certain loan workouts where our single-family seller/servicers have executed agreements in the current or prior periods, but these have not been incorporated into certain of our operational systems, due to delays in processing. These categories are not mutually exclusive and a loan in one category may also be included within another category in the same period (see endnote 6).
(2) Includes approximately 27,000 TDRs in both the three months ended March 31, 2011 and 2010.
(3) Under this modification type, past due amounts are added to the principal balance and reamortized based on the original contractual loan terms.
(4) Includes completed loan modifications under HAMP; however, the number of such completions differs from that reported by the MHA Program administrator in part due to differences in the timing of recognizing the completions by us and the administrator.
(5) Represents the number of borrowers as reported by our seller/servicers that have completed the full term of a repayment plan for past due amounts. Excludes the number of borrowers that are actively repaying past due amounts under a repayment plan, which totaled 20,592 and 21,358 borrowers as of March 31, 2011 and 2010, respectively.
(6) Excludes loans with long-term forbearance under a completed loan modification. Many borrowers complete a short-term forbearance agreement before a loan workout is pursued or completed. Our reported activity has been revised such that 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.
(7) Represents the number of our single-family loans that complete foreclosure transfers, including third-party sales at foreclosure auction in which ownership of the property is transferred directly to a third-party rather than to us.

We experienced declines in home retention actions, particularly loan modifications, and increases in short sales during the three months ended March 31, 2011, compared to the three months ended March 31, 2010. Loan modifications may include the additions of past due amounts to principal, interest rate reductions, term extensions and principal forbearance. Although HAMP contemplates that some servicers will also make use of principal reduction to achieve reduced payments for borrowers, we only used forbearance in the first quarter of 2011 and did not use principal reduction in modifying our loans. We bear the costs of these activities, including the cost of any monthly payment reductions. We also completed 10,621 short sales during the three months ended March 31, 2011, compared to 6,957 in the three months ended March 31, 2010.

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The UPB of loans in our single-family credit guarantee portfolio for which we have completed a loan modification increased to $58 billion as of March 31, 2011 from $52 billion as of December 31, 2010. The number of modified loans in our single-family credit guarantee portfolio has been increasing and such loans comprised approximately 2.4% and 2.1% of our single-family credit guarantee portfolio as of March 31, 2011 and December 31, 2010, respectively. The estimated current LTV ratio for all modified loans in our single-family credit guarantee portfolio was 118% and the serious delinquency rate on these loans was 17% as of March 31, 2011. Table 37 presents the reperformance rate of modified single-family loans in each of the last seven quarterly periods.

Table 37 Reperformance Rates[1] of Modified Single-Family Loans

	Quarter of Loan Modification Completion[2]						
HAMP loan modifications:	**4Q 2010**	**3Q 2010**	**2Q 2010**	**1Q 2010**	**4Q 2009**	**3Q 2009**	**2Q 2009**
Time since modification							
3 to 5 months	94%	93%	94%	95%	94%	96%	
6 to 8 months		92%	91%	93%	93%	93%	
9 to 11 months			89%	90%	91%	93%	
12 to 14 months				89%	88%	92%	
15 to 17 months					87%	91%	
18 to 20 months						88%	
21 to 23 months							

	Quarter of Loan Modification Completion[2]						
Non-HAMP loan modifications:	**4Q 2010**	**3Q 2010**	**2Q 2010**	**1Q 2010**	**4Q 2009**	**3Q 2009**	**2Q 2009**
Time since modification							
3 to 5 months	94%	93%	93%	94%	90%	88%	73%
6 to 8 months		90%	86%	87%	82%	78%	64%
9 to 11 months			83%	81%	77%	72%	60%
12 to 14 months				79%	75%	69%	58%
15 to 17 months					74%	67%	57%
18 to 20 months						67%	55%
21 to 23 months							56%

