Natalone John
Form 4
March 22, 2019

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person [*]
Natalone John

(Last) (First) (Middle)

C/O ARBOR REALTY TRUST, INC., 333 EARLE OVINGTON BLVD., SUITE 900

(Street)

UNIONDALE, NY 11553

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ARBOR REALTY TRUST INC [ABR]

3. Date of Earliest Transaction (Month/Day/Year)
03/20/2019

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP, Treasurer and Servicing

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, par value $0.01 per share	03/20/2019		F[(1)]		3,914	D	$ 12.78	224,079	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Natalone John C/O ARBOR REALTY TRUST, INC. 333 EARLE OVINGTON BLVD., SUITE 900 UNIONDALE, NY 11553			EVP, Treasurer and Servicing	

Signatures

/s/ John Bishar, Attorney-in-Fact for John Natalone	03/22/2019
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Represents shares that have been reacquired by the Company to satisfy tax-withholding obligations in connection with the vesting of Mr. Natalone's common stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. > **1Q 2012 4Q 2011 3Q 2011 2Q 2011 1Q 2011**

Time since modification-

3 to 5 months

89% 87% 89% 89% 89% 86% 87% 86%

6 to 8 months

85 85 84 85 84 82 83

9 to 11 months

84 81 81 81 82 79

12 to 14 months

81 79 78 79 80

15 to 17 months

79 76 75 77

18 to 20 months

76 74 74

21 to 23 months

74 73

24 to 26 months

73 **Quarter of Loan Modification Completion(2)**

Non-HAMP loan modifications:

4Q 2012 3Q 2012 2Q 2012 1Q 2012 4Q 2011 3Q 2011 2Q 2011 1Q 2011

Time since modification-

3 to 5 months

83% 82% 84% 72% 78% 73% 76% 78%

6 to 8 months

80 79 64 69 70 67 69

9 to 11 months

77 60 62 64 67 63

12 to 14 months

62 58 59 62 64

15 to 17 months

59 56 57 60

18 to 20 months

56 56 57

21 to 23 months

57 55

24 to 26 months

56 **Quarter of Loan Modification Completion**(2)

Total (HAMP and Non-HAMP):

4Q 2012 3Q 2012 2Q 2012 1Q 2012 4Q 2011 3Q 2011 2Q 2011 1Q 2011

Time since modification-

3 to 5 months

85% 84% 87% 85% 86% 81% 83% 83%

6 to 8 months

82 83 80 80 79 77 77

9 to 11 months

81 77 75 75 76 73

12 to 14 months

76 73 71 73 73

15 to 17 months

73 69 69 70

18 to 20 months

69 68 67

21 to 23 months

68 66

24 to 26 months

66

(1) Represents the percentage of loans that are current and performing (no payment is 30 days or more past due) or have been paid in full. Excludes loans in modification trial periods.
(2) Loan modifications are recognized as completed in the quarterly period in which the servicer has reported the modification as effective and the agreement has been accepted by us. For loans that have been remodified (e.g., where a borrower has received a new modification after defaulting on the prior modification) the rates reflect the status of each modification separately. For example, in the case of a remodified loan where the borrower is performing, the previous modification would be presented as being in default in the applicable period.

Approximately $45 billion in UPB of our completed HAMP loan modifications at March 31, 2013 had provisions for reduced interest rates that remain fixed for the first five years of the modification and then increase at a rate of one percent per year (or such lesser amount as may be needed) until the interest rate has been adjusted to the market rate that was in effect at the time of the modification. As a result, we expect the risk of redefault will increase for these borrowers due to the increase in monthly payments resulting from these scheduled increases in the contractual interest rate of the modified loan. A significant number of HAMP loan modifications were completed in 2010 and these loans will begin to experience their scheduled rate increases in 2015.

Credit Performance

Delinquencies

We report single-family serious delinquency rate information based on the number of loans that are three monthly payments or more past due or in the process of foreclosure, as reported by our servicers. Mortgage loans that have been modified are not counted as seriously delinquent as long as the borrower is less than three monthly payments past due under the modified terms. Single-family loans for which the borrower is subject to a forbearance agreement or a repayment plan will continue to reflect the past due status of the borrower.

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

Some of our workout and other loss mitigation activities create fluctuations in our delinquency statistics. For example, single-family loans that we report as seriously delinquent before they enter a modification trial period continue to be reported as seriously delinquent for purposes of our delinquency reporting until the modifications become effective and the loans are

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removed from delinquent status by our servicers. Consequently, the volume and timing of loan modifications impact our reported serious delinquency rate. In addition, there may be temporary timing differences, or lags, in the reporting of payment status and modification completion due to differing practices of our servicers that can affect our delinquency reporting.

Our serious delinquency rates have been affected by delays, including those due to increases in foreclosure process timeframes, general constraints on servicer capacity (which affects the rate at which servicers modify or foreclose upon loans), and court backlogs (in states that require a judicial foreclosure process). As of March 31, 2013 and December 31, 2012, the percentage of seriously delinquent loans that have been delinquent for more than six months was 73% and 72%, respectively, and most of these loans have been delinquent for longer than one year. Loans that have been delinquent for more than a year are more challenging to resolve as many of these borrowers: (a) may not be in contact with the servicer; (b) may not be eligible for modifications; or (c) are in geographic areas where the foreclosure process is subject to judicial review or has lengthened. The longer a loan remains delinquent, the greater the associated costs we incur, in part due to expenses associated with loss mitigation and foreclosure.

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

Table 37 Single-Family Serious Delinquency Statistics

	As of March 31, 2013			As of December 31, 2012		
	Percentage of Portfolio		Serious Delinquency Rate	Percentage of Portfolio		Serious Delinquency Rate
Credit Protection:						
Non-credit-enhanced	87%		2.49%	87%		2.66%
Credit-enhanced[1]	13		6.74	13		7.34
Total[2]	100%		3.03	100%		3.25
	# of Seriously Delinquent Loans	Percent	Serious Delinquency Rate	# of Seriously Delinquent Loans	Percent	Serious Delinquency Rate
State:[3] [4]						
Florida	62,676	19%	9.11%	69,034	20%	9.87%
California	23,320	7	1.97	27,620	8	2.34
New York	22,739	7	4.63	22,592	6	4.59
New Jersey	21,841	7	6.89	21,742	6	6.87
Illinois	20,939	6	3.75	22,923	7	4.08
All others	171,996	54	2.28	185,683	53	2.45
Total	323,511	100%		349,594	100%	
	# of Seriously Delinquent Loans	Percent		# of Seriously Delinquent Loans	Percent	
Aging, by locality:[4]						
Judicial review states-[5]						
Less than or equal to 1 year	81,421	25%		87,816	25%	
More than 1 year and less than or equal to 2 years	49,847	15		55,192	16	
More than 2 years	82,047	25		83,543	24	
Non-judicial states-[5]						
Less than or equal to 1 year	70,675	22		79,247	23	
More than 1 year and less than or equal to 2 years	22,381	7		25,749	7	
More than 2 years	17,140	6		18,047	5	
Combined-[5]						
Less than or equal to 1 year	152,096	47		167,063	48	
More than 1 year and less than or equal to 2 years	72,228	22		80,941	23	

More than 2 years	99,187	31	101,590	29
Total	323,511	100%	349,594	100%

(1) See Institutional Credit Risk for information about our counterparties that provide credit enhancement on loans in our single-family credit guarantee portfolio.
(2) As of both March 31, 2013 and December 31, 2012, approximately 68% of the single-family loans reported as seriously delinquent were in the process of foreclosure.
(3) Represent the states with the highest number of seriously delinquent loans as of March 31, 2013.
(4) Excludes loans underlying single-family Other Guarantee Transactions since the geographic information is not available to us for these loans.
(5) For this presentation, the states and territories classified as having a judicial foreclosure process consist of: CT, DE, FL, HI, IA, IL, IN, KS, KY, LA, MA, MD, ME, ND, NE, NJ, NM, NY, OH, OK, PA, PR, SC, SD, VI, VT, and WI. All other states are classified as having a non-judicial foreclosure process.

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The serious delinquency rate of our single-family credit guarantee portfolio declined to 3.03% as of March 31, 2013 from 3.25% as of December 31, 2012, continuing the trend of improvement that began in 2010. Our serious delinquency rate remains high compared to the rates in years prior to 2009 due to weakness in home prices in the last several years, persistently high unemployment in many areas, extended foreclosure timelines, and continued challenges faced by servicers in processing large volumes of problem loans. These challenges include the need to adjust their processes to accommodate various changes in servicing standards that have occurred in recent years. As of March 31, 2013, our serious delinquency rate for the aggregate of those states that require a judicial foreclosure and all other states was 4.04% and 2.01%, respectively, compared to 4.25% and 2.24%, respectively, as of December 31, 2012.

During the first quarters of 2013 and 2012, the nationwide average for completion of a foreclosure (as measured from the date of the last scheduled payment made by the borrower) on our single-family delinquent loans, excluding those underlying our Other Guarantee Transactions, was 692 days and 603 days, respectively, which included: (a) an average of 867 days and 770 days, respectively, for foreclosures completed in states that require a judicial foreclosure process; and (b) an average of 494 days and 464 days, respectively, for foreclosures completed in states that do not require a judicial foreclosure process.

Serious delinquency rates for interest-only and option ARM products (which together represented approximately 3% of our total single-family credit guarantee portfolio at March 31, 2013) were 15.5% and 15.6% as of March 31, 2013, as compared to 16.3% for both at December 31, 2012. Serious delinquency rates of single-family fixed rate, amortizing loans with a term of 20 years or more, a more traditional mortgage product, were approximately 3.5% and 3.7% at March 31, 2013 and December 31, 2012, respectively.

The tables below present serious delinquency rates categorized by borrower and loan characteristics, including geographic region and origination year, which indicate that certain concentrations of loans have been more adversely affected by declines in home prices and weak economic conditions since 2006. As of March 31, 2013, we 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 and those borrowers have been more susceptible to the declines in home prices and weak economic conditions since 2006.

The table below presents credit concentrations for certain loan groups in our single-family credit guarantee portfolio.

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Table 38 Credit Concentrations in the Single-Family Credit Guarantee Portfolio

	As of March 31, 2013					
	Alt-A UPB	Non Alt-A UPB (dollars in billions)	Total UPB	Estimated Current LTV Ratio[1]	Percentage Modified[2]	Serious Delinquency Rate
Geographical distribution:						
Arizona, California, Florida, and Nevada[3]	$ 28	$ 389	$ 417	79%	5.6%	4.4%
All other states	41	1,182	1,223	72	3.0	2.6
Year of origination:						
2013		74	74	74		
2012		410	410	74	<0.1	0.1
2011		209	209	66	<0.1	0.3
2010		216	216	67	0.1	0.6
2009	<1	182	182	68	0.4	1.0
2008	5	64	69	86	8.6	7.0
2007	21	87	108	105	16.7	12.2
2006	18	63	81	102	14.8	11.2
2005	14	78	92	87	8.3	7.2
2004 and prior	11	188	199	55	3.6	3.2

	As of December 31, 2012					
	Alt-A UPB	Non Alt-A UPB (dollars in billions)	Total UPB	Estimated Current LTV Ratio[1]	Percentage Modified[2]	Serious Delinquency Rate
Geographical distribution:						
Arizona, California, Florida, and Nevada[3]	$ 30	$ 386	$ 416	82%	5.4%	5.0%
All other states	44	1,178	1,222	73	2.9	2.8
Year of origination:						
2012		364	364	76		0.1
2011		226	226	67	<0.1	0.3
2010		237	237	68	0.1	0.5
2009	<1	205	205	69	0.3	0.9
2008	6	73	79	88	7.4	6.8
2007	22	97	119	107	14.9	12.4
2006	20	69	89	104	13.4	11.4
2005	14	87	101	89	7.5	7.2
2004 and prior	12	206	218	56	3.3	3.2

	Three Months Ended March 31, 2013			Three Months Ended March 31, 2012		
	Alt-A	Non Alt-A (in millions)	Total	Alt-A	Non Alt-A (in millions)	Total
Credit Losses						
Geographical distribution:						
Arizona, California, Florida, and Nevada[3]	$ 308	$ 767	$ 1,075	$ 561	$ 1,318	$ 1,879
All other states	146	842	988	269	1,287	1,556
Year of origination:						
2013				N/A	N/A	N/A
2012		10	10			
2011		18	18		5	5
2010		38	38		32	32
2009		50	50		58	58
2008	15	174	189	27	273	300
2007	175	530	705	310	960	1,270
2006	152	323	475	294	588	882
2005	98	284	382	171	407	578
2004 and prior	14	182	196	28	282	310

(1) See endnote (3) to Table 32 Characteristics of the Single-Family Credit Guarantee Portfolio for information on our calculation of estimated current LTV ratios.
(2) Represents the percentage of loans, based on loan count, in our single-family credit guarantee portfolio at period end that have been modified, including those with no changes in interest rate or maturity date, but where past due amounts are added to the outstanding principal balance of the loan.
(3) Represents the four states with the largest cumulative declines in home prices since 2006 as measured using Freddie Mac s home price index.

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The table below presents statistics for combinations of certain characteristics of the mortgages in our single-family credit guarantee portfolio as of March 31, 2013 and December 31, 2012.

Table 39 Single-Family Credit Guarantee Portfolio by Attribute Combinations

	As of March 31, 2013								
	Current LTV Ratio £ 80(1)		Current LTV Ratio of > 80 to 100(1)		Current LTV > 100(1)		Current LTV Ratio All Loans(1)		
	Percentage of Portfolio(2)	Serious Delinquency Rate	Percentage of Portfolio(2)	Serious Delinquency Rate	Percentage of Portfolio(2)	Serious Delinquency Rate	Percentage of Portfolio(2)	Percentage Modified(3)	Serious Delinquency Rate
By Product Type									
FICO scores < 620:									
20 and 30- year or more amortizing fixed-rate	1.0%	8.0%	0.8%	12.9%	0.9%	21.6%	2.7%	19.4%	12.7%
15- year amortizing fixed-rate	0.2	4.1	<0.1	7.2	<0.1	9.1	0.2	1.1	4.4
ARMs/adjustable rate(4)	0.1	10.0	<0.1	16.9	<0.1	27.6	0.1	11.6	14.1
Interest-only(5)	<0.1	15.8	<0.1	21.0	0.1	32.6	0.1	0.5	26.7
Other(6)	<0.1	3.8	<0.1	8.5	<0.1	14.1	<0.1	5.0	5.4
Total FICO scores < 620	1.3	7.1	0.8	12.9	1.0	22.0	3.1	15.7	11.6
FICO scores of 620 to 659:									
20 and 30- year or more amortizing fixed-rate	2.3	5.4	1.3	9.5	1.5	17.9	5.1	14.4	9.3
15- year amortizing fixed-rate	0.5	2.4	<0.1	4.9	<0.1	7.1	0.5	0.6	2.6
ARMs/adjustable rate(4)	0.1	5.0	0.1	11.4	0.1	23.7	0.3	2.9	10.3
Interest-only(5)	<0.1	9.5	0.1	17.8	0.2	29.1	0.3	0.4	23.3
Other(6)	<0.1	3.0	<0.1	4.1	<0.1	6.5	<0.1	2.0	4.4
Total FICO scores of 620 to 659	2.9	4.6	1.5	9.6	1.8	18.6	6.2	11.2	8.5
FICO scores of >=660:									
20 and 30- year or more amortizing fixed-rate	42.0	1.1	16.0	3.0	8.9	9.1	66.9	3.4	2.5
15- year amortizing fixed-rate	15.4	0.4	0.9	0.9	0.3	1.8	16.6	0.1	0.4
ARMs/adjustable rate(4)	3.1	1.0	0.7	4.7	0.4	15.8	4.2	0.7	3.2
Interest-only(5)	0.4	4.2	0.6	9.8	1.4	20.1	2.4	0.2	14.2
Other(6)	<0.1	1.4	0.1	1.3	<0.1	2.8	0.1	0.8	1.8
Total FICO scores >= 660	60.9	0.9	18.3	3.1	11.0	10.2	90.2	2.3	2.1
Total FICO scores not available	0.3	5.5	0.1	11.7	0.1	23.3	0.5	6.9	8.9
All FICO scores:									
20 and 30- year or more amortizing fixed-rate	45.4	1.6	18.1	4.0	11.4	11.3	74.9	5.0	3.5
15- year amortizing fixed-rate	16.0	0.6	1.1	1.2	0.3	2.3	17.4	0.1	0.6
ARMs/adjustable rate(4)	3.4	1.6	0.7	5.9	0.5	17.5	4.6	1.2	4.0
Interest-only(5)	0.5	4.9	0.7	10.9	1.6	21.4	2.8	0.3	15.5
Other(6)	0.1	9.5	0.1	6.4	0.1	10.7	0.3	8.2	8.8
Total single-family credit guarantee portfolio(7)	65.4%	1.3%	20.7%	4.1%	13.9%	12.3%	100.0%	3.5%	3.0%
By Region(8)									
FICO scores < 620:									

North Central	0.2%	5.6%	0.2%	9.7%	0.2%	16.9%	0.6%	15.2%	9.6%
Northeast	0.4	10.4	0.2	19.6	0.3	29.6	0.9	17.3	15.8
Southeast	0.2	7.7	0.2	12.9	0.3	26.1	0.7	16.5	13.6
Southwest	0.3	5.0	0.1	10.8	<0.1	18.0	0.4	10.9	7.0
West	0.2	4.9	0.1	9.8	0.2	15.8	0.5	18.4	9.2
Total FICO scores < 620	1.3	7.1	0.8	12.9	1.0	22.0	3.1	15.7	11.6
FICO scores of 620 to 659:									
North Central	0.5	3.7	0.3	7.3	0.3	13.5	1.1	10.6	6.9
Northeast	0.8	6.6	0.4	14.6	0.4	25.7	1.6	11.7	11.3
Southeast	0.5	5.3	0.3	10.0	0.5	22.9	1.3	11.6	10.7
Southwest	0.5	3.2	0.2	7.5	0.1	13.2	0.8	7.2	4.6
West	0.6	3.3	0.3	7.8	0.5	14.8	1.4	14.8	7.5
Total FICO scores of 620 to 659	2.9	4.6	1.5	9.6	1.8	18.6	6.2	11.2	8.5
FICO scores >=660:									
North Central	9.9	0.6	4.0	2.2	2.1	6.8	16.0	1.9	1.6
Northeast	16.5	1.2	4.9	4.7	1.8	14.3	23.2	2.1	2.6
Southeast	8.6	1.2	3.4	3.3	2.7	13.6	14.7	2.7	3.4
Southwest	8.3	0.6	2.0	1.9	0.2	5.7	10.5	1.1	0.9
West	17.6	0.6	4.0	2.9	4.2	8.3	25.8	3.5	2.0
Total FICO scores >= 660	60.9	0.9	18.3	3.1	11.0	10.2	90.2	2.3	2.1
Total FICO scores not available	0.3	5.5	0.1	11.7	0.1	23.3	0.5	6.9	8.9
All FICO scores:									
North Central	10.6	1.0	4.6	3.0	2.7	8.7	17.9	3.1	2.3
Northeast	17.9	1.9	5.6	6.3	2.4	17.6	25.9	3.4	3.7
Southeast	9.4	1.9	3.9	4.5	3.5	15.9	16.8	4.2	4.6
Southwest	9.0	1.1	2.2	3.1	0.3	8.9	11.5	2.1	1.6
West	18.5	0.8	4.4	3.4	5.0	9.4	27.9	4.5	2.4
Total single-family credit guarantee portfolio(7)	65.4%	1.3%	20.7%	4.1%	13.9%	12.3%	100.0%	3.5%	3.0%

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	As of December 31, 2012								
	Current LTV Ratio £ 80(1)		Current LTV Ratio of > 80 to 100(1)		Current LTV > 100(1)		Current LTV Ratio All Loans(1)		
	Percentage of Portfolio(2)	Serious Delinquency Rate	Percentage of Portfolio(2)	Serious Delinquency Rate	Percentage of Portfolio(2)	Serious Delinquency Rate	Percentage of Portfolio(2)	Percentage Modified(3)	Serious Delinquency Rate
By Product Type									
FICO scores < 620:									
20 and 30- year or more amortizing fixed-rate	1.0%	8.3%	0.8%	13.4%	0.9%	22.9%	2.7%	18.8%	13.4%
15- year amortizing fixed-rate	0.2	4.2	<0.1	8.0	<0.1	9.5	0.2	1.2	4.5
ARMs/adjustable rate(4)	0.1	10.0	<0.1	16.5	<0.1	26.7	0.1	11.4	14.1
Interest-only(5)	<0.1	15.0	<0.1	20.8	0.1	33.6	0.1	0.6	27.6
Other(6)	<0.1	4.0	<0.1	8.4	<0.1	14.9	<0.1	4.9	5.7
Total FICO scores < 620	1.3	7.2	0.8	13.4	1.0	23.2	3.1	15.3	12.2
FICO scores of 620 to 659:									
20 and 30- year or more amortizing fixed-rate	2.2	5.5	1.3	9.7	1.7	18.8	5.2	13.8	9.8
15- year amortizing fixed-rate	0.6	2.5	<0.1	5.1	<0.1	8.4	0.6	0.6	2.7
ARMs/adjustable rate(4)	0.1	5.1	0.1	11.7	0.1	23.7	0.3	2.6	10.9
Interest-only(5)	<0.1	10.7	0.1	17.2	0.2	30.0	0.3	0.5	24.4
Other(6)	<0.1	2.8	<0.1	4.6	<0.1	7.0	<0.1	1.9	4.7
Total FICO scores of 620 to 659	2.9	4.7	1.5	9.7	2.0	19.5	6.4	10.7	9.0
FICO scores of >=660:									
20 and 30- year or more amortizing fixed-rate	40.1	1.1	17.0	2.9	9.8	9.4	66.9	3.3	2.6
15- year amortizing fixed-rate	14.7	0.4	1.0	0.9	0.3	2.3	16.0	0.1	0.5
ARMs/adjustable rate(4)	3.0	1.0	0.7	4.6	0.5	15.4	4.2	0.6	3.4
Interest-only(5)	0.4	4.2	0.7	9.7	1.6	20.6	2.7	0.2	15.0
Other(6)	<0.1	1.9	0.1	1.5	0.1	2.5	0.2	0.7	1.9
Total FICO scores >= 660	58.2	0.9	19.5	3.0	12.3	10.6	90.0	2.3	2.3
Total FICO scores not available	0.3	5.4	0.1	11.6	0.1	23.0	0.5	6.5	8.9
All FICO scores:									
20 and 30- year or more amortizing fixed-rate	43.4	1.7	19.1	4.0	12.6	11.8	75.1	4.9	3.7
15- year amortizing fixed-rate	15.4	0.6	1.1	1.2	0.3	2.8	16.8	0.1	0.6
ARMs/adjustable rate(4)	3.3	1.6	0.8	5.8	0.6	17.1	4.7	1.2	4.3
Interest-only(5)	0.5	4.9	0.8	10.7	1.8	22.0	3.1	0.2	16.3
Other(6)	0.1	9.6	0.1	6.8	0.1	10.2	0.3	7.9	8.9
Total single-family credit guarantee portfolio(7)	62.7%	1.4%	21.9%	4.1%	15.4%	12.7%	100.0%	3.4%	3.3%
By Region(8)									
FICO scores < 620:									
North Central	0.2%	5.9%	0.2%	10.4%	0.2%	18.1%	0.6%	14.8%	10.5%
Northeast	0.5	10.4	0.2	19.7	0.2	30.6	0.9	16.6	16.1
Southeast	0.2	7.9	0.2	13.5	0.3	27.7	0.7	16.0	14.5
Southwest	0.2	5.2	0.1	11.2	<0.1	19.5	0.3	10.6	7.4
West	0.2	4.9	0.1	10.2	0.3	17.3	0.6	18.0	10.1
Total FICO scores < 620	1.3	7.2	0.8	13.4	1.0	23.2	3.1	15.3	12.2
FICO scores of 620 to 659:									

North Central	0.5	3.9	0.3	7.7	0.4	14.5	1.2	10.2	7.5
Northeast	0.9	6.6	0.4	14.4	0.4	25.8	1.7	11.1	11.5
Southeast	0.5	5.4	0.3	10.2	0.5	23.9	1.3	11.0	11.3
Southwest	0.5	3.3	0.2	7.6	0.1	14.5	0.8	6.8	4.8
West	0.5	3.4	0.3	8.0	0.6	16.1	1.4	14.2	8.3
Total FICO scores of 620 to 659	2.9	4.7	1.5	9.7	2.0	19.5	6.4	10.7	9.0
FICO scores of >=660:									
North Central	9.4	0.7	4.4	2.2	2.3	7.0	16.1	1.9	1.7
Northeast	15.9	1.2	5.2	4.6	1.9	14.2	23.0	2.0	2.6
Southeast	8.3	1.3	3.5	3.3	3.0	14.2	14.8	2.5	3.7
Southwest	8.0	0.7	2.1	2.0	0.3	5.9	10.4	1.1	1.0
West	16.6	0.6	4.3	2.8	4.8	9.1	25.7	3.4	2.3
Total FICO scores >= 660	58.2	0.9	19.5	3.0	12.3	10.6	90.0	2.3	2.3
Total FICO scores not available	0.3	5.4	0.1	11.6	0.1	23.0	0.5	6.5	8.9
All FICO scores:									
North Central	10.1	1.0	4.8	3.0	3.0	9.0	17.9	3.0	2.5
Northeast	17.1	1.9	5.9	6.1	2.5	17.6	25.5	3.3	3.8
Southeast	9.1	1.9	4.0	4.5	3.8	16.7	16.9	4.0	5.0
Southwest	8.9	1.1	2.5	3.2	0.4	9.3	11.8	2.1	1.7
West	17.5	0.8	4.7	3.3	5.7	10.2	27.9	4.4	2.8
Total single-family credit guarantee portfolio[7]	62.7%	1.4%	21.9%	4.1%	15.4%	12.7%	100.0%	3.4%	3.3%

(1) The current LTV ratios are our estimates. See endnote (3) to Table 32 Characteristics of the Single-Family Credit Guarantee Portfolio for further information.
(2) Based on UPB of the single-family credit guarantee portfolio.
(3) See endnote (2) to Table 38 Credit Concentrations in the Single-Family Credit Guarantee Portfolio.
(4) Includes balloon/resets and option ARM mortgage loans.
(5) Includes both fixed rate and adjustable rate loans. The percentages of interest-only loans which have been modified at period end reflect that a number of these loans have not yet been assigned to their new product category (post-modification), primarily due to delays in processing.
(6) Consist of FHA/VA and other government guaranteed mortgages.
(7) The total of all FICO scores categories may not sum due to the inclusion of loans where FICO scores are not available in the respective totals for all loans. See endnote (5) to Table 32 Characteristics of the Single-Family Credit Guarantee Portfolio for further information about our presentation of FICO scores.
(8) Presentation with the following regional designation: West (AK, AZ, CA, GU, HI, ID, MT, NV, OR, UT, WA); Northeast (CT, DE, DC, MA, ME, MD, NH, NJ, NY, PA, RI, VT, VA, WV); North Central (IL, IN, IA, MI, MN, ND, OH, SD, WI); Southeast (AL, FL, GA, KY, MS, NC, PR, SC, TN, VI); and Southwest (AR, CO, KS, LA, MO, NE, NM, OK, TX, WY).

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

Table 40 Single-Family Credit Guarantee Portfolio Foreclosure and Short Sale Rates

	As of March 31, 2013		As of December 31, 2012	
Year of Loan Origination	**Percentage of Portfolio**	**Foreclosure and Short Sale Rate(1)**	**Percentage of Portfolio**	**Foreclosure and Short Sale Rate(1)**
2013	5%	%	N/A	N/A
2012	25	0.01	22%	<0.01%
2011	13	0.08	14	0.06
2010	13	0.24	15	0.20
2009	11	0.39	12	0.34
Combined 2009 to 2013	67	0.18	63	0.17
2008	4	3.49	6	3.26
2007	7	10.25	7	9.74
2006	5	9.06	5	8.66
2005	6	5.35	6	5.11
Combined 2005 to 2008	22	7.22	24	6.87
2004 and prior(2)	11	1.23	13	1.20
Total	100%		100%	

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

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

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

Multifamily Mortgage Credit Risk

To manage our multifamily mortgage portfolio credit risk, we focus on several key areas: (a) underwriting standards and processes we believe to be prudent; (b) selling significant portions of the expected credit risk through subordination by issuance of our multifamily K Certificates; (c) portfolio diversification, particularly by product and geographical area; and (d) portfolio management activities, including loss mitigation and use of credit enhancements. We monitor the loan performance, the underlying properties and a variety of mortgage loan characteristics that may affect the default experience on our multifamily mortgage portfolio, such as DSCR, LTV ratio, geographic location, payment type, and loan maturity. See NOTE 5: INDIVIDUALLY IMPAIRED AND NON-PERFORMING LOANS for information about loss mitigation activities that we have classified as TDRs and subsequent performance information of these loans. See NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS for more information about the loans in our multifamily mortgage portfolio, including geographic concentrations of these loans.

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The table below provides certain attributes of our multifamily mortgage portfolio at March 31, 2013 and December 31, 2012.

