FannieMae

Freddie Mac

December 21, 2015

Elizabeth Sandoe
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Prohibition against Conflicts of Interest in Certain Securitizations (Release No. 34-6533; File No. S7-38-11)

Dear Ms. Sandoe:

This letter is being submitted by the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") (each, a "GSE") as a follow-up to our meeting of March 24, 2015 with you, a number of your Securities and Exchange Commission ("Commission") colleagues and representatives of the Federal Housing Finance Agency ("FHFA") regarding proposed Rule 127B under the Securities Act of 1933 (the "Securities Act") and the Commission's related proposed clarifying interpretations (the "Clarifying Interpretations").[1] As you know, that proposed rule and the Clarifying Interpretations are designed to implement Section 621 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (referred to herein as "Section 621"), a provision that prohibits "material conflicts of interest" relating to certain asset-backed securities, including synthetic asset-backed securities, subject to certain exceptions. Fannie Mae and Freddie Mac appreciated the opportunity to discuss at that meeting our concerns regarding the manner in which the Clarifying Interpretations might impair our ability to manage credit risk and appreciate this opportunity to elaborate upon those concerns and suggest a potential approach to addressing them.

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[1] See Prohibition Against Conflicts of Interest in Certain Securitizations, Rel. No. 34-65355, reprinted in 76 Fed. Reg. 60320 (Sept. 28, 2011) [hereinafter, the "FR Release"].

Fannie Mae and Freddie Mac Corporate Missions

The U.S. Congress chartered Fannie Mae in 1938 and Freddie Mac in 1970. Each was created to serve the key public policy goals of supporting the liquidity and stability of the U.S. secondary mortgage market and increasing the supply of affordable housing. We achieve our statutorily-mandated goals primarily by purchasing, on a continuous basis, under all market conditions, residential mortgages originated by third-party mortgage leaders. To finance those mortgage acquisition activities, we each pool those mortgages and issue single-class mortgage-backed securities representing undivided interests in the applicable pool. To enhance the marketability of those mortgage-backed securities, we respectively guarantee timely payment of principal and interest with respect to the underlying mortgages.

In Fannie Mae's case those guaranteed securities are referred to as Fannie Mae MBS; in Freddie Mac's case they are referred to as Freddie Mac PCs. As of September 30, 2015 there were approximately $2.6 trillion ($2,600,000,000,000) of Fannie Mae MBS outstanding and approximately $1.57 trillion ($1,570,000,000,000) of Freddie Mac PCs outstanding. Since we began issuing guaranteed mortgage-backed securities, Fannie Mae and Freddie Mac together have provided funds aggregating over $5 trillion dollars ($5,000,000,000,000) to mortgage lenders, who in turn have made those funds available to persons acquiring or refinancing residential properties. Collectively, those securitization activities have enabled tens of millions of American families to buy, refinance or rent their homes. Fannie Mae's and Freddie Mac's issuance of guaranteed MBS and PCs, and the "To Be Announced" (TBA) market in which they trade, are thus central to the fulfillment of our statutory missions.

In the trillion dollar TBA market, Fannie Mae MBS and Freddie Mac PCs are traded based on a limited number of enumerated criteria and often are traded prior to the origination of the underlying loans themselves. This enables the originators of single-family mortgage loans to obtain mandatory commitments from investors to purchase the MBS and PCs that we ultimately deliver to them in exchange for the loans. This in turn permits lenders to offer lock-in rates to borrowers, reducing the interest rate risk for lenders and lowering interest rates for borrowers.

From the inception, these securities issuance activities have been subject to oversight by Federal housing regulators; since September 2008, when both GSEs were placed under FHFA conservatorship, the scope and magnitude of that oversight has been greatly expanded. Similarly, while the mortgages acquired by the GSEs for securitization have always been subject to prudent underwriting and mortgage servicing standards, those standards have also been strengthened since 2008 in response to the financial markets crisis and directives from FHFA. Those stronger underwriting standards include continued limits on the original principal balance, documentation of property values, evidence of the mortgagor's ability to repay and minimum credit scores. Both GSEs also conduct ongoing loan quality reviews and mortgage servicer monitoring, pursuant to well-defined procedures.

Although the foregoing measures are protective, Fannie Mae and Freddie Mac nonetheless retain, as a result of our MBS and PC guarantees, 100% of the credit (i.e., mortgage default) risk associated with the mortgage loans underlying those securities. Consequently, as a matter of prudent business practice and in response to an FHFA mandate to reduce our overall risk profiles, we are continually seeking efficient ways to mitigate that risk. Consistent with the Strategic Plan for the GSEs, FHFA has encouraged the GSEs to expand those credit risk transfer ("CRT") efforts in order to minimize the exposure of U.S. taxpayers.

Current CRT Securities Issuance Activities

We employ a number of strategies to mitigate the credit risk associated with our single-family mortgage purchases, including the requirement of mortgage insurance on loans we purchase and entering into recourse transactions with lenders that sell loans to us. At present, however, the primary means of mitigating credit risk with respect to Fannie Mae MBS and Freddie Mac PCs consists of issuing multi-class, unsecured and unguaranteed debt obligations. In Fannie Mae's case those obligations are referred to as Connecticut Avenue Securities ("CAS"); in Freddie Mac's case they are referred to as Structured Agency Credit Risk ("STACR") securities. In each case, those debt obligations reference a specific pool of residential mortgage loans (the "Reference Pool") that were previously securitized into guaranteed MBS or PCs by the applicable GSE and represent a random, representative sample of total eligible loans.