	Quarter of Loan Modification Completion[2]						
Total (HAMP and non-HAMP):	**4Q 2010**	**3Q 2010**	**2Q 2010**	**1Q 2010**	**4Q 2009**	**3Q 2009**	**2Q 2009**
Time since modification							
3 to 5 months	94%	93%	94%	95%	92%	89%	73%
6 to 8 months		91%	90%	92%	88%	79%	64%
9 to 11 months			88%	88%	85%	74%	60%
12 to 14 months				87%	82%	71%	58%
15 to 17 months					81%	68%	57%

18 to 20 months	68%	55%
21 to 23 months		56%

(1) Represents the percentage of loans that are current or less than three monthly payments past due as well as those paid-in-full or repurchased. Excludes those loan modification activities for which the borrower has started the required process, but the modification has not been made permanent, or effective, such as loans in the trial period under HAMP.
(2) Loan modifications are recognized as completed in the quarterly period in which the servicer has reported the modification as effective and the agreement has been accepted by us, which in certain cases may be delayed by a backlog in servicer processing of modifications.

The redefault rate is the percentage of our modified loans that became seriously delinquent, transitioned to REO, or completed a loss-producing foreclosure alternative, and is the inverse of the reperformance rate. As of March 31, 2011, the redefault rate for all of our single-family loan modifications (including those under HAMP) completed during 2010, 2009, and 2008 was 11%, 37%, and 49%, respectively. Many of the borrowers that received modifications in 2008 and 2009 were negatively affected by worsening economic conditions, including high unemployment rates during the last several years. As of March 31, 2011, the redefault rate for loans modified under HAMP in 2010 and 2009 was approximately 10% and 13%, respectively. These redefault rates may not be representative of the future performance of loans, including those modified under HAMP. We believe the redefault rate for loans modified in 2010, 2009, and 2008, including those modified under HAMP, is likely to increase, particularly since the housing and economic environments remain challenging.

Credit Performance

Delinquencies

We report single-family serious delinquency rate information based on the number of loans that are three monthly payments or more past due or in the process of foreclosure, as reported by our seller/servicers. For multifamily loans, we report delinquency rates based on UPB of mortgage loans that are two monthly payments or more past due or in the process of foreclosure. Mortgage loans whose contractual terms have been modified under agreement with the borrower are not counted as delinquent as long as the borrower is current under the modified terms. In addition, multifamily loans

are not counted as delinquent if the borrower has entered into a forbearance agreement and is abiding by the terms of the agreement. Single-family loans for which the borrower has been granted forbearance will continue to reflect the past due status of the borrower.

Our single-family and multifamily delinquency rates include all single-family and multifamily loans that we own, that are collateral for Freddie Mac securities, and that are covered by our other guarantee commitments, except financial guarantees that are backed by either Ginnie Mae Certificates or HFA bonds because these securities do not expose us to meaningful amounts of credit risk due to the guarantee or credit enhancements provided on these securities by the U.S. government.

Some of our loss mitigation activities create fluctuations in our delinquency statistics. For example, single-family loans that we report as seriously delinquent before they enter the HAMP trial period continue to be reported as seriously delinquent for purposes of our delinquency reporting until the modifications become effective and the loans are removed from delinquent status by our servicers. However, under many of our non-HAMP modifications, the borrower would return to a current payment status sooner, because these modifications do not have trial periods. Consequently, the volume, timing, and type of loan modifications impact our reported serious delinquency rate. In addition, there may be temporary timing differences, or lags, in the reporting of payment status and modification completion due to differing practices of our servicers that can affect our delinquency reporting.

Temporary actions to suspend foreclosure transfers of occupied homes, increases in foreclosure process timeframes, process requirements of HAMP, and general constraints on servicer capacity caused our single-family serious delinquency rates to be higher in the first quarter of 2011 than they otherwise would have been. Delays in the foreclosure process relating to the concerns about deficiencies in foreclosure practices also have a similar effect on our single-family serious delinquency rates.

Table 38 presents delinquency rates for our single-family credit guarantee and multifamily mortgage portfolios.