Table 41 Multifamily Mortgage Portfolio by Attribute

	UPB at		Delinquency Rate[1] at	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
	(dollars in billions)			
Original LTV ratio				
Below 75%	$ 89.0	$ 87.6	0.05%	0.04%
75% to 80%	34.4	34.0	0.08	0.22
Above 80%	5.6	5.8	2.34	2.31
Total	$ 129.0	$ 127.4	0.16%	0.19%
Weighted average LTV ratio at origination	70%	70%		
Maturity Dates				
2013	$ 1.9	$ 3.3	1.07%	0.86%
2014	5.2	5.8		
2015	9.2	9.8	0.15	0.53
2016	12.6	13.0	0.05	0.05
2017	10.6	10.9	0.19	0.02
Beyond 2017	89.5	84.6	0.17	0.19
Total	$ 129.0	$ 127.4	0.16%	0.19%
Year of Acquisition or Guarantee[2]				
2004 and prior	$ 8.3	$ 9.2	0.19%	0.35%
2005	6.3	6.5	0.14	0.17
2006	9.5	9.5		
2007	16.5	17.8	0.89	0.86
2008	16.0	16.6	0.22	0.30
2009	12.1	12.2		
2010	11.8	12.0		
2011	16.9	17.0		
2012	25.6	26.6		
2013	6.0	N/A		N/A
Total	$ 129.0	$ 127.4	0.16%	0.19%
Current Loan Size				
Above $25 million	$ 49.1	$ 48.5	%	0.06%
Above $5 million to $25 million	71.0	70.0	0.26	0.26
$5 million and below	8.9	8.9	0.31	0.37
Total	$ 129.0	$ 127.4	0.16%	0.19%
Legal Structure				
Unsecuritized loans	$ 73.7	$ 76.6	0.06%	0.08%
Freddie Mac mortgage-related securities	46.0	41.4	0.35	0.41
Other guarantee commitments	9.3	9.4		0.13
Total	$ 129.0	$ 127.4	0.16%	0.19%
Credit Enhancement				
Credit-enhanced	$ 52.2	$ 47.8	0.34%	0.36%

Non-credit-enhanced	76.8	79.6	0.04	0.10
Total	$ 129.0	$ 127.4	0.16%	0.19%
Payment Type				
Interest-only	$ 21.5	$ 22.8	0.06%	0.05%
Partial interest-only(3)	30.5	29.8		0.05
Amortizing	77.0	74.8	0.26	0.30
Total	$ 129.0	$ 127.4	0.16%	0.19%

(1) See Multifamily Delinquencies below for more information about our multifamily delinquency rates.
(2) Based on either: (a) the year of acquisition, for loans recorded on our consolidated balance sheets; or (b) the year that we issued our guarantee, for the remaining loans in our multifamily mortgage portfolio.
(3) Represent loans that have an interest-only period and where the borrower s payments were interest-only at the respective reporting date. Loans which have reached the end of their interest-only period by the respective reporting date have converted to, and are classified as, amortizing loans.

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Multifamily Product Types

Our multifamily mortgage portfolio consists of product types that are categorized based on loan terms. Multifamily loans may: (a) be amortizing or interest-only (for the full term or a portion thereof); and (b) have a fixed or variable rate of interest. Our multifamily loans generally have shorter terms than single-family mortgages and typically have balloon maturities ranging from five to ten years. At March 31, 2013 and December 31, 2012, approximately 60% and 59%, respectively, of our multifamily mortgage portfolio consisted of amortizing loans, which reduce our credit exposure over time since the UPB of the loan declines with each mortgage payment. In addition, as of March 31, 2013 and December 31, 2012, approximately 24% and 23%, respectively, of our multifamily mortgage portfolio consisted of partial interest-only loans, which after a defined period of time will begin to include amortization of principal.

Because most multifamily loans require a significant lump sum (i.e., balloon) payment of unpaid principal at maturity, the borrower s potential inability to refinance or pay off the loan at maturity is a primary concern for us. Borrowers may be less able to refinance their obligations during periods of rising interest rates, which could lead to default if the borrower is unable to find affordable refinancing. Of the $129.0 billion in UPB of our multifamily mortgage portfolio as of March 31, 2013, only 1% and 4% will mature during 2013 and 2014, respectively, and the remaining 95% will mature in 2015 and beyond.

Multifamily Credit Enhancements

Our primary business model in the multifamily segment is to purchase multifamily mortgage loans for aggregation and then securitization through issuance of multifamily K Certificates, which we categorize as Other Guarantee Transactions. Substantially all of our multifamily K Certificates use subordination in order to provide credit enhancement to the most senior classes of these securities, which we guarantee. Subordinated classes are allocated credit losses prior to the senior classes. As a result, a significant portion of our expected credit risk associated with these loans is sold in subordinated tranches to third-party (i.e., private capital) investors, thereby substantially reducing our credit risk. At March 31, 2013 and December 31, 2012, the UPB of guaranteed multifamily K Certificates with subordination coverage was $41.4 billion and $36.7 billion, and the average subordination coverage on these securities was 17% at both dates. See NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES for additional information about credit protections and other forms of credit enhancements covering loans in our multifamily mortgage portfolio.

Multifamily Delinquencies

Our multifamily delinquency rates include all 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 HFA bonds due to the credit enhancement provided by the U.S. government. We report multifamily delinquency rates based on UPB of mortgage loans that are two monthly payments or more past due or in the process of foreclosure, as reported by our servicers. Mortgage loans that have been modified are not counted as delinquent as long as the borrower is less than two monthly payments past due under the modified terms.

Our multifamily mortgage portfolio delinquency rate was 0.16% at March 31, 2013 and 0.19% at December 31, 2012. Our delinquency rate for credit-enhanced loans was 0.34% and 0.36% at March 31, 2013 and December 31, 2012, respectively, and for non-credit-enhanced loans was 0.04% and 0.10% at March 31, 2013 and December 31, 2012, respectively. As of March 31, 2013, more than 85% of our multifamily loans that were two or more monthly payments past due, measured on a UPB basis, had credit enhancements that we currently believe will mitigate our expected losses on those loans and guarantees.

Non-Performing Assets

Non-performing assets consist of single-family and multifamily loans that have undergone a TDR, single-family seriously delinquent loans, multifamily loans that are three or more payments past due or in the process of foreclosure, and REO assets, net. Non-performing assets also include multifamily loans that are deemed impaired based on management judgment. We place non-performing loans on non-accrual status when we believe the collectability of interest and principal on a loan is not reasonably assured, unless the loan is well secured and in the process of collection. When a loan is placed on non-accrual status, any interest income accrued but uncollected is reversed. Thereafter, interest income is recognized only upon receipt of cash payments.

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We classify TDRs as those loans where we have granted a concession to a borrower that is experiencing financial difficulties. Loans that have been classified as TDRs remain categorized as non-performing throughout the remaining life of the loan regardless of whether the borrower makes payments which return the loan to a current payment status. TDRs include HAMP and non-HAMP loan modifications, as well as loans in modification trial periods and loans subject to certain other loss mitigation actions. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in our 2012 Annual Report and NOTE 5: INDIVIDUALLY IMPAIRED AND NON-PERFORMING LOANS for further information about our TDRs.

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

Table 42 Non-Performing Assets[1]

	March 31, 2013	December 31, 2012 (dollars in millions)	March 31, 2012
Non-performing mortgage loans on balance sheet:			
Single-family TDRs:[2]			
Less than three monthly payments past due	$ 68,549	$ 65,784	$ 46,118
Seriously delinquent	21,498	22,008	12,708
Multifamily TDRs[3]	827	815	848
Total TDRs	90,874	88,607	59,674
Other seriously delinquent single-family loans[4]	35,199	39,711	59,558
Other multifamily loans[5]	1,157	1,411	1,782
Total non-performing mortgage loans on balance sheet	127,230	129,729	121,014
Non-performing mortgage loans off-balance sheet:			
Single-family loans	1,056	1,096	1,215
Multifamily loans	485	474	268
Total non-performing mortgage loans off-balance sheet	1,541	1,570	1,483
Real estate owned, net	4,323	4,378	5,454
Total non-performing assets	$ 133,094	$ 135,677	$ 127,951
Loan loss reserves as a percentage of our non-performing mortgage loans	22.2%	23.5%	31.3%
Total non-performing assets as a percentage of the total mortgage portfolio, excluding non-Freddie Mac securities	7.4%	7.5%	6.8%

(1) Mortgage loan amounts are based on UPB and REO, net is based on carrying values.
(2) In the third quarter of 2012, we changed the treatment of single-family loans discharged in Chapter 7 bankruptcy to classify these loans as TDRs (unless they were already classified as TDRs for other reasons), regardless of the borrowers payment status. The majority of the loans reclassified during the third quarter of 2012 were not seriously delinquent at the time of reclassification. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Basis of Presentation in our 2012 Annual Report for further information about our TDR classification of loans discharged in Chapter 7 bankruptcy.
(3) Of these amounts, $824 million, $806 million and $822 million of UPB were current at March 31, 2013, December 31, 2012 and March 31, 2012, respectively.
(4) Represents loans recognized by us on our consolidated balance sheets, including loans removed from PC trusts due to the borrower s serious delinquency.
(5) Of these amounts, $1.1 billion, $1.4 billion and $1.7 billion of UPB were current at March 31, 2013, December 31, 2012 and March 31, 2012, respectively.

Our loan loss reserves as a percentage of our non-performing mortgage loans declined at March 31, 2013 compared to December 31, 2012 primarily due to a decline in our loan loss reserves during the first quarter of 2013, which is attributed to: (a) declines in the volume of newly delinquent loans; and (b) lower estimates of incurred loss due to the positive impact of an increase in national home prices. The UPB of our non-performing assets declined to $133.1 billion as of March 31, 2013, from $135.7 billion as of December 31, 2012. We expect our non-performing assets, including loans deemed to be TDRs, to remain at elevated levels for the remainder of 2013.

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The table below provides detail by region for REO activity. Our REO activity consists almost entirely of single-family residential properties. See Table 39 Single-Family Credit Guarantee Portfolio by Attribute Combinations for information about regional serious delinquency rates of loans in our portfolio.

Table 43 REO Activity by Region[1]

	Three Months Ended March 31,	
	2013	2012
	(number of properties)	
REO Inventory		
Beginning property inventory	49,077	60,555
Properties acquired by region:		
Northeast	1,767	1,825
Southeast	5,478	7,067
North Central	6,025	7,638
Southwest	1,998	2,770
West	2,614	4,505
Total properties acquired	17,882	23,805
Properties disposed by region:		
Northeast	(1,663)	(1,922)
Southeast	(5,114)	(6,287)
North Central	(6,961)	(6,837)
Southwest	(2,390)	(3,253)
West	(2,857)	(6,738)
Total properties disposed	(18,985)	(25,037)
Ending property inventory	47,974	59,323

(1) See endnote (8) to Table 39 Single-Family Credit Guarantee Portfolio by Attribute Combinations for a description of these regions.

Our REO inventory (measured in number of properties) declined 2% from December 31, 2012 to March 31, 2013 as the volume of our single-family REO dispositions exceeded the volume of single-family REO acquisitions during the first quarter of 2013. We expect our REO acquisitions to remain at elevated levels in 2013, as we have a large inventory of seriously delinquent loans in our single-family credit guarantee portfolio. We also expect our REO dispositions to remain at elevated levels.

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

Our single-family REO acquisitions in the first quarter of 2013 were most significant in the states of Florida, Illinois, Michigan, Ohio and California, which collectively represented 45% of total REO acquisitions based on the number of properties. The North Central region comprised 42% of our REO property inventory, based on the number of properties, as of both March 31, 2013 and December 31, 2012. This region generally has experienced more challenging economic conditions, includes a number of states with longer foreclosure timelines due to the local laws and foreclosure process, and has housing markets with generally lower demand and lower home values than in other regions. The states with the most properties in our REO inventory as of March 31, 2013 were Michigan and Illinois, and these states comprised 12% and

11%, respectively, of total REO property inventory, based on the number of properties, compared to each comprising 12% of the inventory at December 31, 2012. The West region comprised 13% of our REO property inventory, based on the number of properties, as of both March 31, 2013 and December 31, 2012. The state in the West region with the most properties in our REO inventory was California, and this state comprised 5% and 6% of our REO property inventory, based on the number of properties, as of March 31, 2013 and December 31, 2012, respectively.

Our REO acquisition activity is disproportionately high for certain types of loans in our single-family guarantee portfolio, including loans with certain higher-risk characteristics. For example, the percentage of interest-only and Alt-A loans in our single-family credit guarantee portfolio, based on UPB, was approximately 3% and 4%, respectively, at

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March 31, 2013 and was 6% on a combined basis. The percentage of our REO acquisitions in the first quarter of 2013 that had been financed by either of these loan types represented approximately 23% of our total REO acquisitions, based on loan amount prior to acquisition. REO acquisition activity was also high during the first quarter of 2013 related to loans originated in 2005 through 2008.

We continue to experience significant variability in the average time for foreclosure by state. For example, during the three months ended March 31, 2013, the average time for completion of foreclosures associated with loans in our single-family credit guarantee portfolio, excluding Other Guarantee Transactions, ranged from 390 days in Michigan to 1,155 days in Florida.

We are unable to market a significant portion of our REO property inventory at any given time, which can increase the aging of our inventory. For example, some jurisdictions require a period of time after foreclosure during which the borrower may reclaim the property. During this period, we are not able to sell the property. As of March 31, 2013 and December 31, 2012, the percentage of our single-family REO property inventory that had been held for sale longer than one year was 6.0% and 5.8%, respectively. Though it varied significantly in different states, the average holding period of our single-family REO properties was little changed during the first quarter of 2013. Excluding any post-foreclosure period during which borrowers may reclaim a foreclosed property, the average holding period associated with our single-family REO dispositions during the first quarters of 2013 and 2012 was 202 days and 201 days, respectively.

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

Table 44 Single-Family REO Property Status

	As of March 31, 2013	As of December 31, 2012
	(Percent of properties)	
Unable to market:		
Redemption status[(1)]	15%	15%
Occupied (waiting for eviction or vacancy)	17	18
Other[(2)]	3	3
Subtotal unable to market	35	36
Pre-listing[(3)]	24	23
Pending settlement for sale[(4)]	17	14
Available for sale	24	27
Total	100%	100%

(1) Consists of properties located in jurisdictions that require a period of time after foreclosure during which the borrower may reclaim the property.
(2) Includes properties where marketing is on hold, including where we are involved in litigation or other legal and regulatory issues concerning the property.
(3) Consists of properties that are not being actively marketed because we are evaluating the property condition and preparing the property for sale.
(4) Consists of properties where we have an executed sales contract and settlement has not yet occurred.

As shown in the table above, a significant number of properties in our REO inventory are occupied or are located in states with a redemption period, particularly in the states of Illinois, Michigan, and Minnesota. The percentage of our REO inventory that is in the pre-listing category also remained high at March 31, 2013, primarily because many of these properties are under repair or are otherwise being prepared for sale.

Although our REO disposition severity ratios have remained high in most states, there were improvements in most areas during the first quarter of 2013 due to increasing home prices. To a much lesser extent, our REO disposition severity ratios have also been positively affected by changes made during 2012 to our process for determining the list price for our REO properties when we offer them for sale.

Credit Loss Performance

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

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Table 45 Credit Loss Performance

	Three Months Ended March 31, 2013	2012
	(dollars in millions)	
REO		
REO balances, net:		
Single-family	$ 4,246	$ 5,333
Multifamily	77	121
Total	$ 4,323	$ 5,454
REO operations (income) expense:		
Single-family	$ 8	$ 172
Multifamily	(2)	(1)
Total	$ 6	$ 171
Charge-offs		
Single-family:		
Charge-offs, gross[1] (including $2.7 billion and $3.7 billion relating to loan loss reserves, respectively)	$ 2,713	$ 3,778
Recoveries[2]	(658)	(515)
Single-family, net	$ 2,055	$ 3,263
Multifamily:		
Charge-offs, gross[1] (including $2 million and $1 million relating to loan loss reserves, respectively)	$ 2	$ 1
Recoveries[2]	(1)	
Multifamily, net	$ 1	$ 1
Total Charge-offs:		
Charge-offs, gross[1] (including $2.7 billion and $3.7 billion relating to loan loss reserves, respectively)	$ 2,715	$ 3,779
Recoveries[2]	(659)	(515)
Total Charge-offs, net	$ 2,056	$ 3,264
Credit Losses (Gains)[3]		
Single-family	$ 2,063	$ 3,435
Multifamily	(1)	
Total	$ 2,062	$ 3,435
Total (in bps)[4]	46.2	73.6

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

(2) Recoveries of charge-offs primarily result from foreclosure alternatives and REO acquisitions on loans where: (a) a share of default risk has been assumed by mortgage insurers, servicers, or other third parties through credit enhancements; or (b) we received a reimbursement of our losses from a seller/servicer

associated with a repurchase request on a loan that experienced a foreclosure transfer or a foreclosure alternative. Includes $0.3 billion and $0.2 billion for the first quarters of 2013 and 2012, respectively, related to repurchase requests from our seller/servicers.

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

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

Our credit loss performance metric generally measures losses at the conclusion of the loan and related collateral resolution process. There is a significant lag in time from the start of loan workout activities by our servicers on problem loans (e.g., seriously delinquent loans) to the final resolution of those loans by the completion of foreclosures (and subsequent REO sales) and foreclosure alternatives. Most of our expenses associated with home retention actions (e.g., loan modifications) are not reflected in our credit loss metric. Our credit loss performance is based on our charge-offs, REO expenses, and recoveries of loss from credit enhancement and seller/servicer repurchases. We primarily record charge-offs at the time we take ownership of a property through foreclosure and at the time of settlement of foreclosure alternatives (e.g., short sales). Single-family charge-offs, gross, for the three months ended March 31, 2013 and 2012 were $2.7 billion and $3.8 billion, respectively, and were associated with approximately $6.4 billion and $7.4 billion, respectively, in UPB of loans. Our charge-offs and credit losses in the first quarter of 2013 remained elevated, but may have been less than they otherwise could have been because of slower loan and collateral resolution activity due to the length of the foreclosure timeline, particularly in states that require a judicial foreclosure process. We expect our charge-offs and credit losses to continue to remain elevated in the remainder of 2013 due to the large number of single-family non-performing loans that will likely be resolved. Although our charge-offs remain elevated, they declined in the first quarter of 2013, compared to the fourth quarter of 2012, primarily due to improvements in home prices in recent periods in many of the areas in which we had significant foreclosure and short sale activity.

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Our credit losses during the first quarter of 2013 continued to be disproportionately high in California, Florida, Nevada, and Arizona, which collectively comprised approximately 52% of our total credit losses in the first quarter of 2013. We estimated that these four states have experienced the largest cumulative declines in property prices since 2006 as measured by our home price index. Loans originated in 2005 through 2008 comprised approximately 22% and 30% of our single-family credit guarantee portfolio, based on UPB at March 31, 2013 and 2012, respectively; however, these loans accounted for approximately 85% and 88% of our credit losses during the first quarters of 2013 and 2012, respectively. In addition, although Alt-A loans comprised approximately 4% and 5% of our single-family credit guarantee portfolio at March 31, 2013 and 2012, respectively, these loans accounted for approximately 22% and 24% of our credit losses during the first quarters of 2013 and 2012, respectively. At March 31, 2013 and 2012, loans in states with a judicial foreclosure process comprised 46% and 47% of our single-family credit guarantee portfolio, based on UPB, respectively, while loans in these states contributed to approximately 52% and 37% of our credit losses recognized in the first quarters of 2013 and 2012, respectively. We expect the portion of our credit losses related to loans in states with judicial foreclosure processes will continue to increase as the substantial backlog of loans awaiting court proceedings in those states transitions to REO or other loss events. See Table 3 Credit Statistics, Single-Family Credit Guarantee Portfolio for information on REO disposition severity ratios, and see NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS for additional information about our credit losses.

Loan Loss Reserves

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

Our loan loss reserves declined in the first quarter of 2013, which reflects improvement in both borrower payment performance and lower severity ratios for REO dispositions and short sale transactions due to the improvements in home prices in most areas during the period. In recent periods, the portion of our loan loss reserves attributable to individually impaired loans has increased while the portion of our loan loss reserves determined on a collective basis has declined since the number of loans classified as TDRs has significantly increased in the last two years. As of March 31, 2013 and December 31, 2012, the recorded investment of individually impaired single-family mortgage loans was $91.3 billion and $89.3 billion, respectively, and the loan loss reserves associated with these loans were $17.9 billion at both dates. Our loan loss reserve associated with individually impaired single-family loans as a percentage of the total recorded investment of these loans was 20% of the balance as of both March 31, 2013 and December 31, 2012. Our loan loss reserve associated with collectively evaluated single-family loans as a percentage of the total recorded investment of these loans was 0.7% and 0.8% of the balance as of March 31, 2013 and December 31, 2012, respectively. See Table 4.4 Net Investment in Mortgage Loans for information about collectively evaluated and individually evaluated loans on our consolidated balance sheets. See NOTE 5: INDIVIDUALLY IMPAIRED AND NON-PERFORMING LOANS for additional information about our impaired loans. See CONSOLIDATED RESULTS OF OPERATIONS Provision for Credit Losses, for a discussion of our provision for credit losses.

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

Table 46 Single-Family Impaired Loans with Specific Reserve Recorded

	2013		2012	
	# of Loans	Amount (in millions)	# of Loans	Amount (in millions)
TDRs (recorded investment):				
TDRs, at beginning of year	449,145	$ 83,484	252,749	$ 53,494
New additions	28,717	4,921	19,380	3,642
Repayments	(6,635)	(1,134)	(1,054)	(276)
Loss events(1)	(8,680)	(1,592)	(3,688)	(739)
Other	(449)	(148)	552	65
March 31, balance	462,098	85,531	267,939	56,186
Other (recorded investment)(2)	16,861	1,526	24,308	2,289
Total impaired loans with specific reserve	478,959	87,057	292,247	58,475
Total allowance for loan losses of individually impaired single-family loans		(17,909)		(15,851)
Net investment, March 31,		$ 69,148		$ 42,624

(1) Consists of foreclosure transfers or foreclosure alternatives, such as a deed in lieu of foreclosure or short sale transaction.
(2) Consists of loans impaired upon purchase, which experienced further deterioration in borrower credit.

Credit Risk Sensitivity

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

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

Table 47 Single-Family Credit Loss Sensitivity

	Before Receipt of Credit Enhancements(1)		After Receipt of Credit Enhancements(2)	
	NPV(3)	NPV Ratio(4)	NPV(3)	NPV Ratio(4)
	(dollars in millions)			
At:				
March 31, 2013	$ 4,961	30.3 bps	$ 4,575	27.9 bps

December 31, 2012	$ 6,356	38.8 bps	$ 5,908	36.1 bps
September 30, 2012	$ 6,479	39.2 bps	$ 6,085	36.8 bps
June 30, 2012	$ 7,131	42.2 bps	$ 6,713	39.7 bps
March 31, 2012	$ 8,568	49.6 bps	$ 8,095	46.8 bps

(1) Assumes that none of the credit enhancements currently covering our mortgage loans has any mitigating effect on our credit losses.
(2) Assumes we collect amounts due from credit enhancement providers after giving effect to certain assumptions about counterparty default rates.
(3) Based on the single-family credit guarantee portfolio, excluding REMICs and Other Structured Securities backed by Ginnie Mae Certificates.
(4) Calculated as the ratio of NPV of increase in credit losses to the single-family credit guarantee portfolio, defined in note (3) above.

Institutional Credit Risk

Single-family Mortgage Seller/Servicers

We acquire a significant portion of our single-family mortgage purchase volume from several large lenders, or seller/servicers. Our top 10 single-family seller/servicers provided approximately 68% of our single-family purchase volume during the first quarter of 2013. Wells Fargo Bank, N.A., JPMorgan Chase Bank, N.A., and U.S. Bank, N.A. accounted for 21%, 13%, and 10%, respectively, of our single-family mortgage purchase volume and were the only single-family seller/servicers that comprised 10% or more of our purchase volume during the three months ended March 31, 2013.

We are exposed to institutional credit risk arising from the potential insolvency of or non-performance by our mortgage seller/servicers, including non-performance of their repurchase obligations arising from breaches of the representations and warranties made to us for loans they underwrote and sold to us or failure to honor their recourse and indemnification obligations to us. This exposure remained high during the first quarter of 2013. We have contractual arrangements with our seller/servicers under which they agree to sell us mortgage loans, and represent and warrant that those loans have been originated under specified underwriting standards. In addition, our servicers represent and warrant to us that those loans will be serviced in accordance with our servicing contract. If we subsequently discover that the representations and warranties were breached (i.e., that contractual standards were not followed), we can exercise certain contractual remedies to mitigate our actual or potential credit losses. These contractual remedies include the ability to require the seller/servicer to repurchase the loan at its current UPB and/or make us whole for losses realized with respect to the loan after consideration of other recoveries, if any. We require that a seller/servicer repurchase a mortgage after we issue a repurchase request, unless the seller/servicer avails itself of an appeals process provided for in our contracts, in which case the deadline for repurchase is extended pending our decision on the appeal. For loans that have proceeded through foreclosure and REO sale or other workouts (e.g. short sales) and that we have determined were ineligible to be delivered to us, we will accept reimbursement for realized credit losses in lieu of repurchase. For all other loans that we determine were ineligible to be delivered to us, we have the right to issue a repurchase request for the loan s UPB, plus interest and fees. Our practices for repurchases associated with the loans we purchase on or after January 1, 2013 are subject to the new representation and warranty framework discussed below.

As part of our expansion of our relief refinance initiative (including HARP), we face greater exposure to credit and other losses on these loans because we are relieving lenders of certain representations and warranties on the original mortgage being refinanced. For more information on HARP, see *Mortgage Credit Risk Single-Family Mortgage Credit Risk Single-Family Loan Workouts and the MHA Program Relief Refinance Mortgage Initiative and the Home Affordable Refinance Program.*

We, together with Fannie Mae, launched a new representation and warranty framework for conventional loans purchased by the GSEs on or after January 1, 2013. The objective of the new framework is to clarify lenders repurchase exposures and liability on sales of mortgage loans to Freddie Mac and Fannie Mae. Under the new framework, lenders are relieved of certain repurchase obligations in specific cases, such as for loans that perform for 36 consecutive months (subject to certain exclusions). We continue to enhance our loan review process in order to focus on earlier identification of loans with underwriting defects. If we are unable to identify breaches in representations and warranties timely, we may face greater exposure to credit and other losses under this new framework, as our ability to seek recovery or repurchase from the seller is more limited. The new framework does not affect seller/servicers obligations under their contracts with us with respect to loans sold to us prior to January 1, 2013. The new framework also does not affect their obligation to service these loans in accordance with our servicing standards.

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The table below provides a summary of our repurchase request activity for the three months ended March 31, 2013 and 2012.

Table 48 Repurchase Request Activity and Counterparty Balances[1]

	Three Months Ended March 31, 2013	2012
	(in millions)	
Beginning balance	$ 3,028	$ 2,716
New requests issued	2,230	2,625
Requests collected[2]	(935)	(854)
Requests cancelled[3]	(1,433)	(1,224)
Other[4]	(6)	(34)
Ending balance	$ 2,884	$ 3,229

	As of March 31, 2013	As of December 31, 2012
	(in millions)	
Seller/servicer counterparty:		
Bank of America, N.A.	$ 918	$ 1,029
Wells Fargo Bank, N.A.	721	662
JPMorgan Chase Bank, N.A.	271	279
CitiMortgage, N.A.	96	100
U.S. Bank, N.A.	40	112
Other counterparties	838	846
Total	$ 2,884	$ 3,028

(1) Amounts are based on the UPB of the loans associated with the repurchase requests.
(2) Requests collected are based on the UPB of the loans associated with the repurchase requests, which in many cases is more than the amount of payments received for reimbursement of losses for requests associated with foreclosed mortgage loans, negotiated agreements, and other alternative remedies. For the three months ended March 31, 2013 and 2012, approximately 48% and 33%, respectively, of the requests collected in each period were satisfied by reimbursement of losses associated with the request.
(3) Consists primarily of those requests that were resolved by the servicer providing missing documentation or rescinded through a successful appeal of the request.
(4) Other includes items that affect the UPB of the loan while the repurchase request is outstanding, such as changes in UPB due to payments made on the loan. Also includes requests deemed uncollectible due to the insolvency or other failure of the counterparty.

The UPB of loans subject to open repurchase requests decreased to $2.9 billion at March 31, 2013 from $3.0 billion at December 31, 2012 because the combined volume of requests collected and cancelled exceeded the volume of new request issuances. As measured by UPB, approximately 48% and 41% of the repurchase requests outstanding at March 31, 2013 and December 31, 2012, respectively, were outstanding for four months or more since issuance of the initial request (these figures include repurchase requests for which appeals were pending). As of March 31, 2013, two of our largest seller/servicers (Bank of America, N.A. and Wells Fargo Bank, N.A.) had aggregate repurchase requests outstanding, based on UPB, of $1.6 billion, and approximately 63% of these requests were outstanding for four months or more since issuance of the initial request. The amount we expect to collect on the outstanding requests is significantly less than the UPB of the loans subject to the repurchase requests primarily because many of these requests will likely be satisfied by reimbursement of our realized credit losses by seller/servicers, instead of repurchase of loans at their UPB. Some of these requests also may be rescinded in the course of the contractual appeal process. Based on our historical loss experience and the fact that many of these loans are covered by credit enhancements (e.g., mortgage insurance), we expect the actual credit losses experienced by us should we fail to collect on these repurchase requests will also be less than the UPB of the loans.