Although the applicable GSE will pay interest on the CAS or STACRs on a monthly basis, our obligation to repay principal may be reduced if specified credit events (e.g., the disposition or resolution of delinquent loans results in net losses) occur with respect to the applicable Reference Pool. Accordingly, if loans in the Reference Pool experience specified credit events, CAS or STACR investors may suffer write-downs of their principal, while the applicable GSE will incur losses with respect to the relevant MBS or PC as a result of its guarantee obligations. To help insure that our interests are aligned with the CAS and STACR investors, both Fannie Mae and Freddie Mac retain a vertical slice of the credit risk associated with the applicable Reference Pool for each such debt securities offering. To help CAS and STACR investors make informed decisions regarding sharing credit risk with Fannie Mae or Freddie Mac, we each publish extensive historical loan-level performance data, dating back at least 15 years. Moreover, detailed loan-level data is provided on the Reference Pools as part of the initial transaction disclosure and is updated monthly as part of bondholder reporting. Because of the complexity of the CAS and STACRs structures and the absence of a GSE guarantee, those securities are sold only to sophisticated institutional investors.[2] A breakdown of the current investors in recent CAS and STACRs transactions by investor type is illustrated on Exhibit A hereto.

To date, Fannie Mae has issued CAS securities with an aggregate principal amount of approximately \$12.4 billion and Freddie Mac has issued STACR securities with an aggregate principal amount of approximately

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[2] The CAS are offered only to qualified institutional buyers ("QIBs"), as defined in Rule 144A under the Securities Act; the STACRs are initially offered only to sophisticated institutional investors in \$250,000 minimum denominations so that the market remains institutional. See Structured Agency Credit Risk ("STACR") Debt Notes, 2015-HQ1 Roadshow Investor Presentation March 2015 at pg. 21 (identifying the STACR owners as sovereign funds, REITs, money managers, insurance companies, hedge funds and financial institutions).

$12 billion. However, we both, with the encouragement of FHFA, believe it advisable to create additional methods to manage the credit risk of our mortgage guarantee books. In this regard, FHFA has encouraged each GSE to "utilize at least one transaction type in addition to the STACR or CAS structures."[3] Members of Congress have also weighed in, asserting that "the Enterprises should maximize the types of credit risk transfer structures that are tested."[4] Both Fannie Mae and Freddie Mac therefore are striving to develop credit risk-sharing structures that will help to fulfill FHFA's goal of increasing private capital participation in mortgage credit risk in a scalable and sustainable manner. We believe, in the latter regard, that the synthetic CRT structure discussed immediately below would be more sustainable over time because this structure is more widely understood than are the current CAS and STACR structures and thus would attract a broader institutional investor base. A synthetic CRT structure would also provide additional structuring flexibility and may be less vulnerable to any legislative changes that may be made to the status of Fannie Mae or Freddie Mac because the securities would be issued by a trust and not by Fannie Mae or Freddie Mac.

Proposed CRT Securitization Activity

Both Fannie Mae and Freddie Mac have identified the establishment of special purpose vehicles ("SPVs") that issue synthetic asset-backed securities (the "Synthetic CRT Securities") as an efficient means of achieving our and FHFA's credit risk transfer goals in a way that will be both scalable and sustainable over time. The Synthetic CRT Securities would be economically equivalent to the current CAS and STACR offerings in that the return of principal to investors in the Synthetic CRT Securities would be linked to the performance of a Reference Pool of mortgage loans that is selected in a random and representative way. However, they would be structurally different in that interest payments would be made to investors through a swap agreement between the SPV and the applicable GSE, as well as from investment income on collateral purchased by the SPV with the proceeds of the offering; credit risk would be shared through swap payments made to the applicable GSE by the SPV through liquidation of collateral following the occurrence of specified credit events relating to the Reference Pool. Please see Exhibits B and C hereto for schematic descriptions of the current CAS/STACR debt structure and the proposed Synthetic CRT Securities.[5]

As is the case with the current CAS/STACR debt structure, the Synthetic CRT Securities would be offered solely to sophisticated institutional investors;[6] and the credit risk transfer function of those securities would be

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[3] FHFA Division of Conservatorship 2014 and 2015 Scorecards for Fannie Mae, Freddie Mac and Common Securitization Solutions.

[4] Letter dated June 10, 2015, to FHFA Director Melvin L. Watt from U.S. Sens. Mark R. Warner (D-VA), Bob Corker (R-TN), Heidi Heitkamp (D-ND), Mike Crapo (R-ID), Jon Tester (D-MT) and Dean Heller (R-NV).

[5] We note that the Synthetic CRT Securities would be functionally equivalent to the synthetic securitizations described on page 60321 of the FR Release, which the Commission recognizes are used by banks to protect themselves against default with respect to fixed income assets maintained on their balance sheets.

[6] Because the issuers would be SPVs, those securities would be sold in transactions that rely upon the Section 4(a)(2) private placement exemption from registration under the Securities Act, rather than the Section 3(a)(2) exemption that is applicable to the CAS and STACRs as a result of our charters.

fully disclosed.[7] Moreover, investors in those securities would have access to the same historical loan-level performance data and Reference Pool performance data as do CAS and STACR investors. As is the case with CAS and STACRs, neither Fannie Mae nor Freddie Mac would issue Synthetic CRT Securities to speculate on the Reference Pool or to profit from any impairment therein. Rather, the Synthetic CRT Securities would purely perform a loss mitigation function.

As is the case with Fannie Mae's and Freddie Mac's existing credit risk transfer activities, the issuance of Synthetic CRT Securities would be subject to ongoing FHFA oversight and in furtherance of FHFA's regulatory objectives. Additionally, our mortgage underwriting standards and loan quality review procedures would not be altered or influenced by the issuance of Synthetic CRT Securities, just as those standards and procedures have not been altered or influenced by the issuance of CAS and STACRs. Moreover, pursuant to guidance from FHFA and to assure that our interests are aligned with investors, we both expect to maintain a minimum level of unhedged exposure to credit risk on the applicable Reference Pools, just as we do currently with respect to existing CAS and STACR securities.