Table 38 Delinquency Rates

	March 31, 2011		**December 31, 2010**	
	Percentage of Portfolio	**Delinquency Rate**	**Percentage of Portfolio**	**Delinquency Rate**
Single-family:				
Non-credit-enhanced	85%	2.85%	85%	3.01%
Credit-enhanced	15	7.87	15	8.27
Total single-family credit guarantee portfolio(1)	100%	3.63	100%	3.84
Multifamily:				
Non-credit-enhanced	78%	0.25%	80%	0.12%
Credit-enhanced	22	0.75	20	0.85
Total multifamily mortgage portfolio	100%	0.36	100%	0.26

(1) As of March 31, 2011 and December 31, 2010, approximately 65% and 61%, respectively, of the single-family loans reported as seriously delinquent were in the process of foreclosure.

Serious delinquency rates of our single-family credit guarantee portfolio declined slightly to 3.63% as of March 31, 2011 from 3.84% as of December 31, 2010. Serious delinquency rates for interest-only and option ARM products, which together represented approximately 6% of our total single-family credit guarantee portfolio at March 31, 2011, were 17.9% and 21.5%, respectively, at March 31, 2011, compared with 18.4% and 21.2%, respectively, at December 31, 2010. Serious delinquency rates of single-family 30-year, fixed rate amortizing loans, which is a more traditional mortgage product, were approximately 3.8% and 4.0% at March 31, 2011, and December 31, 2010, respectively. The slight improvement in the single-family serious delinquency rate during the first quarter of 2011 was primarily due to a continued high volume of loan modifications, significant volumes of foreclosure transfers, and a slowdown in new serious delinquencies. Although the volume of new serious delinquencies declined in each of the past five quarters, our serious delinquency rate remains high, reflecting continued stress in the housing and labor markets.

In certain states within the West, Southeast and Northeast regions, our single-family serious delinquency rates have remained persistently high. As of March 31, 2011, single-family loans in California and Florida comprised 16% and 6%, respectively, of our single-family credit guarantee portfolio; however, seriously delinquent loans in these states comprised approximately 18% and 19%, respectively, of the seriously delinquent loans in our single-family credit guarantee portfolio, based on UPB. During the first quarter of 2011, we also continued to experience high serious delinquency rates on single-family loans originated between 2005 and 2008. We purchased significant amounts of loans with higher-risk

characteristics in those years. In addition, those borrowers are more susceptible to the declines in home prices since 2006 than those homeowners that have built up equity in their homes over time.

Table 39 presents credit concentrations for certain loan groups in our single-family credit guarantee portfolio.

Table 39 Credit Concentrations in the Single-Family Credit Guarantee Portfolio

	As of March 31, 2011						Three Months Ended March 31, 2011	
	Alt-A UPB	Non Alt-A UPB	Total UPB	Estimated Current LTV Ratio[1]	Percentage Modified[2]	Serious Delinquency Rate	Credit Losses Alt-A	Credit Losses Non Alt-A
	(in billions)						(in billions)	
Geographical distribution:								
Arizona, California, Florida, and Nevada	$ 45	$ 415	$ 460	91%	3.7%	6.7%	$ 0.7	$ 1.2
All other states	64	1,291	1,355	74	2.1	2.8	0.3	1.0
Year of origination:								
2011		44	44	68				
2010		369	369	70	<0.1	0.1		
2009	<1	376	376	71	0.1	0.3		
2008	9	139	148	88	2.8	4.9		0.2
2007	34	162	196	107	7.4	11.3	0.4	0.8
2006	29	117	146	106	6.8	10.3	0.4	0.6
2005	20	147	167	92	3.8	6.1	0.2	0.4
2004 and prior	17	352	369	59	1.9	2.5		0.2

	As of March 31, 2010						Three Months Ended March 31, 2010	
	Alt-A UPB	Non Alt-A UPB	Total UPB	Estimated Current LTV Ratio[1]	Percentage Modified[2]	Serious Delinquency Rate	Credit Losses Alt-A	Credit Losses Non Alt-A
	(in billions)						(in billions)	
Geographical distribution:								
Arizona, California, Florida, and Nevada	$ 57	$ 418	$ 475	89%	1.7%	8.0%	$ 0.9	$ 0.9
All other states	83	1,322	1,405	73	1.1	3.1	0.3	0.8
Year of origination:								
2010		48	48	69				