Repurchase requests related to mortgage insurance rescission and claim denial tend to be outstanding longer than other repurchase requests. Of the total amount of repurchase requests outstanding at March 31, 2013 and December 31, 2012, approximately $1.1 billion and $1.2 billion, respectively, were issued due to mortgage insurance rescission or mortgage insurance claim denial. For more information on repurchase requests, including those associated with mortgage insurance rescission, see RISK MANAGEMENT Credit Risk *Institutional Credit Risk Single-family Mortgage Seller/Servicers* and RISK FACTORS Competitive and Market Risks *Our financial condition or results of operations may be adversely affected if mortgage seller/servicers fail to repurchase loans sold to us in breach of representations and warranties or fail to honor any related indemnification or recourse obligations* in our 2012 Annual Report.

Historically, we have used a process of reviewing a sample of the loans we purchase to validate compliance with our underwriting standards. In addition, we review many delinquent loans and loans that have resulted in credit losses, such as through foreclosure or short sale. The loan review and appeal process is lengthy, and we are continuing to complete and compile the results of our review of 2012 originations. As part of the 2013 Conservatorship Scorecard, FHFA set a goal for us to complete our demands for remedies for breaches of representations and warranties related to pre-conservatorship loan activity. As a result, we expect to continue our reviews of loans originated prior to 2009 in accordance with FHFA s guidance, and our repurchase request volumes with our seller/servicers may increase in future periods.

During the first quarter of 2013, we entered into an agreement with GMAC Mortgage, LLC (in connection with its bankruptcy proceeding) to release specified loans from certain repurchase obligations in exchange for a one-time cash payment. Loans totaling approximately $0.7 billion in UPB were subject to this negotiated agreement.

Our estimate of recoveries from seller/servicer repurchase obligations is considered in our allowance for loan losses; however, our actual recoveries may be different than our estimates. Such differences are reflected in our allowance for loan losses and impact the amount of the provision for credit losses that we record during a given period. We believe we have appropriately provided for these exposures, based upon our estimates of incurred losses, in our loan loss reserves at March 31, 2013 and December 31, 2012; however, our actual losses may exceed our estimates.

A significant portion of our single-family mortgage loans are serviced by several large seller/servicers. Our top two single-family loan servicers, Wells Fargo Bank, N.A. and JPMorgan Chase Bank, N.A., serviced approximately 26% and 13%, respectively, of our single-family mortgage loans as of March 31, 2013, and together serviced approximately 39% of our single-family mortgage loans. Because we are the master servicer and delegate the primary servicing function to our servicers, if our servicers lack appropriate process controls, experience a failure in their controls, or experience an operating disruption in their ability to service mortgage loans, our business and financial results could be adversely affected. We also continue to be adversely affected by the length of the foreclosure timeline, particularly in states that require a judicial foreclosure process, which has provided challenges to our seller/servicers because they have had to change their processes for compliance with regulations in each jurisdiction.

We also are exposed to the risk that seller/servicers might fail to service mortgages in accordance with our contractual requirements, which could result in increased credit losses. We rely on our seller/servicers to perform loan workout activities as well as foreclosures on loans that they service for us. However, we continue to face challenges with respect to the performance of certain of our seller/servicers in managing our seriously delinquent loans. As part of our efforts to address this issue and mitigate our credit losses, we have been facilitating the transfer of servicing from certain underperforming servicers to other servicers that specialize in workouts of problem loans. Some of these specialized servicers have grown rapidly in the last two years and now service an increasing number of our loans.

During 2011 and 2012, we made changes to our programs for reviewing the performance of our servicers. Under the programs, we pay incentives to servicers that exceed certain performance standards with respect to servicing delinquent loans, and also assess certain fees to compensate us for deficiencies in servicer performance. These fees are recorded in other expenses, and other income, respectively, within our consolidated statements of comprehensive income. These fees were not significant to our consolidated financial results for the first quarter of 2013. During the first quarter of 2013, we made additional changes that are designed to further encourage more timely resolution of problem loans.

Multifamily Mortgage Seller/Servicers

A significant portion of our multifamily mortgage portfolio is serviced by several large multifamily servicers. We are exposed to certain institutional credit risks arising from the potential non-performance by our multifamily mortgage servicers and our multifamily sellers. As of March 31, 2013, our top three multifamily servicers, Berkadia Commercial Mortgage LLC, CBRE Capital Markets, Inc., and Wells Fargo Bank, N.A., each serviced more than 10% of our multifamily mortgage portfolio, excluding Other Guarantee Transactions, and together serviced approximately 38% of this portfolio. We also acquire a significant portion of our multifamily purchase volume from several large sellers. For the three months ended March 31, 2013, our top two multifamily sellers, CBRE Capital Markets, Inc. and Walker & Dunlop, LLC, accounted for 26% and 11%, respectively, of our multifamily purchase and guarantee issuance volume. Our top 10 multifamily sellers represented an aggregate of approximately 85% of our multifamily purchase and guarantee issuance volume for the three months ended March 31, 2013.

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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.

We attempt to manage this risk by establishing eligibility standards for mortgage insurers and by monitoring our exposure to individual mortgage insurers. Our monitoring includes performing regular analysis of the estimated financial capacity of mortgage insurers under different adverse economic conditions. The 2013 Conservatorship Scorecard includes a goal for us to develop counterparty risk management standards for mortgage insurers that include uniform master policies and eligibility requirements.

As part of the estimate of our loan loss reserves, we evaluate the recovery and collectability related to mortgage insurance policies for mortgage loans that we hold on our consolidated balance sheets as well as loans underlying our non-consolidated Freddie Mac mortgage-related securities or covered by other guarantee commitments. We also evaluate the collectability of outstanding receivables from these counterparties related to outstanding and unpaid claims. The substantial majority of our mortgage insurance exposure is concentrated with four counterparties, certain of which are under significant financial stress. Additionally, a number of our mortgage insurers have exceeded risk to capital ratios required by their state insurance regulators. Given the difficulties in the mortgage insurance industry, we believe it is likely that other mortgage insurers may exceed their regulatory capital limit in the future. We continue to acquire new loans with mortgage insurance from these weaker mortgage insurers, to the extent they are continuing to issue new coverage.

The table below summarizes our exposure to mortgage insurers as of March 31, 2013. In the event that a mortgage insurer fails to perform, the coverage outstanding represents our maximum exposure to credit losses resulting from such failure. Our most significant exposure to these insurers is through primary mortgage insurance. As of March 31, 2013, we had primary mortgage insurance coverage on loans that represented approximately 12% of the UPB of our single-family credit guarantee portfolio.

Table 49 Mortgage Insurance by Counterparty

			As of March 31, 2013			
			UPB of Covered Loans		Coverage Outstanding	
Counterparty Name	**Credit Rating[1]**	**Credit Rating Outlook[1]**	**Primary Insurance[2]**	**Pool Insurance[2]**	**Primary Insurance[3]**	**Pool Insurance[3]**
			(in billions)			
Mortgage Guaranty Insurance Corporation (MGIC)	B	Stable	$ 43.9	$ 1.9	$ 11.0	$ <0.1
Radian Guaranty Inc.	B	Stable	39.6	5.2	9.7	1.1
United Guaranty Residential Insurance Company	BBB	Stable	34.4	0.2	8.5	<0.1
Genworth Mortgage Insurance Corporation	B	Negative	27.1	0.3	6.8	<0.1
PMI Mortgage Insurance Co. (PMI)[4]	CCC	Negative	17.2	0.6	4.2	0.1
Republic Mortgage Insurance Company (RMIC)[5]	Not Rated	N/A	14.2	1.1	3.5	0.1
Triad Guaranty Insurance Corporation (Triad)[6]	Not Rated	N/A	6.2	0.2	1.6	<0.1
Essent Guaranty, Inc.	Not Rated	N/A	5.7		1.4	
CMG Mortgage Insurance Company	BBB	Negative	2.8	<0.1	0.7	
Total			$ 191.1	$ 9.5	$ 47.4	$ 1.3

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

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

(3) Represents the remaining aggregate contractual limit for reimbursement of losses under the respective policy type. These amounts are based on gross coverage without regard to netting of coverage that may exist to the extent an affected mortgage is covered under both types of insurance.
(4) In October 2011, PMI began paying valid claims 50% in cash and 50% in deferred payment obligations under order of its state regulator.
(5) Under a plan announced in November 2012, RMIC is paying all valid claims settled on or after January 19, 2012, 60% in cash and 40% in deferred payment obligations.
(6) In June 2009, Triad began paying valid claims 60% in cash and 40% in deferred payment obligations under order of its state regulator.

We received proceeds of $0.4 billion and $0.5 billion during the three months ended March 31, 2013 and 2012, 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 $0.8 billion at both March 31, 2013 and December 31, 2012.

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PMI, RMIC, and Triad are all under regulatory or court ordered supervision, and a substantial portion of their claims are recorded by us as deferred payment obligations. These insurers have continued to pay a portion of their respective claims in cash. The state regulators of these companies have generally not allowed them to pay their respective deferred payment obligations. If these insurers do not pay the full amount of their deferred payment obligations, we would lose a portion of the coverage from these counterparties shown in the table above.

Recently, some of our mortgage insurance counterparties have been able to obtain additional capital and we expect that they will continue to explore additional opportunities to further improve their capital position as the housing market improves. In connection with the 2013 Conservatorship Scorecard, we expect to publish changes to our capital requirements for mortgage insurer eligibility during the second half of 2013. In addition to PMI, RMIC, and Triad, we believe that certain of our other mortgage insurance counterparties may be unable to meet the expected new requirements for mortgage insurer eligibility within our timeframes for doing so. As a result, our mortgage insurance exposure could become concentrated among a smaller number of counterparties in the future. For more information, see NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS Mortgage Insurers in our 2012 Annual Report.

Bond Insurers

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

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

Table 50 Bond Insurance by Counterparty

			As of March 31, 2013	
Counterparty Name	**Credit Rating(1)**	**Credit Rating Outlook(1)**	**Coverage Outstanding(2)**	**Percent of Total Coverage Outstanding(2)**
			(dollars in millions)	
Ambac Assurance Corporation (Ambac)(3)	Not Rated	N/A	$ 3,884	46%
Financial Guaranty Insurance Company (FGIC)(3)	Not Rated	N/A	1,546	18
MBIA Insurance Corp.	CCC	Negative	1,031	12
National Public Finance Guarantee Corp.	BB	Negative	1,096	13
Assured Guaranty Municipal Corp.	A	Stable	827	10
Syncora Guarantee Inc. (Syncora)(3)	Not Rated	N/A	54	1
CIFG Assurance Corporation	Not Rated	N/A	30	<1
Total			$ 8,468	100%

(1) Represents the rating and outlook of the corporate entity to which we have the greatest exposure, which in some cases is a holding company. Coverage amounts may include coverage provided by consolidated affiliates and subsidiaries of the counterparty. Latest ratings available as of April 24, 2013. Represents the lower of S&P and Moody s credit ratings stated in terms of the S&P equivalent.
(2) Represents the remaining contractual limit for reimbursement of losses, including other expenses, on non-agency mortgage-related securities.
(3) Ambac, FGIC, and Syncora are currently operating under regulatory or court ordered supervision.

We monitor the financial strength of our bond insurers in accordance with our risk management policies. Some of our larger bond insurers are in runoff mode where no new business is being written. We expect to receive substantially less than full payment of our claims from Ambac and FGIC as these companies are insolvent. FGIC is currently not paying any of its claims. Ambac, which had not paid claims since March 2010, began paying a portion of its claims in cash in the third quarter of 2012. For information about developments concerning Ambac and FGIC, see NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS Bond Insurers in our 2012 Annual Report. We believe that we will likely receive substantially less than full payment of our claims from some of our other bond insurers, because we believe they also lack sufficient ability to fully meet all of their expected lifetime claims-paying obligations to us as such claims emerge. In the event one or more of our other bond insurers were to become subject to a regulatory order or insolvency proceeding, our ability to recover certain unrealized losses on our non-agency mortgage-related securities would be negatively affected. We considered our expectations regarding our bond insurers ability to meet their obligations in making our impairment determinations on our non-agency mortgage-related securities at March 31, 2013 and December 31, 2012. See NOTE 7: INVESTMENTS IN SECURITIES Other-Than-Temporary Impairments on Available-For-Sale Securities for additional information regarding impairment losses on securities covered by bond insurers.

Cash and Other Investments Counterparties

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

Our cash and other investment counterparties are primarily major financial institutions and the Federal Reserve Bank. As of March 31, 2013 and December 31, 2012, including amounts related to our consolidated VIEs, there were $68.2 billion and $60.7 billion, respectively, of: (a) cash and securities purchased under agreements to resell invested with institutional counterparties; (b) U.S. Treasury securities; or (c) cash deposited with the Federal Reserve Bank. See NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS for further information on counterparty credit ratings and concentrations within our cash and other investments.

Agency and Non-Agency Mortgage-Related Security Issuers

Our investments in securities expose us to institutional credit risk to the extent that servicers, issuers, guarantors, or third parties providing credit enhancements become insolvent or do not perform their obligations. Our investments in non-Freddie Mac mortgage-related securities include both agency and non-agency securities. Agency securities have historically presented minimal institutional credit risk due to the guarantee provided by those institutions, and the U.S. government s support of those institutions. However, we recognized impairment charges in the first quarters of 2013 and 2012 related to certain of our investments in non-agency mortgage-related securities. The servicing of loans underlying these securities is significantly concentrated with several counterparties and our ability to mitigate this concentration is limited. See CONSOLIDATED BALANCE SHEETS ANALYSIS Investments in Securities for further information about these securities, including a discussion of the higher-risk components of these investments.

At the direction of our Conservator, we are working to enforce our rights as an investor with respect to the non-agency mortgage-related securities we hold, and are engaged in efforts to mitigate losses on our investments in these securities, 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. For more information on these efforts, see MD&A RISK MANAGEMENT Credit Risk *Institutional Credit Risk Non-Agency Mortgage-Related Security Issuers* in our 2012 Annual Report.

For information about institutional credit risk associated with our investments in non-mortgage-related securities, see NOTE 7: INVESTMENTS IN SECURITIES Table 7.8 Trading Securities as well as Cash and Other Investments Counterparties above.

Derivative Counterparties

We use exchange-traded derivatives and OTC derivatives, and are exposed to institutional credit risk with respect to both types of derivatives. For more information about the institutional credit risk associated with our use of derivatives, and our strategies to manage our exposures related to such risk, see MD&A RISK MANAGEMENT Credit Risk *Institutional Credit Risk Derivative Counterparties* in our 2012 Annual Report.

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

The table below summarizes our exposure to our derivative counterparties, including exchanges and clearinghouses, 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 which are recorded as derivative assets). For derivatives that are in an asset position, we hold collateral against those positions in accordance with agreed upon thresholds. The amount of collateral held depends on the credit rating of the counterparty and is based on our credit risk policies. In addition, we have derivative liabilities where we post collateral to counterparties in accordance with agreed upon thresholds. Pursuant to certain collateral agreements we have with derivative counterparties, the amount of collateral that we are required to post is based on the credit rating of our long-term senior unsecured debt

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securities from S&P or Moody s. The lowering or withdrawal of our credit rating by S&P or Moody s may increase our obligation to post collateral, depending on the amount of the counterparty s exposure to Freddie Mac with respect to the derivative transactions. At March 31, 2013, our collateral posted exceeded our collateral held. See CONSOLIDATED BALANCE SHEETS ANALYSIS Derivative Assets and Liabilities, Net and Table 25 Derivative Fair Values and Maturities for a reconciliation of fair value to the amounts presented on our consolidated balance sheets as of March 31, 2013, which includes both cash collateral held and posted by us, net.

Table 51 Derivative Counterparty Credit Exposure

	As of March 31, 2013					
Rating [1]	Number of Counterparties[2]	Notional or Contractual Amount[3]	Total Exposure at Fair Value[4]	Exposure, Net of Collateral[5]	Weighted Average Contractual Maturity (in years)	Collateral Posting Threshold[6]
			(dollars in millions)			
AA	4	$ 44,028	$ 8	$ 8	5.6	$ 10 million or less
A+	4	73,262	1,304	21	5.8	$ 1 million or less
A	5	335,490	359	4	5.7	$ 1 million or less
A[7]	4	141,422	62	20	5.9	$ 1 million or less
BBB+	1	42,642			5.7	$
Subtotal[8]	18	636,844	1,733	53	5.8	
Futures and clearinghouse-settled derivatives		23,619	29	29		
Commitments		23,986	36	36		
Swap guarantee derivatives		3,617	1	1		
Other derivatives[9]		10,684				
Total derivatives		$ 698,750	$ 1,799	$ 119		

	As of December 31, 2012					
Rating [1]	Number of Counterparties[2]	Notional or Contractual Amount[3]	Total Exposure at Fair Value[4]	Exposure, Net of Collateral[5]	Weighted Average Contractual Maturity (in years)	Collateral Posting Threshold[6]
			(dollars in millions)			
AA	4	$ 41,169	$	$	5.6	$ 10 million or less
A+	4	86,717	1,220	15	6.0	$ 1 million or less
A	5	343,353	734	32	5.8	$ 1 million or less
A	4	148,271	6	22	5.7	$ 1 million or less
BBB+	1	42,643			6.0	$
Subtotal[8]	18	662,153	1,960	69	5.8	
Futures and clearinghouse-settled derivatives		42,673	66	66		
Commitments		25,530	20	20		
Swap guarantee derivatives		3,628				
Other derivatives[9]		11,847	1	1		
Total derivatives		$ 745,831	$ 2,047	$ 156		

(1) We use the lower of S&P and Moody s ratings to manage collateral requirements. In this table, the Moody s rating of the legal entity is stated in terms of the S&P equivalent.
(2) Based on legal entities.
(3)

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

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

(5) Calculated as Total Exposure at Fair Value less both cash and non-cash collateral held as determined at the counterparty level. At March 31, 2013 and December 31, 2012, $485 million and $501 million, respectively, of non-cash collateral had been posted to us. At March 31, 2013, non-cash collateral held exceeded our total exposure at fair value by $5 million. We regularly review the market values of the securities pledged to us to minimize our exposure to loss. When non-cash collateral is posted to us, we require collateral in excess of our exposure to satisfy the net obligation to us in accordance with the counterparty agreement. Includes amounts related to our posting of cash collateral in excess of our derivative liability as determined at the counterparty level. For derivatives settled through an exchange or clearinghouse, excludes consideration of maintenance margin posted by our counterparty.

(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) Subsequent to March 31, 2013, one of our counterparties was downgraded to BBB+ from A-. Our exposure, net of collateral to this counterparty was approximately $1 million at March 31, 2013.

(8) Consists of OTC derivative agreements for interest-rate swaps, option-based derivatives (excluding certain written options), and foreign-currency swaps.

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

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Over time, our exposure to individual counterparties for OTC interest-rate swaps, option-based derivatives, and foreign-currency swaps varies depending on changes in fair values, which are affected by changes in period-end interest rates, the implied volatility of interest rates, foreign-currency exchange rates, and the amount of derivatives held. See NOTE 10: COLLATERAL AND OFFSETTING OF ASSETS AND LIABILITIES Derivative Portfolio *Master Netting and Collateral Agreements* for more information about our maximum loss for accounting purposes and concentrations of counterparty risk related to derivative counterparties.

Approximately 98% of our counterparty credit exposure for OTC interest-rate swaps, option-based derivatives, and foreign-currency swaps was collateralized at March 31, 2013 (excluding amounts related to our posting of cash collateral in excess of our derivative liability as determined at the counterparty level). The remaining exposure was primarily due to exposure amounts below the applicable counterparty collateral posting threshold, as well as market movements during the time period between when a derivative was marked to fair value and the date we received the related collateral. In some instances, these market movements result in us having provided collateral that has fair value in excess of our obligation, which represents our overcollateralization exposure. Collateral is typically transferred within one business day based on the values of the related derivatives.

In the event 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 non-cash collateral held by the custodian cannot be liquidated at prices that are sufficient to recover the amount of such exposure.

The total exposure on our forward purchase and sale commitments, which are treated as derivatives for accounting purposes, was $36 million and $20 million at March 31, 2013 and December 31, 2012, respectively. We do not require master netting and collateral agreements for the counterparties of these commitments. However, the typical maturity of our forward purchase and sale commitments is less than 60 days, and we monitor the credit fundamentals of the counterparties to these commitments on an ongoing basis in an effort to ensure that they continue to meet our internal risk-management standards.

Selected European Sovereign and Non-Sovereign Exposures

The sovereign debt of Spain, Italy, Ireland, Portugal, Greece, and Cyprus (which we refer to herein as the troubled European countries) and the credit status of financial institutions with significant exposure to the troubled European countries has been adversely affected due to ongoing weaknesses in the economic and fiscal situations of those countries. In recent periods, Moody s and S&P downgraded a number of European countries. We are monitoring our exposures to European countries and institutions.

As of March 31, 2013, we did not hold any debt issued by the governments of the troubled European countries and did not hold any financial instruments entered into with sovereign governments in those countries. As of that date, we also did not hold any debt issued by corporations or financial institutions domiciled in the troubled European countries and did not hold any other financial instruments entered into with corporations or financial institutions domiciled in those countries. For purposes of this discussion, we consider an entity to be domiciled in a country if its parent entity is headquartered in that country.

Our derivative portfolio and cash and other investments portfolio counterparties include a number of major European and non-European financial institutions. Many of these institutions operate in Europe, and we believe that all of these financial institutions have direct or indirect exposure to the troubled European countries. For many of these institutions, their direct and indirect exposures to the troubled European countries change on a daily basis. We monitor our major counterparties exposures to the troubled European countries, and adjust our exposures and risk limits to individual counterparties accordingly. Our exposures to derivative portfolio and cash and other investments portfolio counterparties are described in Derivative Counterparties, Cash and Other Investments Counterparties and NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS.

It is possible that continued adverse developments in Europe could significantly affect our counterparties that have direct or indirect exposure to the troubled European countries. In turn, this could adversely affect their ability to meet their obligations to us. For more information, see RISK FACTORS Competitive and Market Risks *We depend on our institutional counterparties to provide services that are critical to our business, and our results of operations or financial*

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condition may be adversely affected if one or more of our institutional counterparties do not meet their obligations to us in our 2012 Annual Report.

Interest Rate and Other Market Risks

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

Operational Risks

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

Management, including the company s Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2013. As of March 31, 2013, we had one material weakness in our internal control over financial reporting, related to conservatorship, which remained unremediated, causing us to conclude that our disclosure controls and procedures were not effective at a reasonable level of assurance. For additional information, see CONTROLS AND PROCEDURES.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

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

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

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

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

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

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Liquidity Management

Maintaining sufficient liquidity is of primary importance and we continually strive to enhance our liquidity management practices and policies. Under these practices and policies, we maintain an amount of cash and cash equivalent reserves in the form of liquid, high quality short-term investments that is intended to enable us to meet ongoing cash obligations for an extended period, in the event we do not have access to the short- or long-term unsecured debt markets. We also actively manage the concentration of debt maturities and closely monitor our monthly maturity profile. For a discussion of our liquidity management practices and policies, see MD&A LIQUIDITY AND CAPITAL RESOURCES Liquidity *Liquidity Management* in our 2012 Annual Report.

Throughout the three months ended March 31, 2013, we complied with all requirements under our liquidity management policies or FHFA guidance, as applicable. Furthermore, during the three months ended March 31, 2013 the majority of the funds used to cover our short-term cash liquidity needs was invested in short-term assets with a rating of A-1/P-1 or AAA or was issued by a counterparty with that rating. In the event of a downgrade of a position or counterparty, as applicable, below minimum rating requirements, our credit governance policies require us to exit from the position within a specified period.

For information related to the troubled European countries, see RISK MANAGEMENT Credit Risk *Institutional Credit Risk Selected European Sovereign and Non-Sovereign Exposures*.

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

Other Debt Securities

Spreads on our debt and our access to the debt markets remained favorable relative to historical levels during the three months ended March 31, 2013, which, we believe, is due largely to support from the U.S. government. As a result, we were able to replace certain higher cost debt with lower cost debt. Our short-term debt was 23% of outstanding other debt at March 31, 2013 as compared to 22% at December 31, 2012.

Our debt cap under the Purchase Agreement is $780.0 billion in 2013 and will decline to $663.0 billion on January 1, 2014. As of March 31, 2013, we estimate that the par value of our aggregate indebtedness totaled $534.6 billion, which was approximately $245.4 billion below the applicable debt cap. Our aggregate indebtedness is calculated as the par value of other debt. We disclose the amount of our indebtedness on this basis monthly under the caption Other Debt Activities Total Debt Outstanding in our Monthly Volume Summary reports, which are available on our web site at www.freddiemac.com and in current reports on Form 8-K we file with the SEC.

Other Debt Issuance Activities

The table below summarizes the par value of other debt securities we issued, based on settlement dates, during the three months ended March 31, 2013 and 2012.

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Table 52 Other Debt Security Issuances by Product, at Par Value[1]

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
	(in millions)	
Other short-term debt:		
Reference Bills® securities and discount notes	$ 77,562	$ 64,163
Total other short-term debt	77,562	64,163
Other long-term debt:		
Medium-term notes callable	19,275	37,498
Medium-term notes non-callable	1,025	10,704
U.S. dollar Reference Notes® securities non-callable	10,000	21,500
Total other long-term debt	30,300	69,702
Total other debt issued	$ 107,862	$ 133,865

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

Other Debt Retirement Activities

We repurchase, call, or exchange our outstanding medium- and long-term debt securities from time to time to help support the liquidity and predictability of the market for our other debt securities and to manage our mix of liabilities funding our assets.

The table below provides the par value, based on settlement dates, of other debt securities we repurchased, called, and exchanged during the three months ended March 31, 2013 and 2012.

Table 53 Other Debt Security Repurchases, Calls, and Exchanges[1]

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
	(in millions)	
Repurchases of outstanding medium-term notes	$ 197	$ 1,697
Calls of callable medium-term notes	23,342	49,028

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

Credit Ratings

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

Table 54 Freddie Mac Credit Ratings

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

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

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

For information about factors that could lead to future ratings actions, and the potential impact of a downgrade in our credit ratings, see RISK FACTORS Competitive and Market Risks *Any downgrade in the credit ratings of the U.S.*

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government would likely be followed by a downgrade in our credit ratings. A downgrade in the credit ratings of our debt could adversely affect our liquidity and other aspects of our business in our 2012 Annual Report.

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

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

Excluding amounts related to our consolidated VIEs, we held $51.6 billion in the aggregate of cash and cash equivalents, securities purchased under agreements to resell, and non-mortgage-related securities at March 31, 2013. These investments are important to our cash flow and asset and liability management and our ability to provide liquidity and stability to the mortgage market. At March 31, 2013, our non-mortgage-related securities consisted of Treasury notes and asset-backed securities that we could sell to provide us with an additional source of liquidity to fund our business operations. For additional information on these assets, see CONSOLIDATED BALANCE SHEETS ANALYSIS Cash and Cash Equivalents, Federal Funds Sold and Securities Purchased Under Agreements to Resell and Investments in Securities *Non-Mortgage-Related Securities*.

Mortgage Loans and Mortgage-Related Securities

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

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

Cash Flows

Our cash and cash equivalents increased by $19.2 billion to $27.7 billion during the three months ended March 31, 2013, as compared to a decrease of $19.9 billion to $8.6 billion during the three months ended March 31, 2012. Cash flows provided by operating activities during the three months ended March 31, 2013 and 2012 were $2.0 billion and $1.4 billion, respectively, primarily driven by cash proceeds from net interest income. Cash flows provided by investing activities during the three months ended March 31, 2013 and 2012 were $140.2 billion and $102.0 billion, respectively, primarily resulting from net proceeds received as a result of repayments of single-family held-for-investment mortgage loans. Cash flows used for financing activities during the three months ended March 31, 2013 and 2012 were $122.9 billion and $123.2 billion, respectively, largely attributable to funds used to repay debt securities of consolidated trusts held by third parties.

Capital Resources, the Purchase Agreement, and the Dividend Obligation on the Senior Preferred Stock

Since our entry into conservatorship, Treasury and FHFA have taken a number of actions that affect our cash requirements and ability to fund those requirements. The conservatorship, and the resulting support we have received from Treasury, has enabled us to access debt funding on terms sufficient for our needs. Under the Purchase Agreement, Treasury made a commitment to provide us with funding, under certain conditions, to eliminate deficits in our net worth. The amount of available funding remaining under the Purchase Agreement is currently $140.5 billion. This amount will be reduced by any future draws.

At March 31, 2013, our assets exceeded our liabilities under GAAP; therefore no draw is being requested from Treasury under the Purchase Agreement. In future periods, we may experience variability in our net income and/or comprehensive income due to changes in factors such as interest rates, mortgage spreads, and home prices. Such changes could adversely affect our net worth and result in additional draws under the Purchase Agreement. For more information, see RISK FACTORS Conservatorship and Related Matters *We may request additional draws under the Purchase Agreement in future periods* in our 2012 Annual Report.

Under the GSE Act, FHFA must place us into receivership if FHFA determines in writing that our assets are and have been less than our obligations for a period of 60 days. Obtaining funding from Treasury pursuant to its commitment under the Purchase Agreement enables us to avoid being placed into receivership by FHFA. See BUSINESS Regulation and Supervision *Federal Housing Finance Agency Receivership* in our 2012 Annual Report for additional information on mandatory receivership.