We therefore view the issuance of Synthetic CRT Securities as an important step in the evolution of our credit risk transfer practices, and we anticipate wide acceptance by institutional investors as the structure of those securities is long-established in and familiar to the market at large. As noted, that investor familiarity, in conjunction with the use of SPV issuers, would make the synthetic CRT Securities a more scalable and sustainable way for the GSEs to transfer credit risk. Moreover, as is the case with CAS and STACRs, the issuance of Synthetic CRT Securities would not jeopardize the important regulatory goal of preserving the efficient functioning of the TBA market. The GSEs note, in the latter regard, that although they could issue multi-class, non-synthetic cash securitizations with non-guaranteed subordinate tranches ("Senior/Sub Securities") as a way to transfer credit risk, the terms of those multi-class securities with non-guaranteed subordinate tranches would vary widely from deal to deal and accordingly undermine the necessary market homogeneity and liquidity required for meeting TBA market eligibility.[8] As made clear in various FHFA pronouncements, support and preservation of the TBA market is a very important consideration.

Despite the foregoing advantages, Fannie Mae and Freddie Mac have been reluctant to implement this key means of transferring credit risk to the capital markets in large part due to the uncertainty created by the Clarifying Interpretations.

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[7] Note, in this regard, that the CAS and STACR offering materials emphasize that those securities are a means for the GSEs to transfer to private investors a portion of the credit risk deriving from our MBS and PC guarantees.

[8] TBA securities trade based on six characteristics. Securities with the same characteristics are largely treated as fungible. This allows for the widely recognized liquidity that exists within the TBA market. See: J. Vickery and J. Wright, "TBA Trading and Liquidity in the Agency MBS Market," Federal Reserve Bank of New York, *Economic Policy Review*, May, 2013.

Impact of the Clarifying Interpretations

We understand that the Commission's goal is to "strike an appropriate balance between prohibiting the specific type of conduct at which Section 621 is aimed without restricting other securitization activities." In view of this stated purpose, we respectfully submit that the broad proposed interpretation of material conflict of interest -- as reflected in Item (1)(A) on page 60329 of the FR Release -- and proposed Example 3B in that release could be read to prohibit synthetic securitizations undertaken to hedge the credit risks arising from an entity's ordinary course business activities, including the risks Fannie Mae and Freddie Mac assume as MBS and PC guarantors.

Our understanding of the legislative history of Section 621 does not indicate that it was designed to curtail the legitimate hedging activities of financial institutions and we are concerned that interpreting it in this fashion will have unintended economic consequences. Section 621 appears to have been enacted to prevent offering participants from intentionally designing securities to fail, while profiting from those failures. The Synthetic CRT Securities, by contrast, will not be designed to fail; they will merely transfer to sophisticated institutional investors a portion of the credit risk relating to mortgages that we acquire pursuant to well-defined underwriting criteria and loan review policies. Those securities thus would be no more likely to fail than are the mortgages backing the MBS and PCs that we guarantee.

Multiple commenters have expressed concern that Example 3B and Item (1)(A) may be read to adversely affect bona fide risk management activities thereby going beyond the purpose of Section 621. We share this concern. A number of financial institution representatives have emphasized that synthetic asset-backed securities are an essential prudential tool for lending institutions because they support the ability to lend while facilitating the safety and soundness goals of financial regulators. Certain commenters have also emphasized the myriad business reasons why synthetic securitizations may be a necessary or desirable alternative to cash securitizations (e.g., when the transfer of reference assets is difficult or impossible). This point is equally applicable in the GSE context as the credit risk retained by the GSEs with respect to our MBS and PCs could be effectively and efficiently mitigated through a synthetic securitization without impairing the current TBA market. By contrast, the transfer of mortgage credit risk exclusively or primarily through the issuance of Senior/Sub Securities would be incompatible with the uniformity required for TBA-eligible securities and would fail to achieve a commensurate scale of credit risk transfer. Moreover, the current method for issuing GSE credit risk transfer securities – unsecured direct debt obligations – is less effective than the synthetic securitization alternative because it requires investors to continually evaluate the financial position of the GSEs and the potential impact that GSE reform may have on the CRT securities. Given the size and significance of the U.S. housing market and the critical roles played by the GSEs, the costs arising from a delay in the development of improved mechanisms for achieving GSE credit risk transfer would be significant.

Several commenters have also observed that, from an investor perspective, synthetic securitizations are economically indistinguishable from non-synthetic, cash securitizations and that treating synthetic securitizations adversely for purposes of Section 621 would appear analytically inconsistent and without justification. We share this view. In particular, we note that the Clarifying Interpretations would appear to prohibit the issuance of Synthetic CRT Securities while permitting the issuance of Senior/Sub Securities. We find no evidence that Section 621 was intended to compel financial institutions to forego legitimate, cost-efficient risk-mitigating strategies merely because those strategies involve the synthetic transfer of those assets.

Potential Solutions Suggested by Other Commenters

The Securities and Financial Markets Association ("SIFMA") has recommended that the Commission address the problems created by Example 3B in a very direct way; i.e, by acknowledging that Example 3B represents an appropriate risk mitigating activity, rather than an activity that violates Section 621. SIFMA also has proposed that intent be a necessary element of the definition of material conflict of interest and that securitizations that are not deliberately designed to fail should be permitted. The American Securitization Forum ("ASF") and the International Association of Credit Portfolio Managers ("IACPM") have suggested that the Commission make clear that synthetic securitizations do not violate Section 621 if: (1) they are designed to hedge balance sheet risk, rather than to permit a securitization participant to benefit from short exposure; i.e., if the participant is not creating a "naked short"; and (2) the conflict is fully disclosed. The IACPM expands upon those core principles by proposing that: (1) the securities be sold only to QIBs; and (2) the reference assets be underwritten in accordance with customary underwriting standards and loan approval processes. IACPM also has proposed additional methods of assuring that a "net short" position will not arise.