2009	<1	462	462	69		0.1		
2008	12	199	211	83	0.7	3.9		0.1
2007	43	212	255	99	2.8	11.2	0.4	0.5
2006	38	155	193	99	2.8	10.0	0.5	0.4
2005	25	192	217	88	1.6	5.7	0.3	0.4
2004 and prior	22	472	494	57	1.0	2.3		0.3

(1) See endnote (5) to Table 31 Characteristics of the Single-Family Credit Guarantee Portfolio for information on our calculation of estimated current LTV ratios.

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

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Table 40 presents statistics for combinations of certain characteristics of the mortgages in our single-family credit guarantee portfolio as of March 31, 2011 and December 31, 2010.

Table 40 Single-Family Credit Guarantee Portfolio by Attribute Combinations

	March 31, 2011								
	Current LTV Ratio(1) £ 80		Current LTV Ratio(1) of 81-100		Current LTV Ratio(1) > 100		Current LTV Ratio(1) All Loans		
	Percentage of Portfolio(2)	Serious Delinquency Rate	Percentage of Portfolio(2)	Serious Delinquency Rate	Percentage of Portfolio(2)	Serious Delinquency Rate	Percentage of Portfolio(2)	Percentage Modified(3)	Serious Delinquency Rate
By Product Type									
FICO scores < 620:									
20 and 30- year or more amortizing fixed rate	1.0%	8.0%	0.8%	13.7%	1.0%	25.1%	2.8%	14.0%	14.2%
15- year amortizing fixed rate	0.2	4.3	<0.1	11.0	<0.1	19.7	0.2	1.9	4.8
ARMs/adjustable rate(4)	0.1	12.0	<0.1	17.6	<0.1	26.8	0.1	8.3	16.4
Interest-only(5)	<0.1	16.2	<0.1	24.0	0.1	38.0	0.1	1.4	32.0
Other(6)	<0.1	3.1	0.1	6.7	<0.1	11.7	0.1	3.4	4.8
Total FICO scores < 620	1.3	7.1	0.9	13.9	1.1	25.6	3.3	11.4	13.0
FICO scores of 620 to 659									
20 and 30- year or more amortizing fixed rate	2.3	5.0	1.6	9.1	1.8	19.0	5.7	9.3	9.8
15- year amortizing fixed rate	0.5	2.5	0.1	7.0	<0.1	15.9	0.6	1.0	2.9
ARMs/adjustable rate(4)	0.1	5.7	0.1	12.7	0.1	24.9	0.3	1.5	13.2
Interest-only(5)	<0.1	10.6	0.1	19.8	0.4	34.1	0.5	1.2	28.3
Other(6)	<0.1	2.1	<0.1	4.9	<0.1	4.9	<0.1	1.1	3.9
Total FICO scores of 620 to 659	2.9	4.3	1.9	9.5	2.3	20.4	7.1	7.3	9.4
FICO scores ³ 660									
20 and 30- year or more amortizing fixed rate	36.4	1.0	19.8	2.5	11.1	9.6	67.3	2.1	2.7
15- year amortizing fixed rate	12.7	0.4	0.9	1.4	0.1	6.6	13.7	0.1	0.5
ARMs/adjustable rate(4)	2.0	1.4	0.8	5.1	0.8	16.1	3.6	0.4	5.3
Interest-only(5)	0.6	3.6	1.0	9.9	2.7	22.0	4.3	0.5	16.4
Other(6)	<0.1	1.9	<0.1	1.6	0.1	1.4	0.1	0.4	1.6