Based on our Net Worth Amount at March 31, 2013, our dividend obligation to Treasury in June 2013 will be $7.0 billion. We paid dividends of $5.8 billion in cash on the senior preferred stock during the three months ended March 31, 2013, based on our Net Worth Amount at December 31, 2012. Through March 31, 2013, we have paid aggregate cash dividends to Treasury of $29.6 billion, an amount equal to 41% of our aggregate draws received under the Purchase Agreement.

At March 31, 2013, our aggregate funding received from Treasury under the Purchase Agreement was $71.3 billion. This aggregate funding amount does not include the initial $1.0 billion liquidation preference of senior preferred stock that we issued to Treasury in September 2008 as an initial commitment fee and for which no cash was received.

Under the Purchase Agreement, our ability to repay the liquidation preference of the senior preferred stock is limited and we will not be able to do so for the foreseeable future, if at all. In addition, under the Purchase Agreement, the payment of dividends cannot be used to offset prior draws from Treasury. Accordingly, while we have paid aggregate cash dividends to Treasury of $29.6 billion, the liquidation preference on the senior preferred stock remains $72.3 billion.

For more information on these matters, see BUSINESS Conservatorship and Related Matters and Regulation and Supervision in our 2012 Annual Report.

FAIR VALUE BALANCE SHEETS AND ANALYSIS

Fair Value Measurements

We use fair value measurements for the initial recording of certain assets and liabilities and periodic remeasurement of certain assets and liabilities on a recurring or non-recurring basis.

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For additional information regarding the fair value hierarchy, fair value measurements, and our validation processes, see MD&A FAIR VALUE MEASUREMENTS AND ANALYSIS in our 2012 Annual Report.

We categorize assets and liabilities recorded or disclosed at fair value within the fair value hierarchy based on the valuation processes used to derive their fair values and our judgment regarding the observability of the related inputs. Those judgments are based on our knowledge and observations of the markets relevant to the individual assets and liabilities and may vary based on current market conditions. In applying our judgments, we review ranges of third-party prices and transaction volumes, and hold discussions with dealers and pricing service vendors to understand and assess the extent of market benchmarks available and the judgments or modeling required in their processes. Based on these factors, we determine whether the inputs are observable and whether the principal markets are active or inactive. For additional information regarding our classification of assets, liabilities, and equity within the fair value hierarchy and the valuation techniques used to measure fair value, see NOTE 16: FAIR VALUE DISCLOSURES.

The table below summarizes our assets and liabilities measured at fair value on a recurring basis on our consolidated balance sheets at March 31, 2013 and December 31, 2012.

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Table 55 Summary of Assets and Liabilities Measured at Fair Value on a Recurring Basis on Our Consolidated Balance Sheets

	March 31, 2013		December 31, 2012	
	Total GAAP Recurring Fair Value	Percentage in Level 3	Total GAAP Recurring Fair Value	Percentage in Level 3
	(dollars in millions)			
Assets:				
Investments in securities:				
Available-for-sale, at fair value	$ 167,760	34%	$ 174,896	31%
Trading, at fair value	31,589	4	41,492	4
Mortgage loans:				
Held-for-sale, at fair value	14,140	100	14,238	100
Derivative assets, net(1)	599		657	
Other assets:				
Guarantee asset, at fair value	1,159	100	1,029	100
All other, at fair value	138	100	114	100
Total assets carried at fair value on a recurring basis(1)	$ 215,385	31	$ 232,426	28
Liabilities:				
Debt securities of consolidated trusts held by third parties, at fair value	$ 67	%	$ 70	%
Other debt, at fair value(2)	1,508	100	2,187	100
Derivative liabilities, net(1)	225		178	
Total liabilities carried at fair value on a recurring basis(1)	$ 1,800	6	$ 2,435	7

(1) Percentages by level are based on gross fair value of derivative assets and derivative liabilities before counterparty netting, cash collateral netting, net trade/settle receivable or payable and net derivative interest receivable or payable.
(2) Other debt, at fair value primarily consisted of foreign-currency denominated debt recorded at fair value.

Level 3 Recurring Fair Value Measurements

A significant amount of assets and liabilities is measured and recorded using significant unobservable inputs (Level 3). See NOTE 16: FAIR VALUE DISCLOSURES Changes in Fair Value Levels for a discussion of changes in our Level 3 assets and liabilities and Table 16.2 Fair Value Measurements of Assets and Liabilities Using Significant Unobservable Inputs for the Level 3 reconciliation. For discussion of types and characteristics of mortgage loans underlying our mortgage-related securities, see Table 17 Characteristics of Mortgage-Related Securities on Our Consolidated Balance Sheets and RISK MANAGEMENT *Credit Risk* *Mortgage Credit Risk* *Single-Family Mortgage Credit Risk.*

Consideration of Credit Risk in Our Valuation

We consider credit risk in the valuation of our assets and liabilities through consideration of credit risk of the counterparty in asset valuations and through consideration of our own institutional credit risk in liability valuations on our GAAP consolidated balance sheets.

We consider credit risk in our valuation of investments in securities based on fair value measurements that are largely the result of price quotes received from multiple dealers or pricing services. Some of the key valuation drivers of such fair value measurements include the collateral type, collateral performance, credit quality of the issuer, tranche type, weighted average life, vintage, coupon, and interest rates. We also make adjustments for items such as credit enhancements or other types of subordination and liquidity, where applicable. In cases where internally developed models are used, we maximize the use of market-based inputs or calibrate such inputs to market data.

We also consider credit risk when we evaluate the valuation of our derivative positions, including the impact of institutional credit risk in the event that the counterparty does not honor its payment obligation. However, our fair value of derivatives is not adjusted for credit risk because we obtain collateral from, or post collateral to, counterparties, typically within one business day of the daily market value calculation. See RISK MANAGEMENT Credit Risk *Institutional Credit Risk* *Derivative Counterparties* for a discussion of our counterparty credit risk.

See NOTE 16: FAIR VALUE DISCLOSURES Valuation Techniques for Assets and Liabilities Measured at Fair Value in Our Consolidated Balance Sheets for additional information regarding the valuation of our assets and liabilities.

Consolidated Fair Value Balance Sheets Analysis

The consolidated fair value balance sheets in the table below are a supplemental disclosure not intended to be in conformity with GAAP, and present our estimates of the fair value of our assets and liabilities at March 31, 2013 and December 31, 2012. The valuations of financial instruments included on our consolidated fair value balance sheets are in accordance with the accounting guidance for fair value measurements and disclosures. In conjunction with the preparation of our consolidated fair value balance sheets, we use a number of financial models. See QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK Interest-Rate Risk and Other Market Risks, in this Form 10-Q and our 2012 Annual Report, and RISK FACTORS and RISK MANAGEMENT Operational Risks in our 2012 Annual Report for information concerning the risks associated with these models.

Limitations

Our consolidated fair value balance sheets do not capture all elements of value that are implicit in our operations as a going concern because our consolidated fair value balance sheets only capture the values of the current investment and securitization portfolios as of the dates presented. For example, our consolidated fair value balance sheets do not capture the value of new investment and securitization business that would likely replace current business (for example, as prepayments and other liquidations occur), nor do they include any estimation of intangible or goodwill values. Thus, the fair value of net assets presented on our consolidated fair value balance sheets does not represent an estimate of our net realizable, liquidation, or market value as a whole. Furthermore, amounts we ultimately realize from the disposition of assets or settlement of liabilities may vary significantly from the fair values presented.

The measurement of fair value requires management to make judgments and assumptions, and employ various methodologies. These judgments, assumptions and methodologies may have a significant effect on our measurements of fair value, and the use of different judgments, assumptions and methodologies, as well as changes in market conditions, could have a material effect on the fair value of net assets presented on our consolidated fair value balance sheets. For example, the fair value of certain financial instruments is based on our current principal market (i.e., the market with the greatest volume and level of activity for the financial instruments) as of the dates presented. As market conditions change or new markets evolve, our principal market may change.

We report certain assets and liabilities that are not financial instruments, such as property and equipment and REO, as well as certain financial instruments that are not covered by the disclosure requirements in the accounting guidance for financial instruments, such as pension liabilities, at their carrying amounts in accordance with GAAP on our consolidated fair value balance sheets. We do not believe these items have a significant impact on our overall fair value results. Our senior preferred stock held by Treasury in connection with the Purchase Agreement is recorded at the stated liquidation preference for purposes of the consolidated fair value balance sheets, which is the same as the carrying value in our GAAP consolidated balance sheets, and does not reflect fair value. As the senior preferred stock is restricted as to its redemption, we consider the liquidation preference to be the most appropriate measure for purposes of the consolidated fair value balance sheets. Other non-financial assets and liabilities on our GAAP consolidated balance sheets represent deferrals of costs and revenues that are amortized in accordance with GAAP, such as deferred debt issuance costs and deferred fees. Cash receipts and payments related to these items are generally recognized in the fair value of net assets when received or paid, with no basis reflected on our fair value balance sheets.

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Table 56 Consolidated Fair Value Balance Sheets

	March 31, 2013		December 31, 2012	
	Carrying Amount[1]	Fair Value	Carrying Amount[1]	Fair Value
	(in billions)			
Assets				
Cash and cash equivalents	$ 27.7	$ 27.7	$ 8.5	$ 8.5
Restricted cash and cash equivalents	1.8	1.8	14.6	14.6
Federal funds sold and securities purchased under agreements to resell	38.6	38.6	37.6	37.6
Investments in securities:				
Available-for-sale, at fair value	167.8	167.8	174.9	174.9
Trading, at fair value	31.6	31.6	41.5	41.5
Total investments in securities	199.4	199.4	216.4	216.4
Mortgage loans:				
Mortgage loans held by consolidated trusts	1,505.2	1,540.8	1,495.9	1,540.1
Unsecuritized mortgage loans	183.0	163.5	190.4	167.6
Total mortgage loans	1,688.2	1,704.3	1,686.3	1,707.7
Derivative assets, net	0.6	0.6	0.7	0.7
Other assets	23.1	23.1	25.8	25.8
Total assets	$ 1,979.4	$ 1,995.5	$ 1,989.9	$ 2,011.3
Liabilities				
Debt, net:				
Debt securities of consolidated trusts held by third parties	$ 1,425.9	$ 1,482.1	$ 1,419.5	$ 1,487.1
Other debt	529.9	546.2	547.5	565.6
Total debt, net	1,955.8	2,028.3	1,967.0	2,052.7
Derivative liabilities, net	0.2	0.2	0.2	0.2
Other liabilities	13.4	17.5	13.8	16.7
Total liabilities	1,969.4	2,046.0	1,981.0	2,069.6
Net assets				
Senior preferred stock	72.3	72.3	72.3	72.3
Preferred stock	14.1	1.7	14.1	0.9
Common stock	(76.4)	(124.5)	(77.5)	(131.5)
Total net assets	10.0	(50.5)	8.9	(58.3)
Total liabilities and net assets	$ 1,979.4	$ 1,995.5	$ 1,989.9	$ 2,011.3

(1) Equals the amount reported on our GAAP consolidated balance sheets.

Discussion of Fair Value Results

The table below summarizes the change in the fair value of net assets for the three months ended March 31, 2013 and 2012.

Table 57 Summary of Change in the Fair Value of Net Assets

	Three Months Ended March 31,	
	2013	2012
	(in billions)	
Beginning balance	$ (58.3)	$ (78.4)
Changes in fair value of net assets, before capital transactions	13.6	(9.1)
Capital transactions:		
Dividends and share issuances, net[1]	(5.8)	(1.7)
Ending balance	$ (50.5)	$ (89.2)

(1) Includes the funds received from Treasury of $0 billion and $0.1 billion for the three months ended March 31, 2013 and 2012, respectively, under the Purchase Agreement, which increased the liquidation preference of our senior preferred stock.

During the first quarter of 2013, the fair value of net assets, before capital transactions, increased by $13.6 billion, compared to a $9.1 billion decrease during the first quarter of 2012. The increase in the fair value of net assets, before capital transactions, during the first quarter of 2013 was primarily due to an increase in the fair value of our single-family mortgage loans as the result of continued improvement in realized and expected home prices and improvement in the overall credit environment coupled with high estimated core spread income on our mortgage-related securities and a tightening of OAS levels on our non-agency single-family mortgage-related securities. See Table 56 Consolidated Fair Value Balance Sheets for additional details.

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For loans that have been refinanced under HARP, we value our guarantee obligation using the delivery and guarantee fees currently charged by us under that initiative. If, subsequent to delivery, the refinanced loan no longer qualifies for purchase based on current underwriting standards (such as becoming past due or being modified as a part of a troubled debt restructuring), the fair value of the guarantee obligation is then measured using our internal credit models or third-party market pricing. See NOTE 16: FAIR VALUE DISCLOSURES Valuation Techniques for Assets and Liabilities Not Measured at Fair Value in Our Consolidated Balance Sheets, but for Which the Fair Value is Disclosed *Mortgage Loans Single-Family Loans* for additional details.

The decrease in the fair value of net assets, before capital transactions, during the first quarter of 2012 was primarily due to a decrease of $13.8 billion in the fair value of our single-family mortgage loans as the result of the adoption of an amendment to the guidance pertaining to fair value measurements and disclosure. This was coupled with a decline in expected home prices that had a negative impact on the fair value of our single-family mortgage loans. The decrease in fair value was partially offset by high core spread income and a tightening of OAS levels on our agency securities, CMBS securities, and multifamily loans.

When the OAS on a given asset widens, the fair value of that asset will typically decline, all other market factors being equal. However, we believe such OAS widening has the effect of increasing the likelihood that, in future periods, we will recognize income at a higher spread on this existing asset. The reverse is true when the OAS on a given asset tightens current period fair values for that asset typically increase due to the tightening in OAS, while future income recognized on the asset is more likely to be earned at a reduced spread. However, as market conditions change, our estimate of expected fair value gains and losses from OAS may also change, and the actual core spread income recognized in future periods could be significantly different from current estimates.

OFF-BALANCE SHEET ARRANGEMENTS

We enter into certain business arrangements that are not recorded on our consolidated balance sheets or may be recorded in amounts that differ from the full contract or notional amount of the transaction and that may expose us to potential losses in excess of the amounts recorded on our consolidated balance sheets.

We guarantee the payment of principal and interest on non-consolidated Freddie Mac mortgage-related securities we issue and on mortgage loans covered by our other guarantee commitments. Our maximum potential off-balance sheet exposure to credit losses relating to these securitization activities and the other guarantee commitments is primarily represented by the UPB of the underlying loans and securities, which was $79.1 billion and $74.2 billion at March 31, 2013 and December 31, 2012, respectively. We also enter into purchase commitments primarily related to future guarantor swap transactions for single-family loans, and, to a lesser extent, commitments to purchase or guarantee multifamily mortgage loans. These non-derivative commitments totaled $248.1 billion and $291.5 billion in notional amount at March 31, 2013 and December 31, 2012, respectively.

As part of the guarantee arrangements pertaining to certain multifamily housing revenue bonds and securities backed by multifamily housing revenue bonds, we provided commitments to advance funds, commonly referred to as liquidity guarantees, which were $10.1 billion and $10.2 billion at March 31, 2013 and December 31, 2012, respectively. These guarantees require us to advance funds to third parties that enable them to repurchase tendered bonds or securities that are unable to be remarketed. In addition, as part of the HFA initiative, we, together with Fannie Mae, provide liquidity guarantees for certain variable-rate single-family and multifamily housing revenue bonds, under which Freddie Mac generally is obligated to purchase 50% of any tendered bonds that cannot be remarketed within five business days. At March 31, 2013 and December 31, 2012, there were no liquidity guarantee advances outstanding.

We own interests in numerous entities that are considered to be VIEs for which we are not the primary beneficiary and which we do not consolidate in accordance with the accounting guidance for the consolidation of VIEs. These VIEs relate primarily to our investment activity in mortgage-related assets and non-mortgage assets, and include LIHTC partnerships, certain Other Guarantee Transactions, and certain asset-backed investment trusts. Our consolidated balance sheets reflect only our investment in the VIEs, rather than the full amount of the VIEs assets and liabilities. See NOTE 3: VARIABLE INTEREST ENTITIES in our 2012 Annual Report for additional information related to our variable interests in these VIEs.

For further information on our off-balance sheet arrangements, see MD&A Off-Balance Sheet Arrangements in our 2012 Annual Report.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires us to make a number of judgments, estimates, and assumptions that affect the reported amounts within our consolidated financial statements. Certain of our accounting policies, as well as estimates we make, are critical, as they are both important to the presentation of our financial condition and results of operations and require management to make difficult, complex, or subjective judgments and estimates, often regarding matters that are inherently uncertain. Actual results could differ from our estimates and the use of different judgments and assumptions related to these policies and estimates could have a material impact on our consolidated financial statements.

Our critical accounting policies and estimates relate to: (a) the allowance for loan losses and the reserve for guarantee losses; (b) fair value measurements; (c) impairment recognition on investments in securities; and (d) our ability to realize net deferred tax assets. For additional information about our critical accounting policies and estimates and other significant accounting policies, as well as recently issued accounting guidance, see MD&A CRITICAL ACCOUNTING POLICIES AND ESTIMATES in our 2012 Annual Report and NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in this Form 10-Q and our 2012 Annual Report. For additional information about our ability to realize net deferred tax assets, see CONSOLIDATED BALANCE SHEETS ANALYSIS Deferred Tax Assets and Liabilities.

FORWARD-LOOKING STATEMENTS

We regularly communicate information concerning our business activities to investors, the news media, securities analysts, and others as part of our normal operations. Some of these communications, including this Form 10-Q, contain forward-looking statements, including statements pertaining to the conservatorship, our current expectations and objectives for our efforts under the MHA Program, the servicing alignment initiative and other programs to assist the U.S. residential mortgage market, future business plans, liquidity, capital management, economic and market conditions and trends, market share, the effect of legislative and regulatory developments, implementation of new accounting guidance, credit losses, internal control remediation efforts, and results of operations and financial condition on a GAAP, Segment Earnings, and fair value basis. Forward-looking statements involve known and unknown risks and uncertainties, some of which are beyond our control. Forward-looking statements are often accompanied by, and identified with, terms such as objective, expect, trend, forecast, anticipate, believe, intend, future, may, will, and similar phrases. These statements are not historical facts, but rather represent our expectations based on current information, plans, judgments, assumptions, estimates, and projections. Actual results may differ significantly from those described in or implied by such forward-looking statements due to various factors and uncertainties, including those described in the RISK FACTORS section of our 2012 Annual Report, and:

- the actions FHFA, Treasury, the Federal Reserve, the SEC, HUD, other federal agencies, the Administration, Congress, and our management may take, including actions related to implementing FHFA s strategic plan for Freddie Mac and Fannie Mae s conservatorships and the Conservatorship Scorecards;

- the effect of the restrictions and other terms of the conservatorship and the Treasury Agreements on our business, including payment of our dividend obligation on the senior preferred stock;

- our ability to maintain adequate liquidity to fund our operations, including following any changes in the support provided to us by Treasury or FHFA, a change in the credit ratings of our debt securities or a change in the credit rating of the U.S. government;

- changes in our charter or applicable legislative or regulatory requirements (including any restructuring or reorganization in the form of our company, whether we will remain a stockholder-owned company or continue to exist and whether we will be wound down or placed under receivership), regulations under the GSE Act, the Reform Act, or the Dodd-Frank Act, regulatory or legislative actions that require us to support non-mortgage market initiatives, changes to affordable housing goals regulation, reinstatement of regulatory capital requirements, or the exercise or assertion of additional regulatory or administrative authority;

- changes in the federal government s fiscal and monetary policy (including the completion, modification or termination of the Federal Reserve s program of purchasing agency mortgage-related securities, or any sales of such securities, and any resulting impact on interest rates, home prices and the national economy);

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changes in the regulation of the mortgage, housing finance, and financial services industries, including changes caused by the Dodd-Frank Act, or any other legislative, regulatory, or judicial action at the federal, state, or local level;

actions against mortgage originators and servicers, mortgage insurers, and other mortgage industry participants by federal or state authorities;

the scope of various initiatives designed to help in the housing recovery (including the extent to which borrowers participate in HAMP, HARP, the non-HAMP standard loan modification initiative, and the recent short sale initiative), and the effect of such programs on our credit losses, expenses, and the size and composition of our mortgage-related investments portfolio;

the effect of the lengthening of the foreclosure timeline;

the ability of our financial, accounting, data processing, and other operating systems or infrastructure, and those of our vendors to process the complexity and volume of our transactions;

changes in accounting or tax guidance or in our accounting policies or estimates, and our ability to effectively implement any such changes in guidance, policies, or estimates;

changes in general regional, national, or international economic, business, or market conditions and competitive pressures, including changes in employment rates and interest rates;

changes in the U.S. residential mortgage market, including changes in the rate of growth in total outstanding U.S. residential mortgage debt, the size of the U.S. residential mortgage market, and home prices;

our ability to effectively implement our business strategies, including any efforts to improve the supply and liquidity of, and demand for, our mortgage-related and debt securities, and restrictions on our ability to offer new products or engage in new activities;

our ability to recruit and retain executive officers and other key employees;

our ability to effectively identify and manage credit, interest-rate, operational, and other risks in our business, including changes to the credit environment and the levels and volatilities of interest rates, as well as the shape and slope of the yield curves;

the effects of internal control deficiencies and our ability to effectively identify, assess, evaluate, manage, mitigate, or remediate control deficiencies and risks, including material weaknesses and significant deficiencies, in our internal control over financial reporting and disclosure controls and procedures;

incomplete or inaccurate information provided by customers and counterparties;

consolidation among, or adverse changes in the financial condition of, our customers and counterparties;

the failure of our customers and counterparties to fulfill their obligations to us, and the potential cost and difficulty of legally enforcing those obligations. These obligations include, for example: (a) the obligation of seller/servicers to repurchase loans sold to us in breach of their representations and warranties, and (b) the obligation of mortgage insurers to pay our claims in full;

changes in our judgments, assumptions, forecasts, or estimates regarding the volume of our business and spreads we expect to earn;

the availability of options, interest-rate and currency swaps, and other derivative financial instruments of the types and quantities, on acceptable terms, and with acceptable counterparties needed for investment funding and risk management purposes;

changes in pricing, valuation or other methodologies, models, assumptions, judgments, estimates and/or other measurement techniques, or their respective reliability;

changes in mortgage-to-debt OAS;

the potential effect on the market for our securities resulting from any purchases or sales by any large investor, including the Federal Reserve, of Freddie Mac debt or mortgage-related securities;

adverse judgments or settlements in connection with legal proceedings, governmental investigations, and IRS examinations;

volatility of reported results due to changes in the fair value of certain instruments or assets;

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the development of different types of mortgage servicing structures and servicing compensation;

preferences of originators in selling into the secondary mortgage market;

changes to our underwriting or servicing requirements (including servicing alignment efforts under the servicing alignment initiative), our practices with respect to the disposition of REO properties, or investment standards for mortgage-related products;

investor preferences for mortgage loans and mortgage-related and debt securities compared to other investments;

borrower preferences for fixed-rate mortgages versus ARMs;

the occurrence of a major natural or other disaster in geographic areas in which our offices or portions of our total mortgage portfolio are concentrated;

other factors and assumptions described in this Form 10-Q and our 2012 Annual Report, including in the MD&A sections;

our assumptions and estimates regarding the foregoing and our ability to anticipate the foregoing factors and their effects; and

market reactions to the foregoing.

Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statements we make to reflect events or circumstances occurring after the date of this Form 10-Q.

RISK MANAGEMENT AND DISCLOSURE COMMITMENTS

Under an agreement with FHFA, we have committed to provide certain disclosures, including the interest-rate risk and credit risk sensitivity disclosures discussed below. FHFA has suspended the remaining disclosure commitments under the agreement. For more information, see MD&A RISK MANAGEMENT AND DISCLOSURE COMMITMENTS in our 2012 Annual Report.

For disclosures concerning our PMVS and duration gap, see QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK Interest-Rate and Other Market Risks *PMVS and Duration Gap*. Our monthly average PMVS results, duration gap, and related disclosures are provided in our Monthly Volume Summary reports, which are available on our web site, www.freddiemac.com and in current reports on Form 8-K we file with the SEC. For disclosures concerning credit risk sensitivity, see RISK MANAGEMENT Credit Risk *Mortgage Credit Risk Credit Risk Sensitivity*.

LEGISLATIVE AND REGULATORY MATTERS

Legislation Related to the Future Status of Freddie Mac and Fannie Mae

Our future structure and role will be determined by the Administration and Congress, and there are likely to be significant changes beyond the near-term. Congress continues to hold hearings and consider legislation on the future state of Freddie Mac and Fannie Mae.

Recent bills introduced in the Senate have focused on preventing the use of Freddie Mac and Fannie Mae guarantee fees to offset budget spending. For example, the Jumpstart GSE Reform Act would bar any increase in guarantee fees charged by Freddie Mac and Fannie Mae to counterbalance government spending, and would prohibit the sale of the senior preferred stock by Treasury without Congressional approval and other structural reform. In addition, the Senate passed a 2014 budget resolution that established certain procedural requirements designed to make it more difficult to use Freddie Mac and Fannie Mae guarantee fees to offset other government spending. We expect additional bills relating to Freddie Mac and Fannie Mae to be introduced and considered by Congress during the next several quarters, although we cannot predict whether any of such bills might be enacted.

For more information, see RISK FACTORS Conservatorship and Related Matters *The future status and role of Freddie Mac is uncertain and could be materially adversely affected by legislative and regulatory action that alters the ownership, structure, and mission of the company* in our 2012 Annual Report.

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FHFA Advisory Bulletin

On April 9, 2012, FHFA issued an advisory bulletin, Framework for Adversely Classifying Loans, Other Real Estate Owned, and Other Assets and Listing Assets for Special Mention, which is applicable to Freddie Mac, Fannie Mae, and the FHLBs. The Advisory Bulletin establishes guidelines for adverse classification and identification of specified assets and off-balance sheet credit exposures. The Advisory Bulletin indicates that this guidance considers and is generally consistent with the Uniform Retail Credit Classification and Account Management Policy issued by the federal banking regulators in June 2000. Among other provisions, the advisory bulletin requires that we classify a single-family loan as loss when the loan is no more than 180 days delinquent. The advisory bulletin, and subsequent FHFA guidance, specify that, once a loan is classified as loss, we generally are required to charge off the portion of the loan balance that exceeds the fair value of the property, less costs to sell and other available cash flows.

We continue to work with FHFA and Fannie Mae to determine how to apply the guidance to loans that reperform after having previously been 180 days or more delinquent. Our historical experience shows that a significant number of single-family loans that are 180 days or more delinquent will subsequently return to a current payment status either under the original loan s terms or after a modification is completed. FHFA has informed us that we are required to implement the advisory bulletin by phasing in the adverse classification and charge-off requirements in 2014 and 2015, respectively. On January 31, 2013, we submitted a comprehensive implementation plan for the advisory bulletin to FHFA. We are currently assessing the operational and accounting impacts of this advisory bulletin and have not yet determined its impact on our consolidated financial statements.

Affordable Housing Goals for 2012

In March 2013, we reported to FHFA that we achieved all five single-family affordable housing benchmarks and both multifamily affordable housing goals for 2012. Freddie Mac may achieve a single-family housing goal by meeting or exceeding either: (a) the FHFA benchmark for that goal; or (b) the actual share of the market that meets the criteria for that goal. FHFA will ultimately make the determination as to whether we achieved compliance with the housing goals for 2012.

Lender-Placed Insurance

On March 29, 2013, FHFA published a notice on certain lender-placed insurance practices that the agency considers contrary to prudent business practices and to appropriate administration of loans guaranteed by Freddie Mac and Fannie Mae. Although FHFA indicates that it plans a broader review of lender-placed insurance issues, proposed actions that FHFA addressed in the notice include: (a) prohibiting a seller/servicer from receiving remuneration associated with placing coverage with or maintaining placement with particular insurance providers; and (b) prohibiting a seller/servicer from receiving remuneration associated with an insurance provider ceding premiums to a reinsurer that is owned by, affiliated with or controlled by the seller/servicer.

Ability to Repay Rule and Qualifying Mortgages

In early 2013, the Consumer Financial Protection Bureau adopted the ability-to-repay final rule, which will become effective in January 2014. The rule requires mortgage originators to make a reasonable and good faith determination that a borrower has a reasonable ability to repay the loan according to its terms. The rule provides certain protection from liability for originators making loans that satisfy the definition of a qualified mortgage. In May 2013, FHFA directed Freddie Mac and Fannie Mae to limit future single-family acquisitions to loans that are qualified mortgages under applicable CFPB regulations, including those mortgages meeting the special or temporary qualified mortgage definition in respect of us and Fannie Mae, as the case may be. The directive generally bars us and Fannie Mae from acquiring loans that are: (a) not fully amortizing; (b) have a term greater than 30 years; or (c) have points and fees in excess of 3% of the total loan amount. These limitations will not impact our ability to acquire loans that are not subject to the ability-to-repay requirements (e.g., investor transactions).

As the mortgage industry adopts the ability-to-repay rule, we will monitor market dynamics and work with FHFA to determine if additional updates to our underwriting and eligibility requirements and/or pricing changes should be made. We are continuing to assess the impacts of the ability-to-repay rule on our current underwriting and eligibility requirements and operational processes.