Fannie Mae and Freddie Mac Proposal

Both Fannie Mae and Freddie Mac believe that implementation of Section 621in the manner proposed would inhibit the bona fide risk management activities of financial institutions, including our ongoing efforts to manage the mortgage credit risk assumed in furtherance of our statutory mandates. Specifically, we believe that there would be economic benefits derived from the use of synthetic securitizations that hedge our retained credit risk. A safe harbor encompassing the following requirements could achieve positive economic benefits:

(1) that synthetic and other securitizations be undertaken to mitigate the risk of assets underwritten pursuant to prudent and clearly defined "safety and soundness" criteria and procedures;

(2) that the securitization participant not have a "net short" position;

(3) that sales be made only to sophisticated institutional investors; and

(4) that full disclosure be made regarding all material risks associated with the securitization, including any potential conflicts of interest.

The Commission also could consider whether this type of safe harbor should expressly be limited to entities that have "prudential regulators," such as U.S. banks and insurance companies, the GSEs and foreign banks and insurance companies that are subject to substantially similar regulatory schemes.

Finally, as previously noted, FHFA has broad oversight over the GSEs, including our risk sharing securities initiatives and has the authority to impose additional restrictions, if necessary. FHFA itself has emphasized the significance of GSE risk sharing efforts and its continuing commitment to supporting and expanding these programs well into the future. In fact, the GSE risk sharing programs are the direct outgrowth of FHFA mandates. In contrast to the positions leading to credit exposure on the part of numerous other market participants, we believe special consideration should also be accorded to the fact that the GSE guarantees are by their terms irrevocable.

Although the Commission expressed concern in the FR Release that its approach to the implementation of Section 621 might "fail to enhance the integrity of the securitization process" or to eliminate specific types of "improper conduct," no such concerns would exist with respect to the creation of the proposed safe harbor because the synthetic securitizations encompassed therein serve legitimate and compelling business and market purposes and because sophisticated investors are well-accustomed to assessing the risks of those securitizations. By creating such a safe harbor, the Commission could impart greater confidence that Rule 127B will not affect legitimate risk management activities necessary to the functioning of the residential loan market and related lending and guarantor activities.

We appreciate your willingness to give consideration to our concerns and welcome the opportunity to further address any questions or concerns the Staff may have regarding these matters.

Sincerely,

FANNIE MAE

By: ______________________

Wells M. Engledow,
Vice President and Deputy General Counsel

FREDDIE MAC

By: ______________________

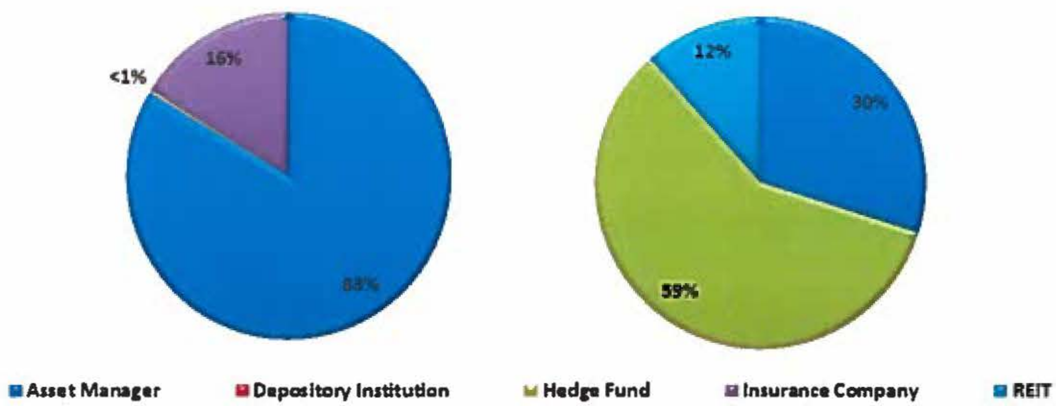
Melinda Reingold,
Vice President and Deputy General Counsel, Mortgage Securities

Investor Distribution for Recent CAS Transactions

FannieMae

Investor Distribution- CAS 2015-C02 Group 1 (60-80 LTV)

M-1* Investor Base by Type **M-2** Investor Base by Type**



•Asset Manager includes pension, mutual and sovereign wealth funds.
•Numbers may not foot due to rounding.

1

* Class M-1 is the senior offered class, has priority of payments of principal over the Class M-2 and receives credit support from Class M-2 and any first loss position retained by Fannie Mae.

** Class M-2 is the subordinate offered class, is locked out until the Class M-1 is retired, receives losses prior to the Class M-1 and receives credit support from any first loss position retained by Fannie Mae.

* Class M-1 is the senior offered class, has priority of payments of principal over the Class M-2 and receives credit support from Class M-2 and any first loss position retained by Fannie Mae.

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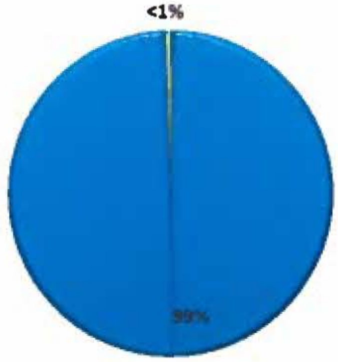
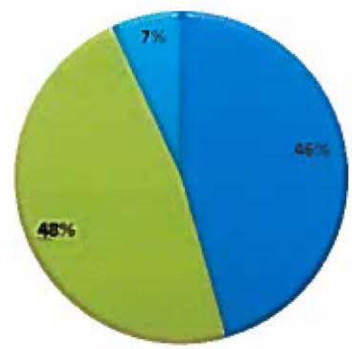
Investor Distribution- CAS 2015-C01 Group 2 (80-97 LTV)