Total FICO scores ³ 660	51.7	0.8	22.5	2.8	14.8	11.6	89.0	1.5	2.6
Total of FICO scores not available	0.3	4.6	0.1	11.2	0.2	22.5	0.6	4.5	8.8
All FICO scores									
20 and 30- year or more amortizing fixed rate	39.7	1.5	22.3	3.6	14.0	12.0	76.0	3.3	3.8
15- year amortizing fixed rate	13.5	0.6	0.9	1.9	0.2	8.0	14.6	0.2	0.7
ARMs/adjustable rate(4)	2.2	2.2	0.9	6.5	1.0	17.7	4.1	0.8	6.3
Interest-only(5)	0.6	4.3	1.2	11.2	3.1	23.7	4.9	0.6	17.9
Other(6)	0.2	8.7	0.1	7.9	0.1	7.1	0.4	5.7	8.1
Total Single-family Credit Guarantee Portfolio(7)	56.2%	1.3%	25.4%	3.9%	18.4%	13.7%	100.0%	2.4%	3.6%
By Region(8)									
FICO scores < 620:									
North Central	0.2%	6.3%	0.2%	12.3%	0.2%	20.7%	0.6%	11.7%	12.1%
Northeast	0.4	9.1	0.3	18.7	0.2	28.6	0.9	11.8	14.0
Southeast	0.2	7.8	0.2	14.3	0.3	30.1	0.7	11.7	15.7
Southwest	0.3	5.4	0.1	11.4	0.1	21.4	0.5	8.2	8.3
West	0.2	4.9	0.1	11.5	0.3	24.3	0.6	13.6	14.0
Total FICO scores < 620	1.3	7.1	0.9	13.9	1.1	25.6	3.3	11.4	13.0
FICO scores of 620 to 659									
North Central	0.5	4.0	0.4	8.6	0.5	15.3	1.4	7.3	8.3
Northeast	1.0	5.3	0.5	13.2	0.3	22.3	1.8	7.2	9.4
Southeast	0.5	5.1	0.4	9.4	0.6	24.5	1.5	7.4	11.9
Southwest	0.5	3.2	0.3	7.6	0.1	14.1	0.9	5.0	5.2
West	0.4	3.3	0.3	8.3	0.8	21.2	1.5	9.6	11.5
Total FICO scores of 620 to 659	2.9	4.3	1.9	9.5	2.3	20.4	7.1	7.3	9.4
FICO scores ³ 660									
North Central	8.7	0.7	4.9	2.4	2.6	7.4	16.2	1.3	2.0
Northeast	15.2	0.9	5.4	4.3	1.6	11.9	22.2	1.3	2.1
Southeast	7.2	1.1	4.1	2.8	3.7	14.7	15.0	1.6	4.1
Southwest	7.5	0.6	2.7	2.2	0.3	6.1	10.5	0.8	1.1
West	13.1	0.5	5.4	2.3	6.6	12.0	25.1	2.3	3.4
Total FICO scores ³ 660	51.7	0.8	22.5	2.8	14.8	11.6	89.0	1.5	2.6
Total of FICO scores not available	0.3	4.6	0.1	11.2	0.2	22.5	0.6	4.5	8.8
All FICO scores									

North Central	9.4	1.1	5.5	3.4	3.3	9.6	18.2	2.2	2.9
Northeast	16.6	1.5	6.2	5.8	2.2	15.1	25.0	2.2	3.1
Southeast	8.0	1.8	4.6	4.0	4.7	17.3	17.3	2.7	5.4
Southwest	8.4	1.1	3.2	3.4	0.5	9.8	12.1	1.6	1.9
West	13.8	0.8	5.9	2.9	7.7	13.5	27.4	3.1	4.2
Total Single-family Credit Guarantee Portfolio(7)	56.2%	1.3%	25.4%	3.9%	18.4%	13.7%	100.0%	2.4%	3.6%