For more information on the ability-to-repay rule, see BUSINESS Regulation and Supervision *Legislative and Regulatory Developments Dodd-Frank Act* in our 2012 Annual Report.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest-Rate Risk and Other Market Risks

Our investments in mortgage assets (i.e., mortgage loans and mortgage-related securities) expose us to interest-rate risk and other market risks arising primarily from the uncertainty as to when borrowers will pay the outstanding principal balance of mortgage loans and mortgage-related securities, known as prepayment risk, and the resulting potential mismatch in the timing of our receipt of cash flows related to our assets versus the timing of payment of cash flows related to the liabilities we use to fund those assets. See QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK Interest-Rate Risk and Other Market Risks in our 2012 Annual Report for a discussion of our market risk exposures, including those related to derivatives, institutional counterparties, and other market risks.

PMVS and Duration Gap

Our primary interest-rate risk measures are PMVS and duration gap.

PMVS is an estimate of the change in the market value of our net assets and liabilities from an instantaneous 50 basis point shock to interest rates, assuming no rebalancing actions are undertaken and assuming the mortgage-to-LIBOR basis does not change. PMVS is measured in two ways, one measuring the estimated sensitivity of our portfolio market value to parallel movements in interest rates (PMVS-Level or PMVS-L) and the other to nonparallel movements (PMVS-YC).

Duration gap measures the difference in price sensitivity to interest rate changes between our assets and liabilities, and is expressed in months relative to the market value of assets. For example, assets with a six month duration and liabilities with a five month duration would result in a positive duration gap of one month. A duration gap of zero implies that the duration of our assets equals the duration of our liabilities.

The 50 basis point shift and 25 basis point change in slope of the LIBOR yield curve used for our PMVS measures reflect reasonably possible near-term changes that we believe provide a meaningful measure of our interest-rate risk sensitivity. Our PMVS measures assume instantaneous shocks. Therefore, these PMVS measures do not consider the effects on fair value of any rebalancing actions that we would typically expect to take to reduce our risk exposure.

Limitations of Market Risk Measures

Our PMVS and duration gap estimates are determined using models that involve our best judgment of interest-rate and prepayment assumptions. Accordingly, while we believe that PMVS and duration gap are useful risk management tools, they should be understood as estimates rather than as precise measurements. While PMVS and duration gap estimate our exposure to changes in interest rates, they do not capture the potential impact of certain other market risks, such as changes in volatility, basis, and foreign-currency risk. The impact of these other market risks can be significant.

There are inherent limitations in any methodology used to estimate exposure to changes in market interest rates. Our sensitivity analyses for PMVS and duration gap contemplate only certain movements in interest rates and are performed at a particular point in time based on the estimated fair value of our existing portfolio. These sensitivity analyses do not consider other factors that may have a significant effect on our financial instruments, most notably business activities and strategic actions that management may take in the future to manage interest-rate risk. As such, these analyses are not intended to provide precise forecasts of the effect a change in market interest rates would have on the estimated fair value of our net assets.

In addition, it has been more difficult in recent years to measure and manage the interest-rate risk related to mortgage assets as risk for prepayment model error remains high due to the low interest rate environment and uncertainty regarding default rates, unemployment, government policy changes and programs, loan modifications, and the volatility and impact of home price movements on mortgage durations. Misestimation of prepayments could result in hedging-related losses.

Duration Gap and PMVS Results

The table below provides duration gap, estimated point-in-time and minimum and maximum PMVS-L and PMVS-YC results, and an average of the daily values and standard deviation for the three months ended March 31, 2013 and 2012. The table below also provides PMVS-L estimates assuming an immediate 100 basis point shift in the LIBOR yield curve. We do not hedge the entire prepayment risk exposure embedded in our mortgage assets. The interest-rate sensitivity of a mortgage

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portfolio varies across a wide range of interest rates. Therefore, the difference between PMVS at 50 basis points and 100 basis points is non-linear.

Our PMVS-L (50 basis points) exposure at March 31, 2013 was $276 million, which increased compared to December 31, 2012 primarily due to an increase in our convexity exposure. On an average basis for the three months ended March 31, 2013, our PMVS-L (50 basis points) was $252 million, which was primarily driven by our negative convexity exposure on our mortgage assets.

To improve the accuracy of our models, we make changes to the underlying assumptions or modeling techniques on a periodic basis.

Table 58 PMVS and Duration Gap Results

	PMVS-YC 25 bps	PMVS-L 50 bps	PMVS-L 100 bps
		(in millions)	
Assuming shifts of the LIBOR yield curve:			
March 31, 2013	$ 5	$ 276	$ 1,048
December 31, 2012	$ 61	$ 209	$ 737

	Three Months Ended March 31, 2013 Duration Gap	2013 PMVS-YC 25 bps	2013 PMVS-L 50 bps	2012 Duration Gap	2012 PMVS-YC 25 bps	2012 PMVS-L 50 bps
	(in months)	(dollars in millions)		(in months)	(dollars in millions)	
Average	(0.1)	$ 22	$ 252	0.0	$ 16	$ 223
Minimum	(0.6)	$	$ 152	(0.3)	$ 1	$ 130
Maximum	0.4	$ 54	$ 376	0.6	$ 57	$ 379
Standard deviation	0.3	$ 14	$ 61	0.2	$ 12	$ 47

Derivatives have historically enabled us to keep our interest-rate risk exposure at consistently low levels in a wide range of interest-rate environments. The table below shows that the PMVS-L risk levels for the periods presented would have been higher if we had not used derivatives. The derivative impact on our PMVS-L (50 basis points) was $(1.2) billion at March 31, 2013, an increase of $0.3 billion from December 31, 2012. The increase was primarily driven by an increase in the duration of our mortgage assets caused by the increase in interest rates during 2013.

Table 59 Derivative Impact on PMVS-L (50 bps)

	Before Derivatives	After Derivatives	Effect of Derivatives
		(in millions)	
At:			
March 31, 2013	$ 1,505	$ 276	$ (1,229)
December 31, 2012	$ 1,102	$ 209	$ (893)

The disclosure in our Monthly Volume Summary reports, which are available on our web site at www.freddiemac.com and in current reports on Form 8-K we file with the SEC, reflects the average of the daily PMVS-L, PMVS-YC and duration gap estimates for a given reporting period (a month, quarter or year).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms and that such information is accumulated and communicated to management of the company, including the company s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we must apply judgment in implementing possible controls and procedures.

Management, including the company s Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2013. As a result of management s evaluation,

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our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2013, at a reasonable level of assurance, because we have not been able to update our disclosure controls and procedures to provide reasonable assurance that information known by FHFA on an ongoing basis is communicated from FHFA to Freddie Mac s management in a manner that allows for timely decisions regarding our required disclosure. Based on discussions with FHFA and the structural nature of this continuing weakness, we believe it is likely that we will not remediate this material weakness while we are under conservatorship. We consider this situation to be a material weakness in our internal control over financial reporting. For more information, see CONTROLS AND PROCEDURES Management s Report on Internal Control Over Financial Reporting in our 2012 Annual Report.

Changes in Internal Control Over Financial Reporting During the Quarter Ended March 31, 2013

We evaluated the changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2013 and concluded that there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Mitigating Actions Related to the Material Weakness in Internal Control Over Financial Reporting

As described above in Evaluation of Disclosure Controls and Procedures, we have one material weakness in internal control over financial reporting as of March 31, 2013 that we have not remediated.

Given the structural nature of this material weakness, we believe it is likely that we will not remediate it while we are under conservatorship. However, both we and FHFA have continued to engage in activities and employ procedures and practices intended to permit accumulation and communication to management of information needed to meet our disclosure obligations under the federal securities laws. These include the following:

- FHFA has established the Office of Conservatorship Operations, which is intended to facilitate operation of the company with the oversight of the Conservator.

- We provide drafts of our SEC filings to FHFA personnel for their review and comment prior to filing. We also provide drafts of external press releases, statements and speeches to FHFA personnel for their review and comment prior to release.

- FHFA personnel, including senior officials, review our SEC filings prior to filing, including this Form 10-Q, and engage in discussions regarding issues associated with the information contained in those filings. Prior to filing this Form 10-Q, FHFA provided us with a written acknowledgement that it had reviewed the Form 10-Q, was not aware of any material misstatements or omissions in the Form 10-Q, and had no objection to our filing the Form 10-Q.

- The Acting Director of FHFA is in frequent communication with our Chief Executive Officer, typically meeting (in person or by phone) on at least a bi-weekly basis.

- FHFA representatives hold frequent meetings with various groups within the company to enhance the flow of information and to provide oversight on a variety of matters, including accounting, capital markets management, external communications, and legal matters.

- Senior officials within FHFA s accounting group meet frequently with our senior financial executives regarding our accounting policies, practices, and procedures.

In view of our mitigating actions related to this material weakness, we believe that our interim consolidated financial statements for the quarter ended March 31, 2013 have been prepared in conformity with GAAP.

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ITEM 1. FINANCIAL STATEMENTS

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FREDDIE MAC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

	Three Months Ended March 31,	
	2013	2012
	(in millions, except share-related amounts)	
Interest income		
Mortgage loans:		
Held by consolidated trusts	$ 14,504	$ 17,468
Unsecuritized	2,009	2,312
Total mortgage loans	16,513	19,780
Investments in securities	2,157	2,938
Other	18	13
Total interest income	18,688	22,731
Interest expense		
Debt securities of consolidated trusts	(12,030)	(15,253)
Other debt	(2,262)	(2,816)
Total interest expense	(14,292)	(18,069)
Expense related to derivatives	(131)	(162)
Net interest income	4,265	4,500
Benefit (provision) for credit losses	503	(1,825)
Net interest income after benefit (provision) for credit losses	4,768	2,675
Non-interest income (loss)		
Gains (losses) on extinguishment of debt securities of consolidated trusts	34	(4)
Gains (losses) on retirement of other debt	(32)	(21)
Gains (losses) on debt recorded at fair value	12	(17)
Derivative gains (losses)	375	(1,056)
Impairment of available-for-sale securities:		
Total other-than-temporary impairment of available-for-sale securities	(21)	(475)
Portion of other-than-temporary impairment recognized in AOCI	(22)	(89)
Net impairment of available-for-sale securities recognized in earnings	(43)	(564)
Other gains (losses) on investment securities recognized in earnings	(276)	(288)
Other income	332	434
Non-interest income (loss)	402	(1,516)
Non-interest expense		
Salaries and employee benefits	(208)	(176)
Professional services	(109)	(71)
Occupancy expense	(13)	(14)
Other administrative expenses	(102)	(76)
Total administrative expenses	(432)	(337)
Real estate owned operations expense	(6)	(171)
Other expenses	(186)	(88)

Non-interest expense	(624)	(596)
Income before income tax benefit	4,546	563
Income tax benefit	35	14
Net income	4,581	577
Other comprehensive income (loss), net of taxes and reclassification adjustments:		
Changes in unrealized gains (losses) related to available-for-sale securities	2,280	1,147
Changes in unrealized gains (losses) related to cash flow hedge relationships	90	111
Changes in defined benefit plans	20	(46)
Total other comprehensive income (loss), net of taxes and reclassification adjustments	2,390	1,212
Comprehensive income	$ 6,971	$ 1,789
Net income	$ 4,581	$ 577
Undistributed net worth sweep and senior preferred stock dividends	(6,971)	(1,804)
Net loss attributable to common stockholders	$ (2,390)	$ (1,227)
Net loss per common share basic and diluted	$ (0.74)	$ (0.38)
Weighted average common shares outstanding (in thousands) basic and diluted	3,238,997	3,241,502

The accompanying notes are an integral part of these consolidated financial statements.

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FREDDIE MAC

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	March 31, 2013	December 31, 2012
	(in millions, except share-related amounts)	
Assets		
Cash and cash equivalents (includes $1 and $1, respectively, related to our consolidated VIEs)	$ 27,733	$ 8,513
Restricted cash and cash equivalents (includes $1,539 and $14,289, respectively, related to our consolidated VIEs)	1,848	14,592
Federal funds sold and securities purchased under agreements to resell (includes $27,200 and $19,250, respectively, related to our consolidated VIEs)	38,646	37,563
Investments in securities:		
Available-for-sale, at fair value (includes $118 and $132, respectively, pledged as collateral that may be repledged)	167,760	174,896
Trading, at fair value	31,589	41,492
Total investments in securities	199,349	216,388
Mortgage loans:		
Held-for-investment, at amortized cost:		
By consolidated trusts (net of allowances for loan losses of $4,090 and $4,919, respectively)	1,505,211	1,495,932
Unsecuritized (net of allowances for loan losses of $24,397 and $25,788, respectively)	168,803	176,177
Total held-for-investment mortgage loans, net	1,674,014	1,672,109
Held-for-sale, at fair value	14,140	14,238
Total mortgage loans, net	1,688,154	1,686,347
Accrued interest receivable (includes $5,293 and $5,426, respectively, related to our consolidated VIEs)	6,657	6,875
Derivative assets, net	599	657
Real estate owned, net (includes $44 and $45, respectively, related to our consolidated VIEs)	4,323	4,378
Deferred tax assets, net		778
Other assets (Note 19) (includes $5,997 and $7,986, respectively, related to our consolidated VIEs)	12,077	13,765
Total assets	$ 1,979,386	$ 1,989,856
Liabilities and equity (deficit)		
Liabilities		
Accrued interest payable (includes $4,976 and $5,142, respectively, related to our consolidated VIEs)	$ 6,926	$ 7,710
Debt, net:		
Debt securities of consolidated trusts held by third parties (includes $67 and $70 at fair value, respectively)	1,425,913	1,419,524
Other debt (includes $1,508 and $2,187 at fair value, respectively)	529,936	547,518
Total debt, net	1,955,849	1,967,042
Derivative liabilities, net	225	178
Other liabilities (Note 19) (includes $1 and $1, respectively, related to our consolidated VIEs)	6,415	6,099
Total liabilities	1,969,415	1,981,029
Commitments and contingencies (Notes 9, 14, and 17)		
Equity (deficit)		
Senior preferred stock, at redemption value	72,336	72,336
Preferred stock, at redemption value	14,109	14,109

Common stock, $0.00 par value, 4,000,000,000 shares authorized, 725,863,886 shares issued and 650,039,533 shares and 650,033,623 shares outstanding, respectively		
Additional paid-in capital	1	1
Retained earnings (accumulated deficit)	(72,042)	(70,796)
AOCI, net of taxes, related to:		
Available-for-sale securities (includes $4,255 and $6,606, respectively, related to net unrealized gains (losses) on securities for which other-than-temporary impairment has been recognized in earnings)	836	(1,444)
Cash flow hedge relationships	(1,226)	(1,316)
Defined benefit plans	(158)	(178)
Total AOCI, net of taxes	(548)	(2,938)
Treasury stock, at cost, 75,824,353 shares and 75,830,263 shares, respectively	(3,885)	(3,885)
Total equity (deficit) (See NOTE 11: STOCKHOLDERS EQUITY (DEFICIT) for information on our dividend obligation to Treasury)	9,971	8,827
Total liabilities and equity (deficit)	$ 1,979,386	$ 1,989,856

The accompanying notes are an integral part of these consolidated financial statements.

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FREDDIE MAC

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

(UNAUDITED)

	Shares Outstanding			Freddie Mac Stockholders Equity (Deficit)							
	Senior Preferred Stock	**Preferred Stock**	**Common Stock**	**Senior Preferred Stock, at Redemption Value**	**Preferred Stock, at Redemption Value**	**Common Stock, at Par Value**	**Additional Paid-In Capital**	**Retained Earnings (Accumulated Deficit)**	**AOCI, Net of Tax**	**Treasury Stock, at Cost**	**Total Equity (Deficit)**
				(in millions)							
Balance as of December 31, 2011	1	464	650	$ 72,171	$ 14,109	$	$ 3	$ (74,525)	$ (7,995)	$ (3,909)	$ (146)
Comprehensive income:											
Net income								577			577
Other comprehensive income, net of taxes									1,212		1,212
Comprehensive income								577	1,212		1,789
Increase in liquidation preference				146							146
Stock-based compensation							1				1
Common stock issuances							(23)			23	
Transfer from retained earnings (accumulated deficit) to additional paid-in capital							19	(19)			
Senior preferred stock dividends declared								(1,807)			(1,807)
Dividend equivalent payments on expired stock options								(1)			(1)
Ending balance at March 31, 2012	1	464	650	$ 72,317	$ 14,109	$	$	$ (75,775)	$ (6,783)	$ (3,886)	$ (18)
Balance as of December 31, 2012	1	464	650	$ 72,336	$ 14,109	$	$ 1	$ (70,796)	$ (2,938)	$ (3,885)	$ 8,827
Comprehensive income:											
Net income								4,581			4,581
Other comprehensive income, net of taxes									2,390		2,390
Comprehensive income								4,581	2,390		6,971
Senior preferred stock dividends declared								(5,827)			(5,827)
Ending balance at March 31, 2013	1	464	650	$ 72,336	$ 14,109	$	$ 1	$ (72,042)	$ (548)	$ (3,885)	$ 9,971

The accompanying notes are an integral part of these consolidated financial statements.

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FREDDIE MAC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
	(in millions)	
Cash flows from operating activities		
Net income	$ 4,581	$ 577
Adjustments to reconcile net income to net cash provided by operating activities:		
Derivative gains	(1,280)	(19)
Asset related amortization premiums, discounts, and basis adjustments	1,417	900
Debt related amortization premiums and discounts on certain debt securities and basis adjustments	(1,984)	(1,030)
Net discounts paid on retirements of other debt	(253)	(136)
Net premiums received from issuance of debt securities of consolidated trusts	1,105	1,200
(Gains) losses on extinguishment of debt securities of consolidated trusts and other debt	(2)	25
(Benefit) provision for credit losses	(503)	1,825
Losses on investment activity	310	673
(Gains) losses on debt recorded at fair value	(12)	17
Deferred income tax benefit	(42)	(54)
Purchases of held-for-sale mortgage loans	(5,709)	(5,367)
Sales of mortgage loans acquired as held-for-sale	5,749	3,903
Repayments of mortgage loans acquired as held-for-sale	53	16
Payments to servicers for pre-foreclosure expense and servicer incentive fees	(308)	(315)
Change in:		
Accrued interest receivable	218	242
Accrued interest payable	(739)	(717)
Income taxes receivable or payable	7	147
Other, net	(648)	(483)
Net cash provided by operating activities	1,960	1,404
Cash flows from investing activities		
Purchases of trading securities	(3,098)	(6,126)
Proceeds from sales of trading securities	10,793	1,962
Proceeds from maturities of trading securities	1,849	4,237
Purchases of available-for-sale securities	(206)	
Proceeds from sales of available-for-sale securities	579	644
Proceeds from maturities of available-for-sale securities	9,125	8,901
Purchases of held-for-investment mortgage loans	(24,474)	(16,726)
Repayments of mortgage loans acquired as held-for-investment	130,488	118,395
Decrease in restricted cash	12,744	273
Net proceeds from mortgage insurance and acquisitions and dispositions of real estate owned	2,317	2,831
Net increase in federal funds sold and securities purchased under agreements to resell	(1,083)	(12,305)
Derivative premiums and terminations and swap collateral, net	1,128	(125)
Net cash provided by investing activities	140,162	101,961
Cash flows from financing activities		
Proceeds from issuance of debt securities of consolidated trusts held by third parties	28,535	30,641
Repayments of debt securities of consolidated trusts held by third parties	(128,114)	(110,135)
Proceeds from issuance of other debt	173,875	196,918
Repayments of other debt	(191,371)	(239,000)
Increase in liquidation preference of senior preferred stock		146
Payment of cash dividends on senior preferred stock	(5,827)	(1,807)
Payments of low-income housing tax credit partnerships notes payable		(1)

Net cash used in financing activities	(122,902)	(123,238)
Net increase (decrease) in cash and cash equivalents	19,220	(19,873)
Cash and cash equivalents at beginning of period	8,513	28,442
Cash and cash equivalents at end of period	$ 27,733	$ 8,569
Supplemental cash flow information		
Cash paid (received) for:		
Debt interest	$ 17,448	$ 20,285
Net derivative interest carry	752	1,058
Income taxes		(108)
Non-cash investing and financing activities:		
Underlying mortgage loans related to guarantor swap transactions	108,608	89,741
Debt securities of consolidated trusts held by third parties established for guarantor swap transactions	108,608	89,741
Elimination of investments in securities and debt securities of consolidated trusts held by third parties related to consolidation of variable interest entities for which we are the primary beneficiary	(1,279)	

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Freddie Mac was chartered by Congress in 1970 to stabilize the nation s residential mortgage market and expand opportunities for home ownership and affordable rental housing. Our statutory mission is to provide liquidity, stability and affordability to the U.S. housing market. We are a GSE regulated by FHFA, the SEC, HUD, and the Treasury, and are currently operating under the conservatorship of FHFA. For more information on the roles of FHFA and the Treasury, see NOTE 2: CONSERVATORSHIP AND RELATED MATTERS in this Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2012, or our 2012 Annual Report.

We are involved in the U.S. housing market by participating in the secondary mortgage market. We do not participate directly in the primary mortgage market. Our participation in the secondary mortgage market includes providing our credit guarantee for mortgages originated by mortgage lenders in the primary mortgage market and investing in mortgage loans and mortgage-related securities.

Our operations consist of three reportable segments, which are based on the type of business activities each performs Single-family Guarantee, Investments, and Multifamily. Our 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. Our 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, which are funded by debt issuances and hedged using derivatives. Our Multifamily segment reflects results from our investment (both purchases and sales), securitization, and guarantee activities in multifamily mortgage loans and securities. In our Multifamily segment, our primary business strategy is to purchase multifamily mortgage loans for aggregation and then securitization. See NOTE 13: SEGMENT REPORTING in our 2012 Annual Report for additional information.

We are focused on the following primary business objectives: (a) providing credit availability for mortgages and maintaining foreclosure prevention activities; (b) minimizing our credit losses; (c) developing mortgage market enhancements in support of a new infrastructure for the secondary mortgage market; (d) maintaining sound credit quality on the loans we purchase or guarantee; (e) contracting the dominant presence of the GSEs in the marketplace; and (f) strengthening our infrastructure and improving overall efficiency while also focusing on retention of key employees. Our business objectives reflect direction we have received from the Conservator, including the 2013 Conservatorship Scorecard. For information regarding these objectives, see NOTE 2: CONSERVATORSHIP AND RELATED MATTERS Business Objectives.

Throughout our consolidated financial statements and related notes, we use certain acronyms and terms which are defined in the GLOSSARY.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and include our accounts as well as the accounts of other entities in which we have a controlling financial interest. All intercompany balances and transactions have been eliminated. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in our 2012 Annual Report. We are operating under the basis that we will realize assets and satisfy liabilities in the normal course of business as a going concern and in accordance with the delegation of authority from FHFA to our Board of Directors and management. Certain financial statement information that is normally included in annual financial statements prepared in conformity with GAAP but is not required for interim reporting purposes has been condensed or omitted. Certain amounts in prior periods consolidated financial statements have been reclassified to conform to the current presentation. In the opinion of management, all adjustments, which include only normal recurring adjustments, have been recorded for a fair statement of our unaudited consolidated financial statements.

We recorded the cumulative effect of the correction of certain miscellaneous errors related to previously reported periods in the three months ended March 31, 2013. We concluded that these errors are not material individually or in the aggregate to our previously issued consolidated financial statements for any of the periods affected, or to our estimated earnings for the full year ended December 31, 2013, or to the trend of earnings.

Use of Estimates

The preparation of financial statements requires us to make estimates and assumptions that affect: (a) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements; and (b) the reported amounts of revenues and expenses and gains and losses during the reporting period. Management has made significant estimates in preparing the financial statements, including, but not limited to, establishing the allowance for loan losses and reserve for guarantee losses, valuing financial instruments and other assets and liabilities, assessing impairments on investments, and assessing our ability to realize net deferred tax assets. Actual results could be different from these estimates.

Earnings Per Common Share

In 2012, an amendment to the Purchase Agreement changed the manner in which the dividend on the senior preferred stock is determined. For each quarter from January 1, 2013 through and including December 31, 2017, the dividend payment will be the amount, if any, by which our Net Worth Amount at the end of the immediately preceding fiscal quarter, less the applicable Capital Reserve Amount, exceeds zero. See NOTE 11: STOCKHOLDERS EQUITY (DEFICIT) Senior Preferred Stock for additional information regarding the Capital Reserve Amount. For each quarter beginning January 1, 2018, the dividend payment will be the amount, if any, by which our Net Worth Amount at the end of the immediately preceding fiscal quarter exceeds zero. The dividend is presented in the period in which it is determinable for the senior preferred stock as a reduction to net income (loss) available to common stockholders and net income (loss) per common share. The dividend is generally declared and paid in the following period and recorded as a reduction to equity in the period declared.

Because we have participating securities, we use the two-class method of computing earnings per common share. Basic earnings per common share is computed as net income attributable to common stockholders divided by the weighted average common shares outstanding for the period. The weighted average common shares outstanding for the period includes the weighted average number of shares that are associated with the warrant for our common stock issued to Treasury pursuant to the Purchase Agreement. This warrant is included since it is unconditionally exercisable by the holder at a minimal cost. See NOTE 2: CONSERVATORSHIP AND RELATED MATTERS in our 2012 Annual Report for further information.

Diluted earnings per common share is computed as net income attributable to common stockholders divided by the weighted average common shares outstanding during the period adjusted for the dilutive effect of common equivalent shares outstanding. For periods with net income attributable to common stockholders, the calculation includes the effect of the following common equivalent shares outstanding: (a) the weighted average shares related to stock options if the average market price during the period exceeds the exercise price; and (b) the weighted average of unvested restricted stock units. During periods in which a net loss attributable to common stockholders has been incurred, potential common equivalent shares outstanding are not included in the calculation because it would have an antidilutive effect. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Earnings Per Common Share in our 2012 Annual Report for further discussion of our significant accounting policies regarding our calculation of earnings per common share and NOTE 11: STOCKHOLDERS EQUITY (DEFICIT) Stock-Based Compensation in this Form 10-Q for additional information on our earnings-per-share calculation.

Recently Adopted Accounting Guidance

Fair Value Measurement

On January 1, 2012, we adopted an amendment to the accounting guidance pertaining to fair value measurement and disclosure. This amendment provided: (a) clarification about the application of existing fair value measurement and disclosure requirements; and (b) changes to the guidance for measuring fair value and disclosing information about fair value measurements. The adoption of this amendment did not have a material impact on our consolidated financial statements.

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Reconsideration of Effective Control for Repurchase Agreements

On January 1, 2012, we adopted an amendment to the accounting guidance for transfers and servicing with regard to repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. This amendment removed the criterion related to collateral maintenance from the transferor s assessment of effective control. It focuses the assessment of effective control on the transferor s rights and obligations with respect to the transferred financial assets and not whether the transferor has the practical ability to perform in accordance with those rights or obligations. The adoption of this amendment did not have a material impact on our consolidated financial statements.

NOTE 2: CONSERVATORSHIP AND RELATED MATTERS

Business Objectives

We continue to operate under the conservatorship that commenced on September 6, 2008, conducting our business under the direction of FHFA, as our Conservator. 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. Upon its appointment, FHFA, as Conservator, immediately succeeded to all rights, titles, powers and privileges of Freddie Mac, and of any stockholder, officer or director thereof, with respect to the company and its assets. The Conservator also succeeded to the title to all books, records, and assets of Freddie Mac held by any other legal custodian or third party. During the conservatorship, the Conservator has delegated certain authority to the Board of Directors to oversee, and management to conduct, day-to-day operations so that the company can continue to operate in the ordinary course of business. The directors serve on behalf of, and exercise authority as directed by, the Conservator.

We are also subject to certain constraints on our business activities by Treasury due to the terms of, and Treasury s rights under, the Purchase Agreement. However, 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. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent.

The Conservator continues to determine, and direct the efforts of the Board of Directors and management to address, the strategic direction for the company. While the Conservator has delegated certain authority to management to conduct day-to-day operations, many management decisions are subject to review and approval by FHFA and Treasury. In addition, management frequently receives directions from FHFA on various matters involving day-to-day operations.

Our current business objectives reflect direction we have received from the Conservator (including the Conservatorship Scorecards), and have changed considerably since we entered into conservatorship. At the direction of the Conservator, we have made changes to certain business practices that are designed to provide support for the mortgage market in a manner that serves our public mission and other non-financial objectives but may not contribute to our profitability.

Certain of these objectives are intended to help homeowners and the mortgage market and may help to mitigate future credit losses. However, some of our initiatives are expected to have an adverse impact on our near- and long-term financial results. Given the important role the Administration and our Conservator have placed on Freddie Mac in addressing housing and mortgage market conditions and our public mission, we may be required to take additional actions that could have a negative impact on our business, operating results or financial condition.

The Conservator stated that it is taking actions in support of the objectives of gradual transition to greater private capital participation in housing finance and greater distribution of risk to participants other than the government. The Conservator also stated that it is focusing on retaining value in the business operations of Freddie Mac and Fannie Mae, overseeing remediation of identified weaknesses in corporate operations and risk management, and ensuring that sound corporate governance principles are followed.