M-1* Investor Base by Type



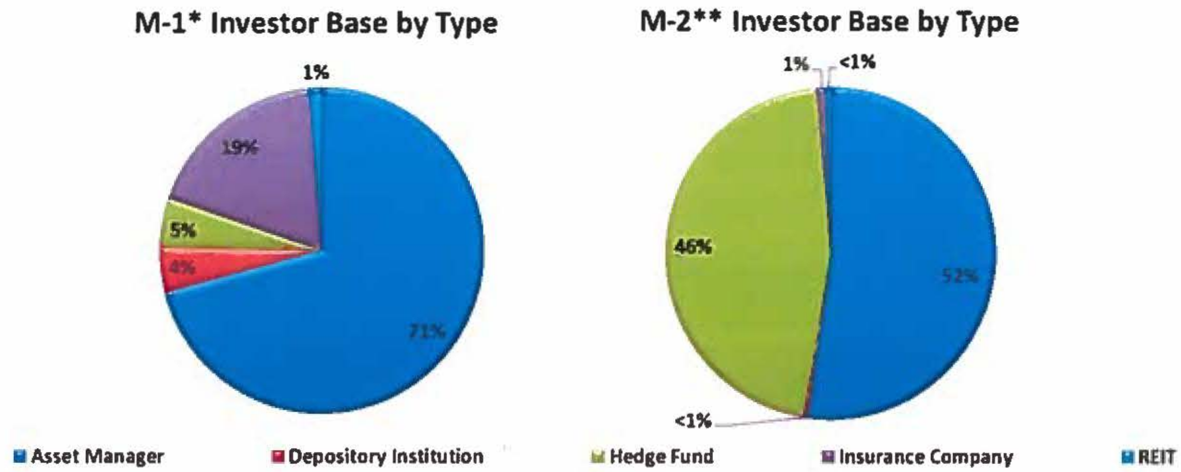
M-2** Investor Base by Type



•Asset Manager includes pension, mutual and sovereign wealth funds.
•Numbers may not foot due to rounding.

FannieMae

Investor Distribution- CAS 2015-C03 Group 1 (60-80 LTV)



•Asset Manager includes pension, mutual and sovereign wealth funds.
•Numbers may not foot due to rounding.

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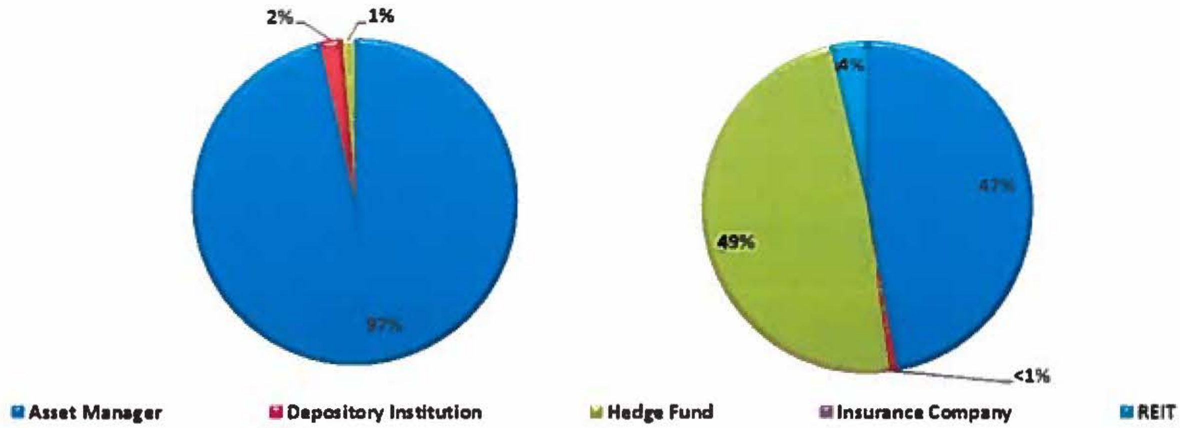
FannieMae

Investor Distribution- CAS 2015-C03 Group 2(80-97 LTV)

M-1* Investor Base by Type

M-2* Investor Base by Type



•Asset Manager includes pension, mutual and sovereign wealth funds.
•Numbers may not foot due to rounding.

2

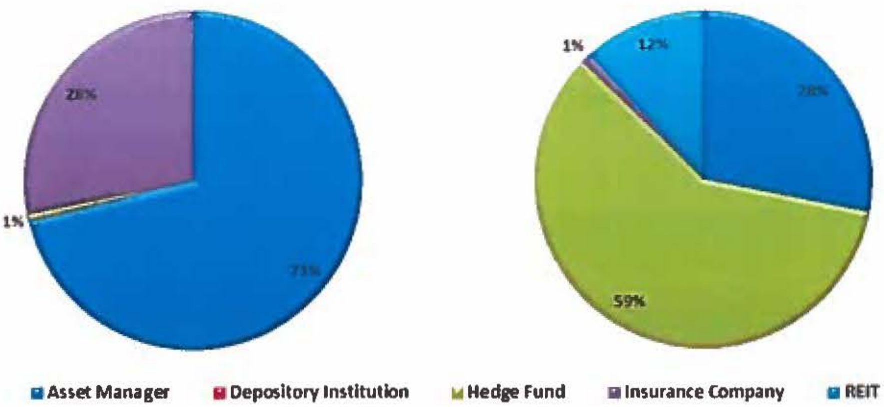
* Class M-1 is the senior offered class, has priority of payments of principal over the Class M-2 and receives credit support from Class M-2 and any first loss position retained by Fannie Mae.

** Class M-2 is the subordinate offered class, is locked out until the Class M-1 is retired, receives losses prior to the Class M-1 and receives credit support from any first loss position retained by Fannie Mae.

FannieMae

Investor Distribution- CAS 2015-C04 Group 1 (60-80 LTV)

M-1* Investor Base by Type **M-2** Investor Base by Type**



•Asset Manager includes pension funds, mutual funds, sovereign wealth funds and foundations/endowments.
•Numbers may not foot due to rounding.