	December 31, 2010									
	Current LTV Ratio(1) £ 80		Current LTV Ratio(1) of 81-100		Current LTV Ratio(1) > 100		Current LTV Ratio(1) All Loans			
	Percentage of Portfolio(2)	Serious Delinquency Rate	Percentage of Portfolio(2)	Serious Delinquency Rate	Percentage of Portfolio(2)	Serious Delinquency Rate	Percentage of Portfolio(2)	Percentage Modified(3)	Serious Delinquency Rate
By Product Type										
FICO scores < 620:										
20 and 30- year or more amortizing fixed rate	1.1%	8.6%	0.8%	15.1%	0.9%	27.5%	2.8%	12.9%	15.1%
15- year amortizing fixed rate	0.2	4.6	<0.1	11.8	<0.1	22.2	0.2	1.8	5.1
ARMs/adjustable rate(4)	0.1	12.2	<0.1	18.4	<0.1	28.6	0.1	7.6	16.9
Interest-only(5)	<0.1	17.6	0.1	25.3	0.1	39.9	0.2	0.9	33.3
Other(6)	<0.1	3.7	<0.1	8.5	0.1	13.2	0.1	3.1	5.6
Total FICO scores < 620	1.4	7.6	0.9	15.3	1.1	27.9	3.4	10.4	13.9
FICO scores of 620 to 659:									
20 and 30- year or more amortizing fixed rate	2.4	5.2	1.7	9.8	1.8	20.5	5.9	8.3	10.3
15- year amortizing fixed rate	0.6	2.6	<0.1	7.3	<0.1	16.6	0.6	0.9	3.0
ARMs/adjustable rate(4)	0.1	6.0	0.1	13.5	0.1	25.9	0.3	1.5	13.6
Interest-only(5)	<0.1	10.9	0.2	20.6	0.3	35.6	0.5	0.9	29.2
Other(6)	<0.1	2.6	<0.1	5.4	<0.1	5.3	<0.1	1.0	4.3
Total FICO scores of 620 to 659	3.1	4.5	2.0	10.3	2.2	22.0	7.3	6.5	9.9
FICO scores ³ 660:									
20 and 30- year or more amortizing fixed rate	36.5	1.0	20.0	2.8	10.4	10.4	66.9	1.9	2.8
15- year amortizing fixed rate	12.5	0.4	0.9	1.4	0.1	7.3	13.5	0.1	0.5
ARMs/adjustable rate(4)	1.9	1.6	0.8	5.4	0.8	17.0	3.5	0.4	5.6
Interest-only(5)	0.7	3.7	1.2	10.3	2.8	23.1	4.7	0.4	16.7
Other(6)	<0.1	2.1	<0.1	2.0	0.1	1.3	0.1	0.4	1.7
Total FICO scores ³ 660	51.6	0.8	22.9	3.1	14.2	12.6	88.7	1.3	2.7
Total of FICO scores not available	0.4	4.6	0.1	11.9	0.1	23.7	0.6	4.1	8.8
All FICO scores:									

20 and 30- year or more amortizing fixed rate	40.2	1.6	22.6	3.9	13.2	13.1	76.0	2.9	4.0
15- year amortizing fixed rate	13.3	0.6	0.9	2.0	0.2	8.8	14.4	0.2	0.8
ARMs/adjustable rate(4)	2.1	2.4	1.0	7.0	0.9	18.7	4.0	0.8	6.7
Interest-only(5)	0.7	4.5	1.3	11.7	3.2	24.9	5.2	0.5	18.4
Other(6)	0.2	9.3	0.1	8.6	0.1	7.3	0.4	5.2	8.6
Total Single-family Credit Guarantee Portfolio(7)	56.5%	1.4%	25.9%	4.3%	17.6%	14.9%	100.0%	2.1%	3.8%
By Region(8)									
FICO scores <620:									
North Central	0.2%	7.1%	0.2%	13.7%	0.2%	22.5%	0.6%	10.9%	13.0%
Northeast	0.5	9.4	0.3	19.9	0.2	30.5	1.0	10.7	14.5
Southeast	0.2	8.4	0.2	15.5	0.3	31.9	0.7	10.7	16.4
Southwest	0.3	5.9	0.1	12.7	0.1	24.1	0.5	7.6	9.2
West	0.2	5.6	0.1	13.5	0.3	28.0	0.6	12.3	15.8
Total FICO scores < 620	1.4	7.6	0.9	15.3	1.1	27.9			