On February 21, 2012, FHFA sent to Congress a strategic plan for the next phase of the conservatorships of Freddie Mac and Fannie Mae. The plan sets forth objectives and steps FHFA is taking or will take to meet FHFA s obligations as Conservator. FHFA stated that the steps envisioned in the plan are consistent with each of the housing finance reform frameworks set forth in the report delivered by the Administration to Congress in February 2011, as well as with the leading congressional proposals previously introduced. FHFA indicated that the plan leaves open all options for Congress and the

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Administration regarding the resolution of the conservatorships and the degree of government involvement in supporting the secondary mortgage market in the future.

FHFA s plan provides lawmakers and the public with an outline of how FHFA, as Conservator, intends to guide Freddie Mac and Fannie Mae over the next few years, and identifies three strategic goals:

- **Build**. Build a new infrastructure for the secondary mortgage market;
- **Contract**. Gradually contract Freddie Mac and Fannie Mae s dominant presence in the marketplace while simplifying and shrinking their operations; and
- **Maintain**. Maintain foreclosure prevention activities and credit availability for new and refinanced mortgages.

The Conservatorship Scorecards, instituted by FHFA, established objectives, performance targets and measures, and provided the implementation roadmap for FHFA s strategic plan. We continue to align our resources and internal business plans to meet the goals and objectives provided to us by FHFA.

We regularly receive direction from our Conservator on how to pursue our objectives under conservatorship, including direction to focus our efforts on assisting homeowners in the housing and mortgage markets. The Conservator and Treasury have also, from time to time, not authorized us to engage in certain business activities and transactions, including the purchase or sale of certain assets, which we believe might have had a beneficial impact on our results of operations or financial condition, if executed. Our inability to execute such transactions may adversely affect our profitability, and thus contribute to our need to draw additional funds in the future under the Purchase Agreement.

Certain changes to our business objectives and strategies are designed to provide support for the mortgage market in a manner that serves our public mission and other non-financial objectives, but may not contribute to our profitability. Some of these changes increase our expenses, while others require us to forego revenue opportunities. There is significant uncertainty as to the ultimate impact that our efforts to aid the housing and mortgage markets, including our efforts in connection with the MHA Program, will have on our future capital or liquidity needs. We are allocating significant internal resources to the implementation of the various initiatives under the MHA Program and to the servicing alignment initiative, which has increased, and will continue to increase, our expenses.

As a result of the net worth sweep dividend provisions of the senior preferred stock, we do not have the ability over the long term to build and retain the capital generated by our business operations, or return capital to stockholders other than Treasury. There is significant uncertainty as to whether or when we will emerge from conservatorship, as it has no specified termination date, and as to what changes may occur to our business structure during or following conservatorship, including whether we will continue to exist. The Acting Director of FHFA stated on November 15, 2011 that the long-term outlook is that neither [Freddie Mac nor Fannie Mae] will continue to exist, at least in its current form, in the future. We are not aware of any current plans of our Conservator to significantly change our business model or capital structure in the near-term. Our future structure and role will be determined by the Administration and Congress, and there are likely to be significant changes beyond the near-term. We have no ability to predict the outcome of these deliberations.

Impact of Conservatorship and Related Developments on the Mortgage-Related Investments Portfolio

The UPB of our mortgage-related investments portfolio, for purposes of the limit imposed by the Purchase Agreement, as amended on August 17, 2012, and FHFA regulation, may not exceed $553 billion at December 31, 2013 and was $534 billion at March 31, 2013. The annual 15% reduction in the size of our mortgage-related investments portfolio until it reaches $250 billion is calculated based on the maximum allowable size of the mortgage-related investments portfolio, rather than the actual UPB of the mortgage-related investments portfolio, as of December 31 of the preceding year. The limitation is determined without giving effect to the January 1, 2010 change in the accounting guidance related to transfers of financial assets and consolidation of VIEs. FHFA has stated that we will not be a substantial buyer or seller of mortgages for our mortgage-related investments portfolio. The 2013 Conservatorship Scorecard includes a goal to reduce the December 31, 2012 mortgage-related investments portfolio balance (exclusive of agency securities, multifamily held-for-sale loans, and single-family loans purchased for cash) by selling 5% of mortgage-related assets.

Government Support for our Business

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

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appointment of a receiver by FHFA under statutory mandatory receivership provisions. At December 31, 2012, our assets exceeded our liabilities under GAAP; therefore we did not receive any funding from Treasury under the Purchase Agreement during the three months ended March 31, 2013. Since conservatorship began through March 31, 2013, we have paid cash dividends of $29.6 billion to Treasury at the direction of the Conservator.

At March 31, 2013, our assets exceeded our liabilities under GAAP; therefore no draw is being requested from Treasury under the Purchase Agreement for the first quarter of 2013.

See NOTE 8: DEBT SECURITIES AND SUBORDINATED BORROWINGS and NOTE 11: STOCKHOLDERS EQUITY (DEFICIT) in our 2012 Annual Report for more information on the terms of the conservatorship and the Purchase Agreement.

NOTE 3: VARIABLE INTEREST ENTITIES

We use securitization trusts in our securities issuance process, and are required to evaluate the trusts for consolidation on an ongoing basis. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES and NOTE 3: VARIABLE INTEREST ENTITIES in our 2012 Annual Report for further information regarding the consolidation of certain VIEs, including our REMICs and Other Structured Securities, and Other Guarantee Transactions.

Based on our evaluation of whether we hold a controlling financial interest in these VIEs, we determined that we are the primary beneficiary of trusts that issue our single-family PCs and certain Other Guarantee Transactions. Therefore, we consolidate on our balance sheet the assets and liabilities of these trusts. At both March 31, 2013 and December 31, 2012, we were the primary beneficiary of, and therefore consolidated, single-family PC trusts with assets totaling $1.5 trillion, as measured using the UPB of issued PCs. In addition, we concluded that we are the primary beneficiary of Other Guarantee Transactions with underlying assets totaling $10.5 billion and $11.0 billion at March 31, 2013 and December 31, 2012, respectively.

VIEs for which We are not the Primary Beneficiary

The table below represents the carrying amounts and classification of the assets and liabilities recorded on our consolidated balance sheets related to our variable interests in non-consolidated VIEs, as well as our maximum exposure to loss as a result of our involvement with these VIEs. Our involvement with VIEs for which we are not the primary beneficiary generally takes one of two forms: (a) purchasing an investment in these entities; or (b) providing a guarantee to these entities. Our maximum exposure to loss for those VIEs in which we have purchased an investment is calculated as the maximum potential charge that we would recognize in earnings if that investment were to become worthless. This amount does not include other-than-temporary impairments or other write-downs that we previously recognized through earnings. Our maximum exposure to loss for those VIEs for which we have provided a guarantee represents the contractual amounts that could be lost under the guarantees if counterparties or borrowers defaulted, without consideration of possible recoveries under credit enhancement arrangements. We do not believe the maximum exposure to loss disclosed in the table below is representative of the actual loss we are likely to incur, based on our historical loss experience and after consideration of proceeds from related collateral liquidation, including possible recoveries under credit enhancement arrangements. See NOTE 3: VARIABLE INTEREST ENTITIES in our 2012 Annual Report for more information about VIEs for which we are not the primary beneficiary.

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Table 3.1 Variable Interests in VIEs for which We are not the Primary Beneficiary

	March 31, 2013				
		Mortgage-Related Security Trusts			
	Asset-Backed Investment Trusts(1)	Freddie Mac Securities(2)	Non-Freddie Mac Securities(1)	Unsecuritized Multifamily Loans(3)	Other(1)
			(in millions)		
Assets and Liabilities Recorded on our Consolidated Balance Sheets					
Assets:					
Restricted cash and cash equivalents	$	$ 24	$	$ 31	$ 116
Investments in securities:					
Available-for-sale, at fair value		52,395	110,060		
Trading, at fair value	89	9,647	9,518		
Mortgage loans:					
Held-for-investment, unsecuritized				59,388	
Held-for-sale				14,140	
Accrued interest receivable		297	334	309	7
Other assets		632	1	587	472
Liabilities:					
Derivative liabilities, net		(1)			(38)
Other liabilities		(737)	(1)	(40)	(632)
Maximum Exposure to Loss	$ 89	$ 55,176	$ 122,736	$ 74,455	$ 10,740
Total Assets of Non-Consolidated VIEs(4)	$ 7,033	$ 64,228	$ 719,764	$ 123,282	$ 24,666

	December 31, 2012				
		Mortgage-Related Security Trusts			
	Asset-Backed Investment Trusts(1)	Freddie Mac Securities(2)	Non-Freddie Mac Securities(1)	Unsecuritized Multifamily Loans(3)	Other(1)
			(in millions)		
Assets and Liabilities Recorded on our Consolidated Balance Sheets					
Assets:					
Restricted cash and cash equivalents	$	$ 24	$	$ 22	$ 119
Investments in securities:					
Available-for-sale, at fair value		58,515	110,583		
Trading, at fair value	292	10,354	10,617		
Mortgage loans:					
Held-for-investment, unsecuritized				62,245	
Held-for-sale				14,238	
Accrued interest receivable		324	350	326	7
Derivative assets, net					1
Other assets		558	2	381	482
Liabilities:					
Derivative liabilities, net		(1)			(40)
Other liabilities		(667)	(2)	(29)	(635)
Maximum Exposure to Loss	$ 292	$ 51,045	$ 128,475	$ 77,213	$ 10,871
Total Assets of Non-Consolidated VIEs(4)	$ 10,901	$ 59,302	$ 768,704	$ 130,512	$ 25,004

(1) For our involvement with non-consolidated asset-backed investment trusts, non-Freddie Mac security trusts and certain other VIEs where we do not provide a guarantee, our maximum exposure to loss is computed as the carrying amount if the security is classified as trading or the amortized cost if the security is classified as available-for-sale for our investments and related assets recorded on our consolidated balance sheets, including any unrealized amounts recorded in AOCI for securities classified as available-for-sale. See NOTE 7: INVESTMENTS IN SECURITIES in our 2012 Annual Report for additional information regarding our asset-backed investments and non-Freddie Mac securities.

(2) Freddie Mac securities include our variable interests in single-family multiclass REMICs and Other Structured Securities, multifamily PCs, multifamily Other Structured Securities, and Other Guarantee Transactions that we do not consolidate. Our investments in single-family REMICs and Other Structured

Securities that are not consolidated do not give rise to any additional exposure to credit loss as we already consolidate the underlying collateral.

(3) For unsecuritized multifamily loans, our maximum exposure to loss includes accrued interest receivable associated with these loans. See NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES for additional information about our unsecuritized multifamily loans.

(4) Except for unsecuritized multifamily loans, this represents the remaining UPB of assets held by non-consolidated VIEs using the most current information available, where our continuing involvement is significant. For unsecuritized multifamily loans, this represents the fair value of the property serving as collateral for the loan. We do not include the assets of our non-consolidated trusts related to single-family REMICs and Other Structured Securities backed by our PCs in this amount as we already consolidate the underlying collateral of these trusts on our consolidated balance sheets.

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NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES

We own both single-family mortgage loans, which are secured by one to four unit residential properties, and multifamily mortgage loans, which are secured by properties with five or more residential rental units. Our single-family loans are predominately first lien, fixed-rate mortgages secured by the borrower s primary residence. For a discussion of our significant accounting policies regarding our mortgage loans and loan loss reserves, see NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in our 2012 Annual Report.

The table below summarizes the types of loans on our consolidated balance sheets as of March 31, 2013 and December 31, 2012.

Table 4.1 Mortgage Loans

	March 31, 2013			December 31, 2012		
	Unsecuritized	Held by Consolidated Trusts	Total	Unsecuritized	Held by Consolidated Trusts	Total
			(in millions)			
Single-family: (1)						
Fixed-rate						
Amortizing	$ 126,258	$ 1,367,737	$ 1,493,995	$ 131,061	$ 1,356,030	$ 1,487,091
Interest-only	2,207	7,590	9,797	2,445	8,874	11,319
Total fixed-rate	128,465	1,375,327	1,503,792	133,506	1,364,904	1,498,410
Adjustable-rate						
Amortizing	2,471	66,498	68,969	2,630	67,067	69,697
Interest-only	6,559	29,206	35,765	7,323	31,590	38,913
Total adjustable-rate	9,030	95,704	104,734	9,953	98,657	108,610
Other Guarantee Transactions		9,913	9,913		10,407	10,407
FHA/VA and other governmental	1,299	2,922	4,221	1,285	3,062	4,347
Total single-family	138,794	1,483,866	1,622,660	144,744	1,477,030	1,621,774
Multifamily: (1)						
Fixed-rate	63,480	447	63,927	66,384	448	66,832
Adjustable-rate	10,232		10,232	10,182		10,182
Other governmental	3		3	3		3
Total multifamily	73,715	447	74,162	76,569	448	77,017
Total UPB of mortgage loans	212,509	1,484,313	1,696,822	221,313	1,477,478	1,698,791
Deferred fees, unamortized premiums, discounts and other cost basis adjustments	(5,316)	24,988	19,672	(5,376)	23,373	17,997
Fair value adjustments on loans held-for-sale(2)	147		147	266		266
Allowance for loan losses on mortgage loans held-for-investment	(24,397)	(4,090)	(28,487)	(25,788)	(4,919)	(30,707)
Total mortgage loans, net	$ 182,943	$ 1,505,211	$ 1,688,154	$ 190,415	$ 1,495,932	$ 1,686,347
Mortgage loans, net:						
Held-for-investment	$ 168,803	$ 1,505,211	$ 1,674,014	$ 176,177	$ 1,495,932	$ 1,672,109
Held-for-sale	14,140		14,140	14,238		14,238
Total mortgage loans, net	$ 182,943	$ 1,505,211	$ 1,688,154	$ 190,415	$ 1,495,932	$ 1,686,347

(1) Based on UPB and excluding mortgage loans traded, but not yet settled.
(2) Consists of fair value adjustments associated with multifamily mortgage loans for which we have made a fair value election.

During the three months ended March 31, 2013 and 2012, we purchased $129.7 billion and $102.8 billion, respectively, in UPB of single-family mortgage loans and $0.3 billion in UPB of multifamily loans during both periods that were classified as held-for-investment at purchase. Our sales of multifamily mortgage loans occur primarily through the issuance of multifamily K Certificates, which we categorize as Other Guarantee Transactions. See NOTE 14: FINANCIAL GUARANTEES for more information on our issuances of Other Guarantee Transactions. We did not have significant reclassifications of mortgage loans into held-for-sale from held-for-investment during the three months ended March 31, 2013. We did not sell any held-for-investment loans during the three months ended March 31, 2013.

Credit Quality of Mortgage Loans

We evaluate the credit quality of single-family loans using different criteria than the criteria we use to evaluate multifamily loans. The current LTV ratio is one key factor we consider when estimating our loan loss reserves for single-family loans. As estimated current LTV ratios increase, the borrower s equity in the home decreases, which negatively

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affects the borrower s ability to refinance (outside of HARP) or to sell the property for an amount at or above the balance of the outstanding mortgage loan. 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, 2013 and December 31, 2012, approximately 15% and 14%, respectively, of loans in our single-family credit guarantee portfolio had second-lien financing by third parties at the time of origination of the first mortgage. 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. For further information about concentrations of risk associated with our single-family and multifamily mortgage loans, see NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS.

The table below presents information on the estimated current LTV ratios of single-family loans on our consolidated balance sheets, all of which are held-for-investment. Our current LTV ratio estimates are based on available data through the end of each respective period presented.

Table 4.2 Recorded Investment of Held-For-Investment Mortgage Loans, by LTV Ratio

	As of March 31, 2013 Estimated Current LTV Ratio(1)				As of December 31, 2012 Estimated Current LTV Ratio(1)			
	<= 80	>80 to 100	> 100(2)	Total	<= 80	>80 to 100	> 100(2)	Total
				(in millions)				
Single-family loans:								
20 and 30-year or more, amortizing fixed-rate(3)	$ 733,003	$ 293,617	$ 171,315	$ 1,197,935	$ 699,386	$ 309,099	$ 188,048	$ 1,196,533
15-year amortizing fixed-rate(3)	261,259	16,542	5,332	283,133	249,666	18,473	5,433	273,572
Adjustable-rate(4)	52,387	9,268	3,862	65,517	50,764	10,341	4,845	65,950
Alt-A, interest-only, and option ARM(5)	27,280	22,845	45,648	95,773	27,642	24,030	52,057	103,729
Total single-family loans	$ 1,073,929	$ 342,272	$ 226,157	1,642,358	$ 1,027,458	$ 361,943	$ 250,383	1,639,784
Multifamily loans				60,143				63,032
Total recorded investment of held-for-investment loans				$ 1,702,501				$ 1,702,816

(1) The current LTV ratios are management estimates, which are updated on a monthly basis. Current market values are estimated by adjusting the value of the property at origination based on changes in the market value of homes in the same geographical area since that time. The value of a property at origination is based on: (a) for purchase mortgages, either the lesser of the appraised value of the property at the time of mortgage origination or the mortgage borrower s purchase price; or (b) for refinance mortgages, a third-party appraisal. Changes in market value are derived from our internal index which measures price changes for repeat sales and refinancing activity on the same properties using Freddie Mac and Fannie Mae single-family mortgage acquisitions, including foreclosure sales. Estimates of the current LTV ratio include the credit-enhanced portion of the loan and exclude any secondary financing by third parties. The existence of a second lien reduces the borrower s equity in the property and, therefore, can increase the risk of default.

(2) The serious delinquency rate for the total of single-family held-for-investment mortgage loans with estimated current LTV ratios in excess of 100% was 12.2% and 12.7% as of March 31, 2013 and December 31, 2012, respectively.

(3) 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 gradually after five years to a new rate that is fixed for the remaining life of the loan. We have classified these loans as fixed-rate for purposes of this presentation even though they have a rate adjustment provision, because the future rates are determined at the time of the modification rather than at a subsequent date.

(4) Includes balloon/reset mortgage loans and excludes option ARMs.

(5) We have discontinued our purchases of Alt-A, interest-only, and option ARM loans. For reporting purposes, loans within the Alt-A category continue to be presented in that category following modification, even though the borrower may have provided full documentation of assets and income to complete the modification. For reporting purposes, loans within the option ARM category continue to be presented in that category following modification, even though the modified loan no longer provides for optional payment provisions.

For information about the payment status of single-family and multifamily mortgage loans, including the amount of such loans we deem impaired, see NOTE 5: INDIVIDUALLY IMPAIRED AND NON-PERFORMING LOANS. For a discussion of certain indicators of credit quality for the multifamily loans on our consolidated balance sheets, see NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS Multifamily Mortgage Portfolio.

Allowance for Loan Losses and Reserve for Guarantee Losses, or Loan Loss Reserves

We maintain an allowance for loan losses on mortgage loans that we classify as held-for-investment on our consolidated balance sheets. Our reserve for guarantee losses is associated with Freddie Mac mortgage-related securities backed by multifamily loans, certain single-family Other Guarantee Transactions, and other guarantee commitments, for which we have incremental credit risk. A significant portion of the unsecuritized single-family loans on our consolidated balance sheets are seriously delinquent and/or TDR loans that we previously removed from our PC pools. These seriously delinquent and TDR loans typically have a higher associated allowance for loan loss than loans that remain in consolidated trusts. Single-family

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loans that remain in consolidated trusts are generally aggregated and measured collectively for impairment based on similar risk characteristics of the loans.

The table below presents our loan loss reserves activity for the single-family and multifamily loans that we own or guarantee.

Table 4.3 Detail of Loan Loss Reserves

	Three Months Ended March 31,							
	2013				2012			
	Allowance for Loan Losses				Allowance for Loan Losses			
	Unsecuritized	Held By Consolidated Trusts	Reserve for Guarantee Losses[1]	Total	Unsecuritized	Held By Consolidated Trusts	Reserve for Guarantee Losses[1]	Total
	(in millions)							
Single-family:								
Beginning balance	$ 25,449	$ 4,918	$ 141	$ 30,508	$ 30,406	$ 8,351	$ 159	$ 38,916
Provision (benefit) for credit losses	(1,063)	610	(16)	(469)	269	1,533	42	1,844
Charge-offs[2]	(2,484)	(170)	(2)	(2,656)	(3,425)	(249)	(3)	(3,677)
Recoveries[2]	623	35		658	499	16		515
Transfers, net[3]	1,564	(1,304)	(2)	258	2,687	(2,512)	(2)	173
Ending balance	$ 24,089	$ 4,089	$ 121	$ 28,299	$ 30,436	$ 7,139	$ 196	$ 37,771
Multifamily:								
Beginning balance	$ 339	$ 1	$ 42	$ 382	$ 506	$	$ 39	$ 545
Provision (benefit) for credit losses	(30)		(4)	(34)	(16)		(3)	(19)
Charge-offs[2]	(2)			(2)	(1)			(1)
Recoveries[2]	1			1				
Transfers, net			(7)	(7)				
Ending balance	$ 308	$ 1	$ 31	$ 340	$ 489	$	$ 36	$ 525
Total:								
Beginning balance	$ 25,788	$ 4,919	$ 183	$ 30,890	$ 30,912	$ 8,351	$ 198	$ 39,461
Provision (benefit) for credit losses	(1,093)	610	(20)	(503)	253	1,533	39	1,825
Charge-offs[2]	(2,486)	(170)	(2)	(2,658)	(3,426)	(249)	(3)	(3,678)
Recoveries[2]	624	35		659	499	16		515
Transfers, net[3]	1,564	(1,304)	(9)	251	2,687	(2,512)	(2)	173
Ending balance	$ 24,397	$ 4,090	$ 152	$ 28,639	$ 30,925	$ 7,139	$ 232	$ 38,296
Total loan loss reserve as a percentage of the total mortgage portfolio, excluding non-Freddie Mac securities				1.59%				2.03%

(1) Loans associated with our reserve for guarantee losses are those loans that underlie our non-consolidated securitization trusts and other guarantee commitments and are evaluated for impairment on a collective basis. Our reserve for guarantee losses is included in other liabilities on our consolidated balance sheets.

(2) Charge-offs represent the amount of a loan that has been discharged to remove the loan from our consolidated balance sheet principally due to either foreclosure transfers or short sales. Charge-offs exclude $57 million and $101 million for the three months ended March 31, 2013 and 2012, respectively, recorded as losses on loans purchased within other expenses on our consolidated statements of comprehensive income, which relate to certain loans purchased under financial guarantees. We record charge-offs and recoveries on loans held by consolidated trusts when a loss event (such as a foreclosure transfer or foreclosure alternative) occurs on a loan while it remains in a consolidated trust. Recoveries of charge-offs primarily result from foreclosure alternatives and REO acquisitions on loans where: (a) a share of default risk has been assumed by mortgage insurers, servicers, or other third parties through credit enhancements; or (b) we received a reimbursement of our losses from a seller/servicer associated with a repurchase request on a loan that experienced a

foreclosure transfer or a foreclosure alternative.

(3) For the three months ended March 31, 2013 and 2012, consists of: (a) approximately $1.3 billion and $2.5 billion, respectively, of reclassified single-family reserves related to our removal of loans previously held by consolidated trusts; (b) approximately $257 million and $171 million, respectively, attributable to recapitalization of past due interest on modified mortgage loans; and (c) $1 million of other transfers during both periods.

The table below presents our allowance for loan losses and our recorded investment in mortgage loans, held-for-investment, by impairment evaluation methodology.

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Table 4.4 Net Investment in Mortgage Loans

	March 31, 2013			December 31, 2012		
	Single-family	Multifamily	Total	Single-family	Multifamily	Total
	(in millions)					
Recorded investment:						
Collectively evaluated	$ 1,551,096	$ 58,199	$ 1,609,295	$ 1,550,493	$ 60,836	$ 1,611,329
Individually evaluated	91,262	1,944	93,206	89,291	2,196	91,487
Total recorded investment	1,642,358	60,143	1,702,501	1,639,784	63,032	1,702,816
Ending balance of the allowance for loan losses:						
Collectively evaluated	(10,269)	(116)	(10,385)	(12,432)	(135)	(12,567)
Individually evaluated	(17,909)	(193)	(18,102)	(17,935)	(205)	(18,140)
Total ending balance of the allowance	(28,178)	(309)	(28,487)	(30,367)	(340)	(30,707)
Net investment in mortgage loans	$ 1,614,180	$ 59,834	$ 1,674,014	$ 1,609,417	$ 62,692	$ 1,672,109

A significant number of unsecuritized single-family mortgage loans on our consolidated balance sheets are individually evaluated for impairment and substantially all single-family mortgage loans held by our consolidated trusts are collectively evaluated for impairment. The ending balance of the allowance for loan losses associated with our held-for-investment unsecuritized mortgage loans represented approximately 12.6% and 12.8% of the recorded investment in such loans at March 31, 2013 and December 31, 2012, respectively. The ending balance of the allowance for loan losses associated with mortgage loans held by our consolidated trusts represented approximately 0.3% of the recorded investment in such loans at both March 31, 2013 and December 31, 2012.

Credit Protection and Other Forms of Credit Enhancement

In connection with many of our mortgage loans held-for-investment and other mortgage-related guarantees, we have credit protection in the form of primary mortgage insurance, pool insurance, recourse to lenders, and other forms of credit enhancements.

The table below presents the UPB of loans on our consolidated balance sheets or underlying our financial guarantees with credit protection and the maximum amounts of potential loss recovery by type of credit protection.

Table 4.5 Recourse and Other Forms of Credit Protection[1]

	UPB at		Maximum Coverage[2] at	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
	(in millions)			
Single-family:				
Primary mortgage insurance	$ 191,124	$ 188,419	$ 47,364	$ 46,685
Lender recourse and indemnifications	7,628	7,875	7,412	7,718
Pool insurance[3]	6,736	7,307	1,344	1,355
HFA indemnification[4]	5,631	6,270	3,323	3,323
Subordination[5]	2,882	2,960	473	503
Other credit enhancements	58	62	58	62
Total	$ 214,059	$ 212,893	$ 59,974	$ 59,646
Multifamily:				
HFA indemnification[4]	$ 1,041	$ 1,112	$ 699	$ 699
Subordination[5]	45,173	40,549	7,485	6,698

Other credit enhancements	7,040	7,235	2,252	2,263
Total	$ 53,254	$ 48,896	$ 10,436	$ 9,660

(1) Includes the credit protection associated with unsecuritized mortgage loans, loans held by our consolidated trusts as well as our non-consolidated mortgage guarantees and excludes FHA/VA and other governmental loans. Except for subordination coverage, these amounts exclude credit protection associated with $13.3 billion and $13.8 billion in UPB of single-family loans underlying Other Guarantee Transactions as of March 31, 2013 and December 31, 2012, respectively, for which the information was not available.
(2) Except for subordination, this represents the remaining amount of loss recovery that is available subject to terms of counterparty agreements.
(3) Maximum coverage amounts presented have been limited to the remaining UPB at period end. Excludes approximately $2.8 billion and $3.3 billion in UPB at March 31, 2013 and December 31, 2012, respectively, where the related loans are also covered by primary mortgage insurance.
(4) Represents the amount of potential reimbursement of losses on securities we have guaranteed that are backed by state and local HFA bonds, under which Treasury bears initial losses on these securities up to 35% of the original UPB issued under the HFA initiative on a combined program-wide basis. Treasury will also bear losses of unpaid interest.
(5) Represents Freddie Mac issued mortgage-related securities with subordination protection, excluding those backed by HFA bonds. Excludes mortgage-related securities where subordination coverage was exhausted or maximum coverage amounts were limited to the remaining UPB at that date.

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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. Pool insurance contracts provide insurance on a group of mortgage loans up to a stated aggregate loss limit. We have not purchased pool insurance on single-family loans since March 2008. We also reached the maximum limit of recovery on certain pool insurance contracts. For information about counterparty risk associated with mortgage insurers, see NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS Mortgage Insurers.

We also have credit enhancements protecting our multifamily mortgage portfolio. Subordination, primarily through our K Certificates, is the most prevalent type, whereby we mitigate our credit risk exposure by structuring our securities to shift a significant portion of expected credit losses to third party investors through the sale of subordinate tranches.

We also have credit protection for certain of the mortgage loans on our consolidated balance sheets that are covered by insurance or partial guarantees issued by federal agencies (such as FHA, VA, and USDA). The total UPB of these loans was $4.2 billion and $4.3 billion as of March 31, 2013 and December 31, 2012, respectively.

NOTE 5: INDIVIDUALLY IMPAIRED AND NON-PERFORMING LOANS

Individually Impaired Loans

Individually impaired single-family loans include performing and non-performing TDRs, as well as loans acquired under our financial guarantees with deteriorated credit quality. Individually impaired multifamily loans include TDRs, loans three monthly payments or more past due, and loans that are impaired based on management judgment. For a discussion of our significant accounting policies regarding impaired and non-performing loans, which are applied consistently for multifamily loans and single-family loan classes, see NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in our 2012 Annual Report.

Total loan loss reserves consist of a specific valuation allowance related to individually impaired mortgage loans, and a general reserve for other probable incurred losses. Our recorded investment in individually impaired mortgage loans and the related specific valuation allowance are summarized in the table below by product class (for single-family loans).