1

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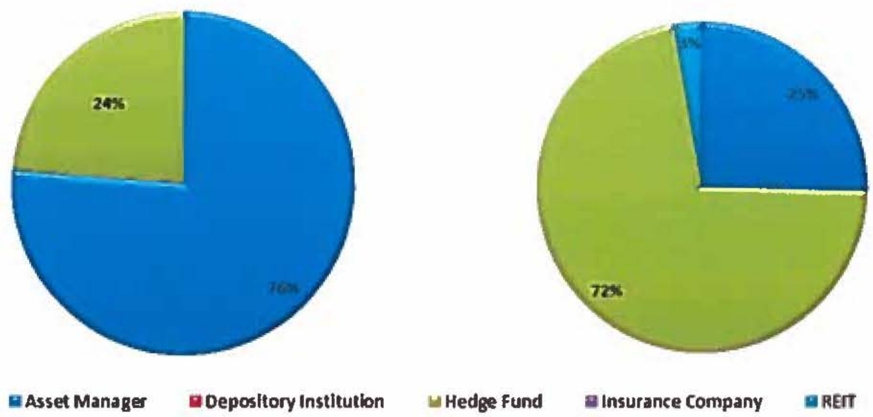
FannieMae

Investor Distribution- CAS 2015-C04 Group 2 (80-97 LTV)

M-1* Investor Base by Type | **M-2** Investor Base by Type**



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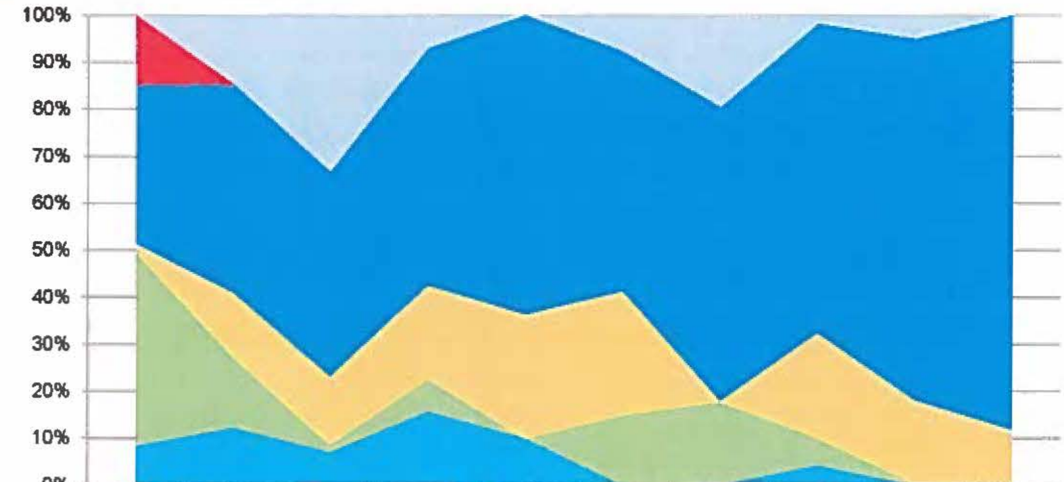
<u>Investor Distribution for Recent STACR Transactions</u>

Investor Type Distribution DN and DNA Series (60-80 LTV) Front Pay M1 Class

Freddie Mac



	2013 DN1 M1	2013 DN2 M1	2014 DN1 M1	2014 DN2 M1	2014 DN3 M1	2014 DN4 M1	2015 DN1 M1	2015 DNA1 M1	2015 DNA2 M1	2015 DNA3 M1
Sovereign Fund	0.0%	14.7%	33.3%	7.0%	0.0%	7.7%	19.6%	1.8%	5.0%	0.0%
REIT	14.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Money Manager	33.9%	44.5%	43.7%	50.7%	63.8%	51.2%	62.6%	65.9%	77.0%	88.3%
Insurance	1.7%	13.5%	14.4%	19.6%	26.3%	26.2%	0.0%	22.1%	17.5%	11.8%
Hedge Fund	41.2%	15.1%	1.6%	7.0%	0.0%	15.0%	17.8%	5.9%	0.5%	0.0%
Bank / Credit Union	8.4%	12.2%	7.1%	15.7%	10.0%	0.0%	0.0%	4.3%	0.0%	0.0%

* Institution type is our best estimate based on information provided to Freddie Mac from the underwriting syndicate as some institutions may be involved in multiple lines of business.

Investor Type Distribution DN and DNA Series (60-80 LTV) Intermediate Sequential Pay M2 Class

	2014 DN1 M2	2014 DN2 M2	2014 DN3 M2	2014 DN4 M2	2015 DN1 M2	2015 DNA1 M2	2015 DNA2 M2	2015 DNA3 M2
Sovereign Fund	9.7%	4.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
REIT	0.0%	0.0%	0.0%	11.1%	11.5%	0.0%	6.3%	7.7%
Money Manager	41.1%	75.9%	56.3%	56.1%	68.3%	71.1%	74.6%	49.4%
Insurance	18.3%	6.4%	4.7%	8.9%	7.2%	13.9%	11.0%	19.6%
Hedge Fund	15.6%	7.1%	23.4%	24.0%	13.0%	10.4%	8.0%	23.3%
Bank / Credit Union	15.3%	5.9%	15.6%	0.0%	0.0%	4.6%	0.0%	0.0%

* Institution type is our best estimate based on information provided to Freddie Mac from the underwriting syndicate as some institutions may be involved in multiple lines of business.

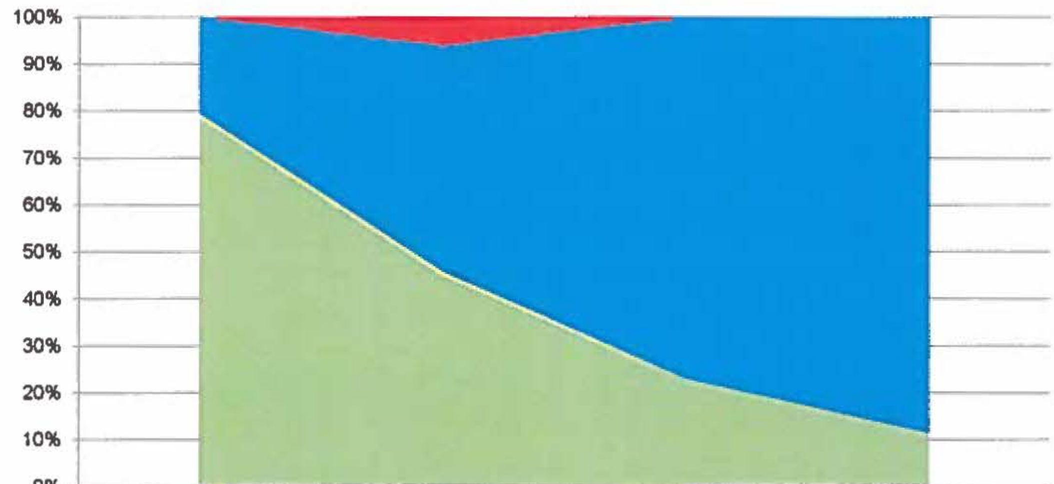
Investor Type Distribution DN and DNA Series (60-80 LTV) Back Pay Sequential M2/M3 Class

Freddie Mac

	2013 DN1 M2	2013 DN2 M2	2014 DN1 M3	2014 DN2 M3	2014 DN3 M3	2014 DN4 M3	2015 DN1M3	2015 DNA1 M3	2015 DNA2 M3	2015 DNA3 M3
Sovereign Fund	0.0%	10.4%	4.9%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
REIT	13.6%	1.8%	0.2%	1.4%	0.0%	7.3%	18.1%	14.0%	25.0%	16.4%
Money Manager	42.6%	17.8%	49.6%	50.6%	43.5%	24.4%	29.4%	30.9%	39.5%	55.3%
Insurance	2.0%	0.8%	4.3%	6.5%	0.0%	0.2%	2.0%	4.0%	5.0%	1.7%
Hedge Fund	41.6%	63.0%	36.0%	37.9%	44.0%	68.2%	50.4%	51.1%	30.5%	26.7%
Bank / Credit Union	0.0%	6.5%	4.9%	2.0%	12.5%	0.0%	0.0%	0.0%	0.0%	0.0%

* Institution type is our best estimate based on information provided to Freddie Mac from the underwriting syndicate as some institutions may be involved in multiple lines of business.

Investor Type Distribution DN and DNA Series (60-80 LTV) First Loss B Class



	2015 DN1 B	2015 DNA1 B	2015 DNA2 B2	2015 DNA3 B
Sovereign Fund	0.0%	0.0%	0.0%	0.0%
REIT	0.0%	6.0%	0.0%	0.0%
Money Manager	20.7%	48.0%	77.0%	88.5%
Insurance	0.3%	0.5%	0.0%	0.0%
Hedge Fund	79.0%	45.0%	23.0%	11.5%
Bank / Credit Union	0.0%	0.0%	0.0%	0.0%

* Institution type is our best estimate based on information provided to Freddie Mac from the underwriting syndicate as some institutions may be involved in multiple lines of business.

Investor Type Distribution HQ Series (80-95 LTV) Front Pay M1 Class

	2014 HQ1 M1	2014 HQ2 M1	2014 HQ3 M1	2015 HQ1 M1	2015 HQ2 M1	2015 HQA1 M1
Sovereign Fund	0.0%	7.1%	7.5%	15.4%	0.0%	12.5%
REIT	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Money Manager	77.6%	90.0%	92.5%	47.6%	99.1%	74.1%
Insurance	0.0%	0.0%	0.0%	2.1%	0.0%	12.5%
Hedge Fund	13.0%	2.9%	0.0%	28.6%	0.9%	0.9%
Bank / Credit Union	9.4%	0.0%	0.0%	6.4%	0.0%	0.0%

* Institution type is our best estimate based on information provided to Freddie Mac from the underwriting syndicate as some institutions may be involved in multiple lines of business.

Investor Type Distribution HQ Series (80-95 LTV)
Intermediate Sequential Pay M2 Class

Freddie Mac

	2014 HQ1 M2	2014 HQ2 M2	2014 HQ3 M2	2015 HQ1 M2	2015 HQ2 M2	2015 HQA1 M2
Sovereign Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
REIT	0.0%	0.0%	0.0%	0.0%	0.0%	7.8%
Money Manager	33.3%	59.1%	72.9%	88.7%	84.7%	69.4%
Insurance	0.0%	2.3%	0.0%	4.5%	0.0%	1.1%
Hedge Fund	44.9%	34.0%	27.1%	8.8%	15.3%	21.8%
Bank / Credit Union	21.8%	4.6%	0.0%	0.0%	0.0%	0.0%

* Institution type is our best estimate based on information provided to Freddie Mac from the underwriting syndicate as some institutions may be involved in multiple lines of business.

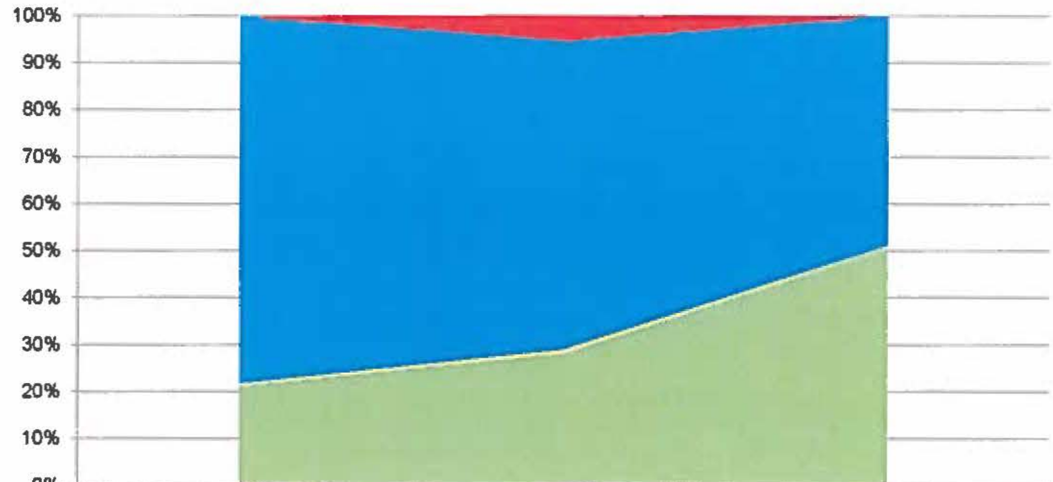
Investor Type Distribution HQ Series (80-95 LTV) Back Pay Sequential M3 Class