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Table 5.1 Individually Impaired Loans

	Balance at March 31, 2013				For The Three Months Ended March 31, 2013		
	UPB	Recorded Investment	Associated Allowance	Net Investment	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized On Cash Basis[1]
				(in millions)			
Single-family							
With no specific allowance recorded[2]*:*							
20 and 30-year or more, amortizing fixed-rate[3]	$ 6,465	$ 3,280	$	$ 3,280	$ 3,267	$ 99	$ 11
15-year amortizing fixed-rate[3]	65	32		32	30	1	
Adjustable rate[4]	20	14		14	13		
Alt-A, interest-only, and option ARM[5]	1,770	879		879	879	17	2
Total with no specific allowance recorded	8,320	4,205		4,205	4,189	117	13
With specific allowance recorded:[6]							
20 and 30-year or more, amortizing fixed-rate[3]	69,251	68,280	(13,604)	54,676	67,423	513	71
15-year amortizing fixed-rate[3]	1,127	1,120	(50)	1,070	1,083	12	3
Adjustable rate[4]	879	871	(98)	773	837	5	1
Alt-A, interest-only, and option ARM[5]	17,087	16,786	(4,157)	12,629	16,527	92	16
Total with specific allowance recorded	88,344	87,057	(17,909)	69,148	85,870	622	91
Combined single-family:							
20 and 30-year or more, amortizing fixed-rate[3]	75,716	71,560	(13,604)	57,956	70,690	612	82
15-year amortizing fixed-rate[3]	1,192	1,152	(50)	1,102	1,113	13	3
Adjustable rate[4]	899	885	(98)	787	850	5	1
Alt-A, interest-only, and option ARM[5]	18,857	17,665	(4,157)	13,508	17,406	109	18
Total single-family[7]	$ 96,664	$ 91,262	$ (17,909)	$ 73,353	$ 90,059	$ 739	$ 104
Multifamily							
With no specific allowance recorded[8]	$ 799	$ 776	$	$ 776	$ 777	$ 10	$ 4
With specific allowance recorded	1,185	1,168	(193)	975	1,170	16	11
Total multifamily	$ 1,984	$ 1,944	$ (193)	$ 1,751	$ 1,947	$ 26	$ 15
Total single-family and multifamily	$ 98,648	$ 93,206	$ (18,102)	$ 75,104	$ 92,006	$ 765	$ 119

	Balance at December 31, 2012				For The Three Months Ended March 31, 2012		
	UPB	Recorded Investment	Associated Allowance	Net Investment	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized On Cash Basis[1]
				(in millions)			
Single-family							
With no specific allowance recorded[2]*:*							
20 and 30-year or more, amortizing fixed-rate[3]	$ 6,582	$ 3,236	$	$ 3,236	$ 3,123	$ 79	$ 11
15-year amortizing fixed-rate[3]	64	30		30	22	1	
Adjustable rate[4]	19	12		12	5		
Alt-A, interest-only, and option ARM[5]	1,799	857		857	856	16	3

Total with no specific allowance recorded	8,464	4,135		4,135	4,006	96	14
With specific allowance recorded:[6]							
20 and 30-year or more, amortizing fixed-rate[3]	67,473	66,501	(13,522)	52,979	45,021	311	55
15-year amortizing fixed-rate[3]	1,134	1,125	(55)	1,070	331	4	2
Adjustable rate[4]	883	874	(107)	767	257	2	1
Alt-A, interest-only, and option ARM[5]	16,946	16,656	(4,251)	12,405	11,913	69	14
Total with specific allowance recorded	86,436	85,156	(17,935)	67,221	57,522	386	72
Combined single-family:							
20 and 30-year or more, amortizing fixed-rate[3]	74,055	69,737	(13,522)	56,215	48,144	390	66
15-year amortizing fixed-rate[3]	1,198	1,155	(55)	1,100	353	5	2
Adjustable rate[4]	902	886	(107)	779	262	2	1
Alt-A, interest-only, and option ARM[5]	18,745	17,513	(4,251)	13,262	12,769	85	17
Total single-family[7]	$ 94,900	$ 89,291	$ (17,935)	$ 71,356	$ 61,528	$ 482	$ 86
Multifamily							
With no specific allowance recorded[8]	$ 978	$ 966	$	$ 966	$ 838	$ 11	$ 5
With specific allowance recorded	1,248	1,230	(205)	1,025	1,776	23	19
Total multifamily	$ 2,226	$ 2,196	$ (205)	$ 1,991	$ 2,614	$ 34	$ 24
Total single-family and multifamily	$ 97,126	$ 91,487	$ (18,140)	$ 73,347	$ 64,142	$ 516	$ 110

(1) Consists of income recognized during the period related to loans categorized as non-accrual.
(2) Individually impaired loans with no specific related valuation allowance primarily represent mortgage loans purchased out of PC pools and accounted for in accordance with the accounting guidance for loans and debt securities acquired with deteriorated credit quality that have not experienced further deterioration.
(3) See endnote (3) of Table 4.2 Recorded Investment of Held-for-Investment Mortgage Loans, by LTV Ratio.
(4) Includes balloon/reset mortgage loans and excludes option ARMs.
(5) See endnote (5) of Table 4.2 Recorded Investment of Held-for-Investment Mortgage Loans, by LTV Ratio.
(6) Consists primarily of mortgage loans classified as TDRs.
(7) As of March 31, 2013 and December 31, 2012 includes $88.3 billion and $86.4 billion, respectively, of UPB associated with loans for which we have recorded a specific allowance, and $8.3 billion and $8.5 billion, respectively, of UPB associated with loans that have no specific allowance recorded. See endnote (2) for additional information.
(8) Individually impaired multifamily loans with no specific related valuation allowance primarily represent those loans for which the collateral value is sufficiently in excess of the loan balance to result in recovery of the entire recorded investment if the property were foreclosed upon or otherwise subject to disposition.

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Interest income foregone on individually impaired loans was $0.7 billion and $0.5 billion for the three months ended March 31, 2013 and 2012, respectively.

Mortgage Loan Performance

We do not accrue interest on loans three months or more past due.

The table below presents the recorded investment of our single-family and multifamily mortgage loans, held-for-investment, by payment status.

Table 5.2 Payment Status of Mortgage Loans[1]

	March 31, 2013					
	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure	Total	Non-accrual
	(in millions)					
Single-family						
20 and 30-year or more, amortizing fixed-rate[2]	$ 1,133,211	$ 19,904	$ 6,822	$ 37,998	$ 1,197,935	$ 37,855
15-year amortizing fixed-rate[2]	280,454	1,279	280	1,120	283,133	1,114
Adjustable-rate[3]	63,492	577	186	1,262	65,517	1,259
Alt-A, interest-only, and option ARM[4]	76,663	3,169	1,343	14,598	95,773	14,552
Total single-family	1,553,820	24,929	8,631	54,978	1,642,358	54,780
Total multifamily	60,096	9	17	21	60,143	1,188
Total single-family and multifamily	$ 1,613,916	$ 24,938	$ 8,648	$ 54,999	$ 1,702,501	$ 55,968

	December 31, 2012					
	Current	One Month Past Due	Two Months Past Due	Three Months or More Past Due, or in Foreclosure	Total	Non-accrual
	(in millions)					
Single-family						
20 and 30-year or more, amortizing fixed-rate[2]	$ 1,125,996	$ 21,509	$ 8,051	$ 40,977	$ 1,196,533	$ 40,833
15-year amortizing fixed-rate[2]	270,730	1,320	338	1,184	273,572	1,177
Adjustable-rate[3]	63,736	614	212	1,388	65,950	1,383
Alt-A, interest-only, and option ARM[4]	82,438	3,439	1,582	16,270	103,729	16,237
Total single-family	1,542,900	26,882	10,183	59,819	1,639,784	59,630
Total multifamily	63,000		2	30	63,032	1,457
Total single-family and multifamily	$ 1,605,900	$ 26,882	$ 10,185	$ 59,849	$ 1,702,816	$ 61,087

(1) Based on recorded investment in the loan. Mortgage loans that have been modified are not counted as past due as long as the borrower is current under the modified terms. The payment status of a loan may be affected by temporary timing differences, or lags, in the reporting of this information to us by our

servicers.
(2) See endnote (3) of Table 4.2 Recorded Investment of Held-for-Investment Mortgage Loans, by LTV Ratio.
(3) Includes balloon/reset mortgage loans and excludes option ARMs.
(4) See endnote (5) of Table 4.2 Recorded Investment of Held-for-Investment Mortgage Loans, by LTV Ratio.

We have the option under our PC agreements to remove mortgage loans that underlie our PCs under certain circumstances to resolve an existing or impending delinquency or default. Our practice generally has been to remove loans from PC trusts when the loans have been delinquent for 120 days or more. As of March 31, 2013, there were $1.5 billion in UPB of loans underlying our PCs that were 120 days or more delinquent, and that met our criteria for removing the loan from the PC trust. Generally, we remove these delinquent loans from the PC trust, and thereby extinguish the related PC debt, at the next scheduled PC payment date, unless the loans proceed to foreclosure transfer, complete a foreclosure alternative or are paid in full by the borrower before such date.

When we remove mortgage loans from PC trusts, we reclassify the loans from mortgage loans held-for-investment by consolidated trusts to unsecuritized mortgage loans held-for-investment and record an extinguishment of the corresponding portion of the debt securities of the consolidated trusts. We removed $5.8 billion and $9.2 billion in UPB of loans from PC trusts (or purchased delinquent loans associated with other guarantee commitments) during the three months ended March 31, 2013 and 2012, respectively.

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The table below summarizes the delinquency rates of mortgage loans within our single-family credit guarantee and multifamily mortgage portfolios.

Table 5.3 Delinquency Rates[1]

	March 31, 2013	December 31, 2012
Single-family:		
Non-credit-enhanced portfolio (excluding Other Guarantee Transactions):		
Serious delinquency rate	2.44%	2.62%
Total number of seriously delinquent loans	227,522	244,533
Credit-enhanced portfolio (excluding Other Guarantee Transactions):		
Serious delinquency rate	6.23%	6.83%
Total number of seriously delinquent loans	82,048	90,747
Other Guarantee Transactions:[2]		
Serious delinquency rate	10.69%	10.60%
Total number of seriously delinquent loans	17,057	17,580
Total single-family:		
Serious delinquency rate	3.03%	3.25%
Total number of seriously delinquent loans	326,627	352,860
Multifamily:[3]		
Non-credit-enhanced portfolio:		
Delinquency rate	0.04%	0.10%
UPB of delinquent loans (in millions)	$ 29	$ 76
Credit-enhanced portfolio:		
Delinquency rate	0.34%	0.36%
UPB of delinquent loans (in millions)	$ 181	$ 172
Total Multifamily:		
Delinquency rate	0.16%	0.19%
UPB of delinquent loans (in millions)	$ 210	$ 248

(1) Single-family mortgage loans that have been modified are not counted as seriously delinquent if the borrower is less than three monthly payments past due under the modified terms. Serious delinquencies on single-family mortgage loans underlying certain REMICs and Other Structured Securities, Other Guarantee Transactions, and other guarantee commitments may be reported on a different schedule due to variances in industry practice.

(2) Other Guarantee Transactions generally have underlying mortgage loans with higher risk characteristics, but some Other Guarantee Transactions may provide inherent credit protections from losses due to underlying subordination, excess interest, overcollateralization and other features.

(3) Multifamily delinquency performance is based on UPB of mortgage loans that are two monthly payments or more past due or those in the process of foreclosure and includes multifamily Other Guarantee Transactions. Excludes mortgage loans that have been modified as long as the borrower is less than two monthly payments past due under the modified contractual terms.

We continue to implement a number of initiatives to modify and restructure loans, including the MHA Program. As part of accomplishing certain of these initiatives, we pay various incentives to servicers and borrowers. We bear the full costs associated with these loan workout and foreclosure alternatives on mortgages that we own or guarantee, including the cost of any monthly payment reductions, and do not receive any reimbursement from Treasury.

Troubled Debt Restructurings

Single-Family TDRs

For information about our loss mitigation activities that can result in our granting a concession to a borrower, including our participation in HAMP, see NOTE 5: INDIVIDUALLY IMPAIRED AND NON-PERFORMING LOANS in our 2012 Annual Report.

During the three months ended March 31, 2013, approximately 55% of completed single-family loan modifications that were classified as TDRs involved interest rate reductions and term extensions and approximately 40% involved principal forbearance in addition to interest rate reductions and term extensions. During the three months ended March 31, 2013, the average term extension was 147 months and the average interest rate reduction was 2.3% on completed single-family loan modifications classified as TDRs.

TDR Activity and Performance

The table below presents the volume of single-family and multifamily loans that were newly classified as TDRs during the three months ended March 31, 2013 and 2012, based on the original category of the loan before the loan was classified as a TDR. Loans classified as a TDR in one period may be subject to further action (such as a modification or remodification) in a subsequent period. In such cases, the subsequent action would not be reflected in the table below since the loan would already have been classified as a TDR.

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Table 5.4 TDR Activity, by Segment

	Three Months Ended March 31, 2013		2012	
	# of Loans	Post-TDR Recorded Investment	# of Loans	Post-TDR Recorded Investment
	(dollars in millions)			
Single-family[1]				
20 and 30-year or more, amortizing fixed-rate	22,481	$ 3,695	15,072	$ 2,643
15-year amortizing fixed-rate	1,888	143	962	87
Adjustable-rate[2]	689	118	451	85
Alt-A, interest-only, and option ARM	4,667	1,088	3,725	961
Total Single-family	29,725	5,044	20,210	3,776
Multifamily	3	31	4	22
Total	29,728	$ 5,075	20,214	$ 3,798

(1) The pre-TDR recorded investment for single-family loans initially classified as TDR during the three months ended March 31, 2013 and 2012 was $5.0 billion and $3.7 billion, respectively.
(2) Includes balloon/reset mortgage loans.

The table below presents the volume of payment defaults of our TDR modifications based on the original category of the loan before modification and excludes loans subject to other loss mitigation activity that were classified as TDRs during the period. For reporting purposes, loans within the Alt-A category continue to be presented in that category following modification, even though the borrower may have provided full documentation of assets and income before completing the modification. For reporting purposes, loans within the option ARM category continue to be presented in that category following modification, even though the modified loan no longer provides for optional payment provisions. Substantially all of our completed single-family loan modifications classified as a TDR during the three months ended March 31, 2013 resulted in a modified loan with a fixed interest rate. Approximately $45.4 billion in UPB of our completed HAMP loan modifications at March 31, 2013 had provisions for reduced interest rates that remain fixed for the first five years of the modification and then increase at a rate of one percent per year (or such lesser amount as may be needed) until the interest rate has been adjusted to the market rate that was in effect at the time of the modification.

Table 5.5 Payment Defaults of Completed TDR Modifications, by Segment[1]

	Three Months Ended March 31, 2013		2012	
	# of Loans	Post-TDR Recorded Investment[2]	# of Loans	Post-TDR Recorded Investment[2]
	(dollars in millions)			
Single-family				
20 and 30-year or more, amortizing fixed-rate	3,171	$ 593	4,888	$ 919
15-year amortizing fixed-rate	90	9	232	24
Adjustable-rate	54	11	98	22
Alt-A, interest-only, and option ARM	511	135	1,048	278
Total single-family	3,826	$ 748	6,266	$ 1,243

Multifamily	$ 1	$ 2

(1) Represents TDR loans that experienced a payment default during the period and had completed a modification during the year preceding the payment default. A payment default occurs when a borrower either: (a) became two or more months delinquent; or (b) completed a loss event, such as a short sale or foreclosure transfer. We only include payment defaults for a single loan once during each quarterly period within a year; however, a single loan will be reflected more than once if the borrower experienced another payment default in a subsequent quarterly period.

(2) Represents the recorded investment at the end of the period in which the loan was modified and does not represent the recorded investment as of March 31.

There were 1,934 and 2,381 loans where we engaged in other loss mitigation activities (i.e., repayment plan, forbearance agreement, or trial period modifications) initially classified as TDRs, with a post-TDR recorded investment of $325 million and $383 million, that then subsequently experienced a payment default (i.e., became two months delinquent or completed a loss event) during the three months ended March 31, 2013 and 2012, respectively. During the three months ended March 31, 2013, there were also 5,400 loans with a recorded investment of $0.9 billion that were initially classified as TDRs because the borrowers debts were discharged in Chapter 7 bankruptcy (and the loan was not already classified as TDR for other reasons) and the loan subsequently experienced a payment default.

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NOTE 6: REAL ESTATE OWNED

We obtain REO properties: (a) when we are the highest bidder at foreclosure sales of properties that collateralize non-performing single-family and multifamily mortgage loans owned by us; or (b) when a delinquent borrower chooses to transfer the mortgaged property to us in lieu of going through the foreclosure process. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in our 2012 Annual Report for a discussion of our significant accounting policies for REO.

The table below provides a summary of the change in the carrying value of our combined single-family and multifamily REO balances. For the periods presented in the table below, the weighted average holding period for our disposed properties was less than one year.

Table 6.1 REO[1]

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
	(in millions)	
Beginning balance REO	$ 4,407	$ 5,827
Additions	1,561	2,000
Dispositions	(1,603)	(2,283)
Ending balance REO	4,365	5,544
Beginning balance, valuation allowance	(29)	(147)
Change in valuation allowance	(13)	57
Ending balance, valuation allowance	(42)	(90)
Ending balance REO, net	$ 4,323	$ 5,454

(1) In the fourth quarter of 2012, we revised our presentation of REO activity to include the initial estimated costs to sell within REO activities rather than within the change in valuation allowance. Prior period amounts have been revised to conform to current period presentation.

The REO balance, net at March 31, 2013 and December 31, 2012 associated with single-family properties was $4.2 billion and $4.3 billion, respectively, and the balance associated with multifamily properties was $77 million and $64 million, respectively. The North Central region represented approximately 34% and 32% of our single-family REO additions during the three months ended March 31, 2013 and 2012, respectively, based on the number of properties, and the Southeast region represented approximately 31% and 30% of our single-family REO additions during these periods. Our single-family REO inventory consisted of 47,968 properties and 49,071 properties at March 31, 2013 and December 31, 2012, respectively. In recent years, the foreclosure process has been significantly slowed in many geographical areas due to lengthening of the foreclosure process, particularly in states that require a judicial foreclosure process, which extends the time it takes for loans to be foreclosed upon and the underlying property to transition to REO. See NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS for additional information about regional concentrations in our portfolio.

Our REO operations expenses include: (a) REO property expenses; (b) net gains or losses incurred on disposition of REO properties; (c) adjustments to the holding period allowance associated with REO properties to record them at the lower of their carrying amount or fair value less the estimated costs to sell; and (d) recoveries from insurance and other credit enhancements. An allowance for estimated declines in the REO fair value during the period properties are held reduces the carrying value of REO property. Excluding holding period valuation adjustments, we recognized gains of $159 million and $80 million on REO dispositions during the three months ended March 31, 2013 and 2012, respectively. We increased (decreased) our valuation allowance for properties in our REO inventory by $23 million and $2 million during the three months ended March 31, 2013 and 2012, respectively.

REO property acquisitions that result from extinguishment of our mortgage loans held on our consolidated balance sheets are treated as non-cash transfers. The amount of non-cash acquisitions of REO properties during the three months ended March 31, 2013 and 2012 was $1.5 billion and $1.9 billion, respectively.

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NOTE 7: INVESTMENTS IN SECURITIES

The table below summarizes amortized cost, estimated fair values, and corresponding gross unrealized gains and gross unrealized losses for available-for-sale securities by major security type. At March 31, 2013 and December 31, 2012, all available-for-sale securities are mortgage-related securities.

Table 7.1 Available-For-Sale Securities

March 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in millions)		
Available-for-sale securities:				
Freddie Mac	$ 48,409	$ 4,035	$ (49)	$ 52,395
Fannie Mae	12,886	973	(2)	13,857
Ginnie Mae	171	25		196
CMBS	45,971	3,904	(190)	49,685
Subprime	34,417	187	(6,086)	28,518
Option ARM	7,258	112	(1,226)	6,144
Alt-A and other	11,485	343	(868)	10,960
Obligations of states and political subdivisions	5,183	126	(4)	5,305
Manufactured housing	695	30	(25)	700
Total available-for-sale securities	$ 166,475	$ 9,735	$ (8,450)	$ 167,760
December 31, 2012				
Available-for-sale securities:				
Freddie Mac	$ 53,965	$ 4,602	$ (52)	$ 58,515
Fannie Mae	14,183	1,099	(2)	15,280
Ginnie Mae	183	26		209
CMBS	47,606	3,882	(181)	51,307
Subprime	35,503	83	(9,129)	26,457
Option ARM	7,454	48	(1,785)	5,717
Alt-A and other	11,861	244	(1,201)	10,904
Obligations of states and political subdivisions	5,647	154	(3)	5,798
Manufactured housing	716	24	(31)	709
Total available-for-sale securities	$ 177,118	$ 10,162	$ (12,384)	$ 174,896

Available-For-Sale Securities in a Gross Unrealized Loss Position

The table below shows the fair value of available-for-sale securities in a gross unrealized loss position, and whether they have been in that position less than 12 months, or 12 months or greater, including the non-credit-related portion of other-than-temporary impairments, which have been recognized in AOCI.

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Table 7.2 Available-For-Sale Securities in a Gross Unrealized Loss Position

March 31, 2013	Less than 12 Months				12 Months or Greater				Total			
		Gross Unrealized Losses				Gross Unrealized Losses				Gross Unrealized Losses		
	Fair Value	Other-Than-Temporary Impairment[1]	Temporary Impairment[2]	Total	Fair Value	Other-Than-Temporary Impairment[1]	Temporary Impairment[2]	Total	Fair Value	Other-Than-Temporary Impairment[1]	Temporary Impairment[2]	Total
							(in millions)					
Available-for-sale securities:												
Freddie Mac	$ 1,759	$	$ (22)	$ (22)	$ 1,741	$	$ (27)	$ (27)	$ 3,500	$	$ (49)	$ (49)
Fannie Mae	9				50		(2)	(2)	59		(2)	(2)
CMBS	1,101		(33)	(33)	2,749	(17)	(140)	(157)	3,850	(17)	(173)	(190)
Subprime	65	(7)		(7)	26,803	(5,291)	(788)	(6,079)	26,868	(5,298)	(788)	(6,086)
Option ARM					4,960	(1,208)	(18)	(1,226)	4,960	(1,208)	(18)	(1,226)
Alt-A and other	205				6,888	(693)	(175)	(868)	7,093	(693)	(175)	(868)
Obligations of states and political subdivisions	26		(2)	(2)	34		(2)	(2)	60		(4)	(4)
Manufactured housing					189	(21)	(4)	(25)	189	(21)	(4)	(25)
Total available-for-sale securities in a gross unrealized loss position	$ 3,165	$ (7)	$ (57)	$ (64)	$ 43,414	$ (7,230)	$ (1,156)	$ (8,386)	$ 46,579	$ (7,237)	$ (1,213)	$ (8,450)

December 31, 2012	Less than 12 Months				12 Months or Greater				Total			
		Gross Unrealized Losses				Gross Unrealized Losses				Gross Unrealized Losses		
	Fair Value	Other-Than-Temporary Impairment[1]	Temporary Impairment[2]	Total	Fair Value	Other-Than-Temporary Impairment[1]	Temporary Impairment[2]	Total	Fair Value	Other-Than-Temporary Impairment[1]	Temporary Impairment[2]	Total
							(in millions)					
Available-for-sale securities:												
Freddie Mac	$ 1,811	$	$ (25)	$ (25)	$ 1,872	$	$ (27)	$ (27)	$ 3,683	$	$ (52)	$ (52)
Fannie Mae	170				55		(2)	(2)	225		(2)	(2)
CMBS	340		(3)	(3)	3,425	(22)	(156)	(178)	3,765	(22)	(159)	(181)
Subprime	298	(23)		(23)	25,676	(7,830)	(1,276)	(9,106)	25,974	(7,853)	(1,276)	(9,129)
Option ARM	82	(3)		(3)	5,182	(1,759)	(23)	(1,782)	5,264	(1,762)	(23)	(1,785)
Alt-A and other	50	(4)		(4)	7,938	(961)	(236)	(1,197)	7,988	(965)	(236)	(1,201)
Obligations of states and political subdivisions	37		(1)	(1)	45		(2)	(2)	82		(3)	(3)
Manufactured housing	46				222	(26)	(5)	(31)	268	(26)	(5)	(31)
Total available-for-sale securities in a gross unrealized loss position	$ 2,834	$ (30)	$ (29)	$ (59)	$ 44,415	$ (10,598)	$ (1,727)	$ (12,325)	$ 47,249	$ (10,628)	$ (1,756)	$ (12,384)

(1) Represents the gross unrealized losses for securities for which we have previously recognized other-than-temporary impairments in earnings.
(2) Represents the gross unrealized losses for securities for which we have not previously recognized other-than-temporary impairments in earnings.

At March 31, 2013, total gross unrealized losses on available-for-sale securities were $8.5 billion. The gross unrealized losses relate to 1,049 individual lots representing 1,009 separate securities, including securities with non-credit-related other-than-temporary impairments recognized in AOCI. We purchase multiple lots of individual securities at different times and at different costs. We determine gross unrealized gains and gross unrealized losses by specifically evaluating investment positions at the lot level; therefore, some of the lots we hold for a single security may be in an unrealized gain position while other lots for that security may be in an unrealized loss position, depending upon the amortized cost of the specific lot.

Impairment Recognition on Investments in Securities

We recognize impairment losses on available-for-sale securities within our consolidated statements of comprehensive income as net impairment of available-for-sale securities recognized in earnings when we conclude that a decrease in the fair value of a security is other-than-temporary.

See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES and NOTE 7: INVESTMENTS IN SECURITIES in our 2012 Annual Report for information on our accounting policy for impairment recognition on investments in securities and our methodologies for measuring impairment on investments in securities, respectively.

For our available-for-sale securities in an unrealized loss position at March 31, 2013, we have asserted that we have no intent to sell and that we believe it is not more likely than not that we will be required to sell the security before recovery of its amortized cost basis. In cases where such an assertion cannot be made, the security s entire decline in fair value would be deemed to be other-than-temporary and is recorded within our consolidated statements of comprehensive income as net impairment of available-for-sale securities recognized in earnings.

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See Table 7.2 Available-For-Sale Securities in a Gross Unrealized Loss Position for the length of time our available-for-sale securities have been in an unrealized loss position. Also see Table 7.3 Significant Modeled Attributes for Certain Available-For-Sale Non-Agency Mortgage-Related Securities for the modeled default rates and severities that were used to determine whether our senior interests in certain non-agency mortgage-related securities would experience a cash shortfall.

The table below presents the modeled attributes, including default rates, prepayment rates, and severities, without regard to subordination, that are used to determine whether our interests in certain available-for-sale non-agency mortgage-related securities will experience a cash shortfall.

Table 7.3 Significant Modeled Attributes for Certain Available-For-Sale Non-Agency Mortgage-Related Securities

	March 31, 2013				
			Alt-A[1]		
	Subprime First Lien[2]	Option ARM	Fixed Rate	Variable Rate	Hybrid Rate
	(dollars in millions)				
Issuance Date					
2004 and prior:					
UPB	$ 1,084	$ 104	$ 679	$ 429	$ 1,958
Weighted average collateral defaults[3]	43%	37%	16%	37%	19%
Weighted average collateral severities[4]	66%	55%	44%	53%	45%
Weighted average voluntary prepayment rates[5]	7%	6%	12%	6%	8%
Average credit enhancement[6]	40%	7%	14%	17%	14%
2005:					
UPB	$ 4,755	$ 2,427	$ 982	$ 713	$ 3,535
Weighted average collateral defaults[3]	56%	47%	28%	49%	24%
Weighted average collateral severities[4]	70%	61%	54%	62%	51%
Weighted average voluntary prepayment rates[5]	4%	5%	9%	5%	8%
Average credit enhancement[6]	49%	5%	1%	22%	2%
2006:					
UPB	$ 17,736	$ 5,432	$ 448	$ 923	$ 1,010
Weighted average collateral defaults[3]	64%	58%	38%	54%	29%
Weighted average collateral severities[4]	72%	63%	55%	64%	54%
Weighted average voluntary prepayment rates[5]	3%	4%	7%	4%	8%
Average credit enhancement[6]	8%	(3)%	2%	(6)%	(2)%
2007:					
UPB	$ 19,423	$ 3,654	$ 146	$ 1,168	$ 252
Weighted average collateral defaults[3]	64%	57%	57%	50%	44%
Weighted average collateral severities[4]	70%	61%	56%	60%	61%
Weighted average voluntary prepayment rates[5]	3%	4%	5%	5%	6%
Average credit enhancement[6]	9%	7%	4%	(16)%	%
Total:					
UPB	$ 42,998	$ 11,617	$ 2,255	$ 3,233	$ 6,755
Weighted average collateral defaults[3]	63%	55%	28%	49%	24%
Weighted average collateral severities[4]	71%	62%	51%	61%	50%
Weighted average voluntary prepayment rates[5]	3%	5%	9%	5%	8%
Average credit enhancement[6]	14%	2%	5%	%	5%

(1) Excludes non-agency mortgage-related securities backed by other loans, which are primarily comprised of securities backed by home equity lines of credit.
(2) Excludes non-agency mortgage-related securities backed exclusively by subprime second liens. Certain securities identified as subprime first lien may be backed in part by subprime second-lien loans, as the underlying loans of these securities were permitted to include a small percentage of subprime second-lien loans.
(3) The expected cumulative default rate is expressed as a percentage of the current collateral UPB.
(4) The expected average loss given default is calculated as the ratio of cumulative loss over cumulative default for each security.
(5) The security s voluntary prepayment rate represents the average of the monthly voluntary prepayment rate weighted by the security s outstanding UPB.
(6) Reflects the amount of subordination and other financial support (excluding credit enhancement provided by bond insurance) that will incur losses in the securitization structure 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). Negative values are

shown when collateral losses that have yet to be applied to the tranches exceed the remaining credit enhancement, if any. The level of credit enhancement, including those securities with negative values, has been considered in our assessment of other-than temporary impairment.