Freddie Mac

	2014 HQ1M3	2014 HQ2 M3	2014 HQ3 M3	2015 HQ1 M3	2015 HQ2 M3	2015 HQA1 M3
Sovereign Fund	0.0%	6.5%	0.0%	0.0%	0.0%	0.0%
REIT	0.0%	2.2%	5.9%	7.9%	12.[illegible]%	2.8%
Money Manager	68.1%	51.1%	56.7%	50.8%	80.0%	43.0%
Insurance	0.0%	0.2%	0.0%	0.7%	0.5%	0.0%
Hedge Fund	4.2%	36.6%	37.4%	40.6%	6.8%	54.2%
Bank / Credit Union	27.8%	3.5%	0.0%	0.0%	0.0%	0.0%

* Institution type is our best estimate based on information provided to Freddie Mac from the underwriting syndicate as some institutions may be involved in multiple lines of business.

Investor Type Distribution HQ Series (80-95 LTV) First Loss B Class

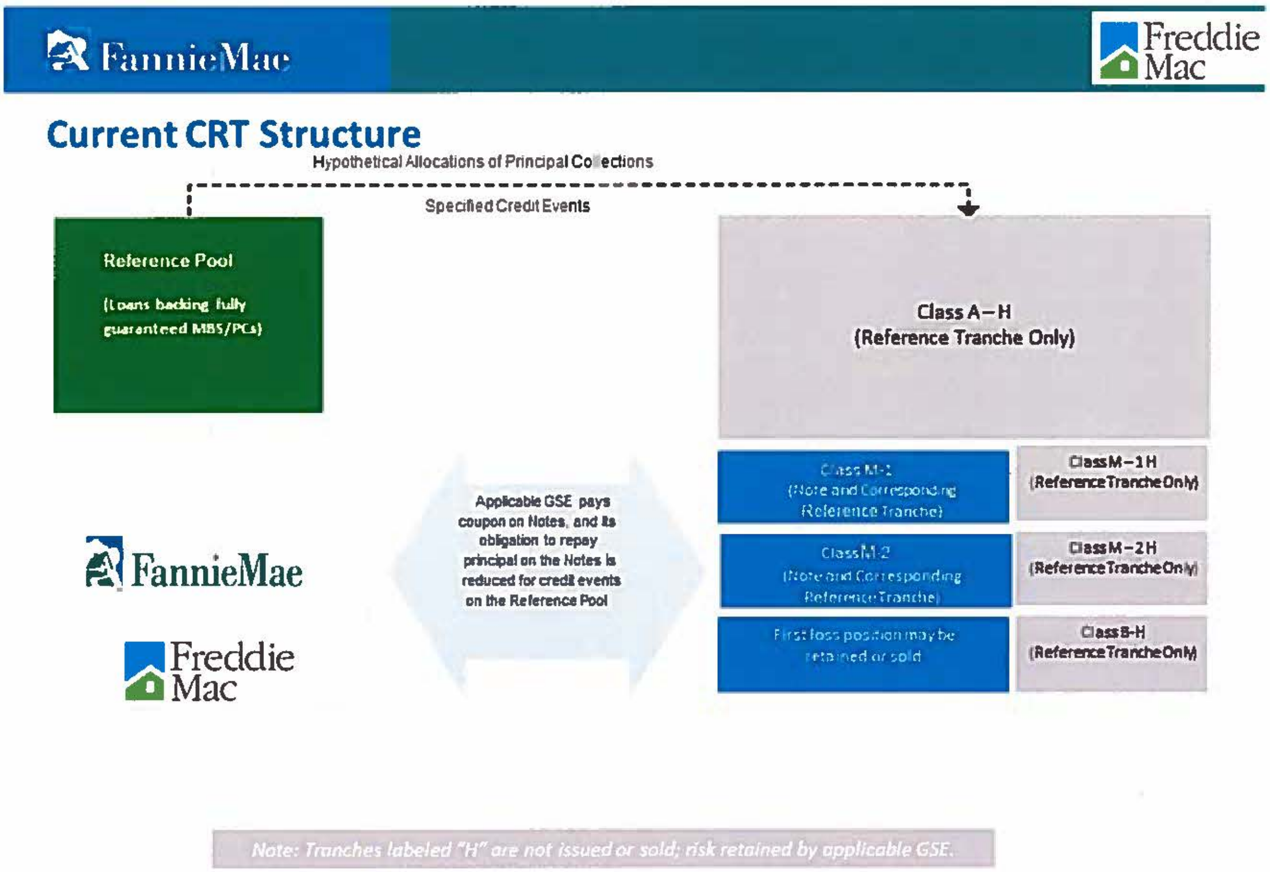


	2015 HQ1 B	2015 HQ2 B	2015 HQA1 B
Sovereign Fund	0.0%	0.0%	0.0%
REIT	0.0%	5.3%	0.0%
Money Manager	78.3%	65.6%	48.8%
Insurance	0.3%	0.7%	0.0%
Hedge Fund	21.5%	28.3%	51.3%
Bank / Credit Union	0.0%	0.0%	0.0%

* Institution type is our best estimate based on information provided to Freddie Mac from the underwriting syndicate as some institutions may be involved in multiple lines of business.

<u>Exhibit B</u>

<u>Structure of Current Debt Issuance CAS/STACR Transactions</u>



<u>Exhibit C</u>

<u>Structure of Proposed Synthetic CAS/STACR Transactions</u>