Other-Than-Temporary Impairments on Available-for-Sale Securities

The table below summarizes our net impairment of available-for-sale securities recognized in earnings by security type.

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Table 7.4 Net Impairment of Available-For-Sale Securities Recognized in Earnings

	For the Three Months Ended March 31, 2013	2012
	(in millions)	
Available-for-sale securities:		
CMBS	$ (10)	$ (16)
Subprime	(33)	(441)
Option ARM		(48)
Alt-A and other		(57)
Manufactured housing		(2)
Total net impairment of available-for-sale securities recognized in earnings	$ (43)	$ (564)

The table below presents the changes in the unrealized credit-related other-than-temporary impairment component of the amortized cost related to available-for-sale securities: (a) that we have written down for other-than-temporary impairment; and (b) for which the credit component of the loss has been recognized in earnings. The credit-related other-than-temporary impairment component of the amortized cost represents the difference between the present value of expected future cash flows, including the estimated proceeds from bond insurance, and the amortized cost basis of the security prior to considering credit losses. The beginning balances represent the other-than-temporary impairment credit loss components related to available-for-sale securities for which other-than-temporary impairment occurred prior to January 1, 2013 and January 1, 2012, respectively, but will not be realized until the securities are sold, written off, or mature. Net impairment of available-for-sale securities recognized in earnings is presented as additions in two components based upon whether the current period is: (a) the first time the debt security was credit-impaired; or (b) not the first time the debt security was credit-impaired. The credit loss component is reduced if we sell, intend to sell or believe we will be required to sell previously credit-impaired available-for-sale securities. Additionally, the credit loss component is reduced by the amortization resulting from changes in cash flows expected to be collected that are recognized over the remaining life of the security.

Table 7.5 Other-Than-Temporary Impairments Related to Credit Losses on Available-For-Sale Securities

	Three Months Ended March 31, 2013	2012
	(in millions)	
Credit-related other-than-temporary impairments on available-for-sale securities recognized in earnings:		
Beginning balance remaining credit losses on available-for-sale securities held at the beginning of the period where other-than-temporary impairments were recognized in earnings	$ 16,745	$ 15,988
Additions:		
Amounts related to credit losses for which an other-than-temporary impairment was not previously recognized	16	13
Amounts related to credit losses for which an other-than-temporary impairment was previously recognized	27	551
Reductions:		
Amounts related to securities which were sold, written off or matured	(416)	(272)
Amounts previously recognized in other comprehensive income that were recognized in earnings because we intend to sell the security or it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis		(14)
Amounts related to amortization resulting from changes in cash flows expected to be collected that are recognized over the remaining life of the security	(40)	(52)
Ending balance remaining credit losses on available-for-sale securities held at period end where other-than-temporary impairments were recognized in earnings	$ 16,332	$ 16,214

Realized Gains and Losses on Sales of Available-For-Sale Securities

The table below illustrates the gross realized gains and gross realized losses received from the sale of available-for-sale securities.

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Table 7.6 Gross Realized Gains and Gross Realized Losses on Sales of Available-For-Sale Securities

	Three Months Ended March 31, 2013	2012
	(in millions)	
Gross realized gains		
Mortgage-related securities:		
Fannie Mae	$ 16	$ 12
CMBS	83	76
Obligations of states and political subdivisions	2	1
Total mortgage-related securities gross realized gains	101	89
Gross realized gains	101	89
Gross realized losses		
Gross realized losses		
Net realized gains (losses)	$ 101	$ 89

Maturities of Available-For-Sale Securities

The table below summarizes the remaining contractual maturities of available-for-sale securities.

Table 7.7 Maturities of Available-For-Sale Securities[(1)]

March 31, 2013	Amortized Cost	Fair Value
	(in millions)	
Available-for-sale securities:		
Due within 1 year or less	$ 79	$ 80
Due after 1 through 5 years	1,926	2,089
Due after 5 through 10 years	1,666	1,756
Due after 10 years	162,804	163,835
Total available-for-sale securities	$ 166,475	$ 167,760

(1) Maturity information provided is based on contractual maturities, which may not represent the expected life as obligations underlying these securities may be prepaid at any time without penalty.

Trading Securities

The table below summarizes the estimated fair values by major security type for trading securities.

Table 7.8 Trading Securities

	March 31, 2013	December 31, 2012

	(in millions)	
Mortgage-related securities:		
Freddie Mac	$ 9,647	$ 10,354
Fannie Mae	9,247	10,338
Ginnie Mae	121	131
Other	156	156
Total mortgage-related securities	19,171	20,979
Non-mortgage-related securities:		
Asset-backed securities	89	292
Treasury bills		1,160
Treasury notes	12,329	19,061
Total non-mortgage-related securities	12,418	20,513
Total fair value of trading securities	$ 31,589	$ 41,492

Trading securities mainly consist of Treasury securities, agency fixed-rate and variable-rate pass-through mortgage-related securities, and agency REMICs, including inverse floating rate, interest-only and principal-only securities. With the exception of principal-only securities, our agency securities, classified as trading, were valued at a net premium (i.e., net fair value was higher than UPB) as of March 31, 2013.

For both the three months ended March 31, 2013 and 2012, we recorded net unrealized losses on trading securities held at those dates of $(0.4) billion.

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Total trading securities include $1.1 billion and $1.2 billion, respectively, of hybrid financial assets as defined by the derivative and hedging accounting guidance regarding certain hybrid financial instruments as of March 31, 2013 and December 31, 2012. Gains (losses) on trading securities on our consolidated statements of comprehensive income include losses of $(22) million and $(51) million, respectively, related to these hybrid financial securities for the three months ended March 31, 2013 and 2012.

NOTE 8: DEBT SECURITIES AND SUBORDINATED BORROWINGS

Debt securities that we issue are classified on our consolidated balance sheets as either debt securities of consolidated trusts held by third parties or other debt. We issue other debt to fund our operations.

Under the Purchase Agreement, without the prior written consent of Treasury, we may not incur indebtedness that would result in the par value of our aggregate indebtedness exceeding 120% of the amount of mortgage assets we are allowed to own on December 31 of the immediately preceding calendar year. Because of this debt limit, we may be restricted in the amount of debt we are allowed to issue to fund our operations. Under the Purchase Agreement, the amount of our indebtedness is determined without giving effect to the January 1, 2010 change in the accounting guidance related to transfers of financial assets and consolidation of VIEs. Therefore, indebtedness does not include debt securities of consolidated trusts held by third parties. We also cannot become liable for any subordinated indebtedness without the prior consent of Treasury. See NOTE 2: CONSERVATORSHIP AND RELATED MATTERS for information regarding restrictions on the amount of mortgage-related securities that we may own.

Our debt cap under the Purchase Agreement is $780.0 billion in 2013 and will decline to $663.0 billion on January 1, 2014. As of March 31, 2013, we estimate that the par value of our aggregate indebtedness totaled $534.6 billion, which was approximately $245.4 billion below the applicable debt cap. Our aggregate indebtedness is calculated as the par value of other debt.

In the tables below, the categories of short-term debt (due within one year) and long-term debt (due after one year) are based on the original contractual maturity of the debt instruments classified as other debt.

The table below summarizes the interest expense and the balances of total debt, net.

Table 8.1 Total Debt, Net

	Interest Expense For The Three Months Ended March 31,		Balance, Net (1)	
	2013	2012	March 31, 2013	December 31, 2012
	(in millions)		(in millions)	
Other debt:				
Short-term debt	$ 44	$ 40	$ 124,280	$ 117,889
Long-term debt:				
Senior debt	2,210	2,769	405,267	429,245
Subordinated debt	8	7	389	384
Total long-term debt	2,218	2,776	405,656	429,629
Total other debt	2,262	2,816	529,936	547,518
Debt securities of consolidated trusts held by third parties	12,030	15,253	1,425,913	1,419,524
Total debt, net	$ 14,292	$ 18,069	$ 1,955,849	$ 1,967,042

(1) Represents par value, net of associated discounts, premiums, and hedge-related basis adjustments, with $1.5 billion and $2.2 billion, respectively, of other long-term debt that represents the fair value of debt securities with the fair value option elected at March 31, 2013 and December 31, 2012.

During the three months ended March 31, 2013 and 2012, we recognized fair value gains (losses) of $9 million and $(17) million, respectively, on our foreign-currency denominated debt, of which $5 million and $(19) million, respectively, are gains (losses) related to foreign-currency translation.

Other Debt

The table below summarizes the balances and effective interest rates for other debt. We had no balances in federal funds purchased and securities sold under agreements to repurchase at either March 31, 2013 or December 31, 2012.

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Table 8.2 Other Debt

	March 31, 2013			December 31, 2012		
	Par Value	Balance, Net(1)	Weighted Average Effective Rate(2)	Par Value	Balance, Net(1)	Weighted Average Effective Rate(2)
	(dollars in millions)					
Other short-term debt:						
Reference Bills® securities and discount notes	$ 124,325	$ 124,280	0.15%	$ 117,930	$ 117,889	0.15%
Total other short-term debt	$ 124,325	$ 124,280	0.15	$ 117,930	$ 117,889	0.15
Other long-term debt:						
Original maturities on or before December 31,						
2013	$ 83,869	$ 83,858	1.78%	$ 115,577	$ 115,527	1.66%
2014	79,770	79,651	1.87	85,798	85,665	1.78
2015	55,043	55,006	1.83	52,968	52,927	1.91
2016	46,521	46,596	2.70	38,882	38,954	3.14
2017	54,681	54,693	2.12	57,664	57,676	2.08
Thereafter	90,408	85,852	2.66	83,653	78,880	2.97
Total other long-term debt(3)	410,292	405,656	2.14	434,542	429,629	2.15
Total other debt	$ 534,617	$ 529,936		$ 552,472	$ 547,518	

(1) Represents par value, net of associated discounts or premiums and hedge-related basis adjustments.
(2) Represents the weighted average effective rate that remains constant over the life of the instrument, which includes the amortization of discounts or premiums, issuance costs, and hedge-related basis adjustments.
(3) Balance, net for other long-term debt includes callable debt of $98.1 billion and $102.1 billion at March 31, 2013 and December 31, 2012, respectively.

Debt Securities of Consolidated Trusts Held by Third Parties

Debt securities of consolidated trusts held by third parties represents our liability to third parties that hold beneficial interests in our consolidated securitization trusts (*i.e.,* single-family PC trusts and certain single-family and multifamily Other Guarantee Transactions).

The table below summarizes the debt securities of consolidated trusts held by third parties based on underlying mortgage product type.

Table 8.3 Debt Securities of Consolidated Trusts Held by Third Parties

	March 31, 2013				December 31, 2012			
	Contractual Maturity(1)	UPB	Balance, Net(2)	Weighted Average Coupon(1)	Contractual Maturity(1)	UPB	Balance, Net(2)	Weighted Average Coupon(1)
		(dollars in millions)				(dollars in millions)		
Single-family:(3)								
30-year or more, fixed-rate	2013 - 2048	$ 960,684	$ 984,800	4.38%	2013 - 2048	$ 960,176	$ 982,718	4.53%
20-year fixed-rate	2013 - 2033	74,181	76,470	3.99	2013 - 2033	73,902	76,079	4.09
15-year fixed-rate	2013 - 2028	264,067	270,652	3.44	2013 - 2028	257,083	263,244	3.59
Adjustable-rate	2013 - 2047	62,027	63,292	2.81	2013 - 2047	62,424	63,649	2.88
Interest-only(4)	2026 - 2041	28,567	28,615	4.23	2026 - 2041	31,588	31,642	4.37
FHA/VA	2013 - 2041	1,535	1,558	5.67	2013 - 2041	1,638	1,663	5.67

Total single-family		1,391,061	1,425,387			1,386,811	1,418,995	
Multifamily(5)	2019	447	526	4.96	2019	448	529	4.96
Total debt securities of consolidated trusts held by third parties(6)		$ 1,391,508	$ 1,425,913			$ 1,387,259	$ 1,419,524	

(1) Based on the contractual maturity and interest rate of debt securities of our consolidated trusts held by third parties.
(2) Represents par value, net of associated discounts, premiums, and other basis adjustments.
(3) Debt securities of consolidated trusts held by third parties are prepayable as the loans that collateralize the debt may prepay without penalty at any time.
(4) Includes interest-only securities and interest-only mortgage loans that allow the borrowers to pay only interest for a fixed period of time before the loans begin to amortize.
(5) Balance, Net includes interest-only securities recorded at fair value.
(6) The effective rate for debt securities of consolidated trusts held by third parties was 3.38% and 3.49% as of March 31, 2013 and December 31, 2012, respectively.

Lines of Credit

At both March 31, 2013 and December 31, 2012, we had one secured, uncommitted intraday line of credit with a third party totaling $10 billion. We use this line of credit regularly to provide us with additional liquidity to fund our intraday payment activities through the Fedwire system in connection with the Federal Reserve s payments system risk policy, which restricts or eliminates daylight overdrafts by the GSEs. No amounts were drawn on this line of credit at March 31, 2013 and

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December 31, 2012. We expect to continue to use the current facility to satisfy our intraday financing needs; however, as the line is uncommitted, we may not be able to draw on it if and when needed.

Subordinated Debt Interest and Principal Payments

The terms of certain of our subordinated debt securities provide for us to defer payments of interest in the event we fail to maintain specified capital levels. However, in a September 23, 2008 statement concerning the conservatorship, the Director of FHFA stated that we would continue to make interest and principal payments on our subordinated debt, even if we fail to maintain required capital levels.

NOTE 9: DERIVATIVES

Use of Derivatives

We use derivatives primarily to:

- hedge forecasted issuances of debt;
- synthetically create callable and non-callable funding;
- adjust or rebalance our funding mix in response to changes in the interest-rate characteristics of our mortgage-related assets; and
- hedge foreign-currency exposure.

For additional information regarding our use of derivatives, see NOTE 10: DERIVATIVES in our 2012 Annual Report.

Types of Derivatives

We principally use the following types of derivatives:

- LIBOR- and Euribor-based interest-rate swaps;
- LIBOR- and Treasury-based options (including swaptions);
- LIBOR- and Treasury-based exchange-traded futures; and
- Foreign-currency swaps.

In addition to swaps, futures, and purchased options, our derivative positions include written options and swaptions, commitments, swap guarantee, and credit derivatives. For additional information regarding the types of derivatives that we use, see NOTE 10: DERIVATIVES in our 2012 Annual Report. For a discussion of our significant accounting policies related to derivatives, see NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Derivatives in our 2012 Annual Report.

Derivative Assets and Liabilities at Fair Value

The table below presents the location and fair value of derivatives reported on our consolidated balance sheets.

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Table 9.1 Derivative Assets and Liabilities at Fair Value

	At March 31, 2013			At December 31, 2012		
	Notional or Contractual Amount	Derivatives at Fair Value Assets[(1)]	Liabilities[(1)]	Notional or Contractual Amount	Derivatives at Fair Value Assets[(1)]	Liabilities[(1)]
	(in millions)					
Total derivative portfolio						
Derivatives not designated as hedging instruments under the accounting guidance for derivatives and hedging[(2)]						
Interest-rate swaps:						
Receive-fixed	$ 274,436	$ 10,440	$ (259)	$ 275,099	$ 13,782	$ (97)
Pay-fixed	264,371	714	(25,575)	270,092	177	(30,147)
Basis (floating to floating)	300	5		2,300	6	
Total interest-rate swaps	539,107	11,159	(25,834)	547,491	13,965	(30,244)
Option-based:						
Call swaptions						
Purchased	37,650	6,842		37,650	7,360	
Written	6,195		(640)	6,195		(749)
Put Swaptions						
Purchased	35,200	336		43,200	288	
Other option-based derivatives[(3)]	23,975	1,610	(1)	31,540	2,449	(1)
Total option-based	103,020	8,788	(641)	118,585	10,097	(750)
Futures	20,819	4	(2)	41,123	37	(2)
Foreign-currency swaps	492	4		1,167	73	(6)
Commitments	23,986	36	(47)	25,530	20	(47)
Credit derivatives	7,709		(4)	8,307	1	(5)
Swap guarantee derivatives	3,617	1	(34)	3,628		(35)
Total derivatives not designated as hedging instruments	698,750	19,992	(26,562)	745,831	24,193	(31,089)
Netting adjustments[(4)]		(19,393)	26,337		(23,536)	30,911
Total derivative portfolio, net	$ 698,750	$ 599	$ (225)	$ 745,831	$ 657	$ (178)

(1) The value of derivatives on our consolidated balance sheets is reported as derivative assets, net and derivative liabilities, net. Excludes $485 million and $501 million of non-cash collateral held at March 31, 2013 and December 31, 2012, respectively.
(2) See Use of Derivatives for additional information about the purpose of entering into derivatives not designated as hedging instruments and our overall risk management strategies.
(3) Primarily includes purchased interest-rate caps and floors.
(4) Represents counterparty netting, cash collateral netting, net trade/settle receivable or payable, and net derivative interest receivable or payable. The net cash collateral posted and net trade/settle receivable were $7.8 billion and $107 million, respectively, at March 31, 2013. The net cash collateral posted and net trade/settle receivable were $8.2 billion and $0 million, respectively, at December 31, 2012. The net interest receivable (payable) of derivative assets and derivative liabilities was $(1.0) billion and $(0.8) billion at March 31, 2013 and December 31, 2012, respectively, which was mainly related to interest-rate swaps.

The carrying value of our derivatives on our consolidated balance sheets is equal to their fair value, including net derivative interest receivable or payable and net trade/settle receivable or payable and is net of cash collateral held or posted, where allowable by a master netting agreement. Derivatives in a net asset position are reported as derivative assets, net. Similarly, derivatives in a net liability position are reported as derivative liabilities, net. Non-cash collateral held is not recognized on our consolidated balance sheets as we do not obtain effective control over the collateral, and non-cash collateral posted is not de-recognized from our consolidated balance sheets as we do not relinquish effective control over the collateral. Therefore, non-cash collateral held or posted is not presented as an offset against derivative assets or derivative liabilities on our consolidated balance sheets, even where a master netting agreement is in effect. See NOTE 10: COLLATERAL AND OFFSETTING OF

ASSETS AND LIABILITIES Collateral Pledged for more information about collateral held and posted. We are subject to collateral posting thresholds based on the credit rating of our long-term senior unsecured debt securities from S&P or Moody s. The lowering or withdrawal of our credit rating by S&P or Moody s may increase our obligation to post collateral, depending on the amount of the counterparty s exposure to Freddie Mac with respect to the derivative transactions.

At March 31, 2013 and December 31, 2012, there were no amounts of cash collateral that were not offset against derivative assets, net or derivative liabilities, net, as applicable. See NOTE 10: COLLATERAL AND OFFSETTING OF ASSETS AND LIABILITIES for further information related to our derivative counterparties.

Gains and Losses on Derivatives

The table below presents the gains and losses on derivatives reported in our consolidated statements of comprehensive income.

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Table 9.2 Gains and Losses on Derivatives

Derivatives not designated as hedging instruments under the accounting guidance for derivatives and hedging[2]	Derivative Gains (Losses)[1] Three Months Ended March 31, 2013	2012
	(in millions)	
Interest-rate swaps:		
Receive-fixed		
Foreign-currency denominated	$ (7)	$ (5)
U.S. dollar denominated	(2,283)	(2,583)
Total receive-fixed swaps	(2,290)	(2,588)
Pay-fixed	3,864	3,792
Basis (floating to floating)		4
Total interest-rate swaps	1,574	1,208
Option based:		
Call swaptions		
Purchased	(518)	(1,194)
Written	109	370
Put swaptions		
Purchased	53	(34)
Written		2
Other option-based derivatives[3]	(81)	(221)
Total option-based	(437)	(1,077)
Futures	38	(65)
Foreign-currency swaps	(5)	9
Commitments	109	(57)
Swap guarantee derivatives	2	2
Subtotal	1,281	20
Accrual of periodic settlements:[4]		
Receive-fixed interest-rate swaps[5]	938	779
Pay-fixed interest-rate swaps	(1,845)	(1,858)
Foreign-currency swaps		3
Other	1	
Total accrual of periodic settlements	(906)	(1,076)
Total	$ 375	$ (1,056)

(1) Gains (losses) are reported as derivative gains (losses) on our consolidated statements of comprehensive income.
(2) See Use of Derivatives for additional information about the purpose of entering into derivatives not designated as hedging instruments and our overall risk management strategies.
(3) Primarily includes purchased interest-rate caps and floors.
(4) For derivatives not in qualifying hedge accounting relationships, the accrual of periodic cash settlements is recorded in derivative gains (losses) on our consolidated statements of comprehensive income.
(5) Includes imputed interest on zero-coupon swaps.

Hedge Designation of Derivatives

At March 31, 2013 and December 31, 2012, we did not have any derivatives in hedge accounting relationships; however, there are deferred net losses recorded in AOCI related to closed cash flow hedges. Derivatives that meet specific criteria may be accounted for as cash flow hedges. Net deferred gains and losses on closed cash flow hedges (i.e., where the derivative is either terminated or redesignated) are included in AOCI until the related forecasted transaction affects earnings or is determined to be probable of not occurring. For the three months ended March 31, 2013 and 2012, no amounts of gains or (losses) were recognized in AOCI on derivatives (effective portion) and in other income (ineffective portion and amount excluded from effectiveness testing). Amounts reported in AOCI linked to interest payments on long-term debt are recorded in other debt interest expense and amounts not linked to interest payments on long-term debt are recorded in expense related to derivatives. In the three months ended March 31, 2013 and 2012, we reclassified from AOCI into earnings (effective portion) a loss of $132 million and $165 million, respectively, related to closed cash flow hedges. See NOTE 11: STOCKHOLDERS EQUITY (DEFICIT) Accumulated Other Comprehensive Income *Future Reclassifications from AOCI to Net Income Related to Closed Cash Flow Hedges* for information about future reclassifications of deferred net losses related to closed cash flow hedges to net income.

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NOTE 10: COLLATERAL AND OFFSETTING OF ASSETS AND LIABILITIES

Derivative Portfolio

Derivative Counterparties

Our use of exchange-traded derivatives and OTC derivatives exposes us to institutional credit risk. The requirement that we post initial and maintenance margin with our clearing firm in connection with exchange-traded derivatives such as futures contracts and cleared OTC derivatives exposes us to institutional credit risk in the event that our clearing firm or the exchange s financial clearinghouse fail to meet their obligations. The use of exchange-traded derivatives and cleared OTC derivatives mitigates our institutional credit risk exposure to individual counterparties because a central counterparty is substituted for individual counterparties, and changes in the value of open exchange-traded contracts and cleared OTC derivatives are settled daily via payments made through our clearing firm or the financial clearinghouse established by each exchange. OTC derivatives that are not cleared, however, expose us to institutional credit risk to individual counterparties because transactions are executed and settled between us and each counterparty, exposing us to potential losses if a counterparty fails to meet its obligations.

Our use of OTC interest-rate swaps, option-based derivatives, and foreign-currency swaps is subject to internal credit and legal reviews. All of our OTC derivative counterparties are major financial institutions and are experienced participants in the OTC derivatives market.

On an ongoing basis, we review the credit fundamentals of all of our OTC derivative counterparties, clearing organizations, and clearing firms 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.

Master Netting and Collateral Agreements

We use master netting and collateral agreements to reduce our credit risk exposure to our active OTC derivative counterparties for interest-rate swaps, option-based derivatives, and foreign-currency swaps. Master netting agreements provide for the netting of amounts receivable and payable from an individual counterparty, which reduces our exposure to a single counterparty in the event of default. On a daily basis, the market value of each counterparty s derivatives outstanding is calculated to determine the amount of our net credit exposure, which is equal to derivatives in a net gain position by counterparty after giving consideration to collateral posted. Our collateral agreements require most counterparties to post collateral to us for the amount of our net exposure to them above the counterparty s collateral posting threshold. Collateral posting thresholds are tied to a counterparty s credit rating. Bilateral collateral agreements are in place for all of our active OTC derivative counterparties. Collateral is typically transferred within one business day based on the values of the related derivatives. This time lag in posting collateral can affect our net uncollateralized exposure to derivative counterparties.

Collateral posted by a derivative counterparty is typically in the form of cash, although U.S. Treasury securities and Freddie Mac mortgage-related securities may also be posted. In the event a counterparty defaults on its obligations under the derivatives agreement and the default is not remedied in the manner prescribed in the agreement, we have the right under the agreement to direct the custodian bank to transfer the collateral to us or, in the case of non-cash collateral, to sell the collateral and transfer the proceeds to us.

Our net uncollateralized exposure to counterparties for OTC interest-rate swaps, option-based derivatives, and foreign-currency swaps was $53 million and $69 million at March 31, 2013 and December 31, 2012, respectively. In the event that all of our counterparties for these derivatives were to have defaulted simultaneously on March 31, 2013, our maximum loss for accounting purposes after applying netting agreements and collateral on an individual counterparty basis would have been approximately $53 million. Four counterparties each accounted for greater than 10% and collectively accounted for 89% of our net uncollateralized exposure to derivative counterparties, excluding futures and clearinghouse-settled derivatives, commitments, swap guarantee derivatives, certain written options, and certain credit derivatives at March 31, 2013. These counterparties were Toronto Dominion Bank, Credit Suisse International, JPMorgan Chase Bank and Royal Bank of Scotland, all of which were rated A- or above using the lower of S&P s or Moody s rating stated in terms of the S&P equivalent as of April 24, 2013.

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The total exposure on our forward purchase and sale commitments, which are treated as derivatives, was $36 million and $20 million at March 31, 2013 and December 31, 2012, respectively. We do not require master netting and collateral agreements for the counterparties of these commitments. However, the typical maturity of our forward purchase and sale commitments is less than 60 days, and we monitor the credit fundamentals of the counterparties to these commitments on an ongoing basis to ensure that they continue to meet our internal risk-management standards.

The table below displays information related to derivatives and securities purchased under agreements to resell on our consolidated balance sheets.

Table 10.1 Offsetting of Financial Assets and Liabilities

	March 31, 2013				
	Gross Amount Recognized	Amount Offset in the Consolidated Balance Sheets	Net Amount Presented in the Consolidated Balance Sheets[1]	Gross Amount Not Offset in the Consolidated Balance Sheets	Net Amount
			(in millions)		
Assets:					
Derivatives:[2]					
Over-the-counter interest-rate and foreign-currency swaps, and option-based derivatives	$ 21,186	$ (20,653)	$ 533	$ (480)	$ 53
Other[3]	66		66		66
Total derivatives	21,252	(20,653)	599	(480)	119
Securities purchased under agreements to resell	38,646		38,646	(38,646)	
Total	$ 59,898	$ (20,653)	$ 39,245	$ (39,126)	$ 119
Liabilities:					
Derivatives:[2]					
Over-the-counter interest-rate and foreign-currency swaps, and option-based derivatives	$ (28,605)	$ 28,473	$ (132)	$	$ (132)
Other[3]	(93)		(93)		(93)
Total	$ (28,698)	$ 28,473	$ (225)	$	$ (225)

	December 31, 2012				
	Gross Amount Recognized	Amount Offset in the Consolidated Balance Sheets	Net Amount Presented in the Consolidated Balance Sheets[1]	Gross Amount Not Offset in the Consolidated Balance Sheets	Net Amount
			(in millions)		
Assets:					
Derivatives:[2]					
Over-the-counter interest-rate and foreign-currency swaps, and option-based derivatives	$ 25,515	$ (24,945)	$ 570	$ (501)	$ 69
Other[3]	87		87		87
Total derivatives	25,602	(24,945)	657	(501)	156

Securities purchased under agreements to resell	37,563		37,563	(37,563)	
Total	$ 63,165	$ (24,945)	$ 38,220	$ (38,064)	$ 156
Liabilities:					
Derivatives:[2]					
Over-the-counter interest-rate and foreign-currency swaps, and option-based derivatives	$ (33,233)	$ 33,150	$ (83)	$	$ (83)
Other[3]	(95)		(95)		(95)
Total	$ (33,328)	$ 33,150	$ (178)	$	$ (178)

(1) Includes cash collateral posted or held in excess of exposure.
(2) Includes interest receivable or payable and trade/settle receivable or payable.
(3) Includes futures and clearinghouse-settled derivatives, commitments, swap guarantee derivatives, certain written options and credit derivatives.

Collateral Pledged

Collateral Pledged to Freddie Mac

Our counterparties are required to pledge collateral for transactions involving securities purchased under agreements to resell. Also, most derivative instruments are subject to collateral posting thresholds as prescribed by the collateral agreements

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with our counterparties. Under those agreements, U.S. Treasury securities and Freddie Mac mortgage-related securities may be pledged. We consider the types of securities being pledged to us as collateral when determining how much we lend in transactions involving securities purchased under agreements to resell. Additionally, we regularly review the market values of these securities compared to amounts loaned and derivative counterparty collateral posting thresholds in an effort to minimize our exposure to losses. We had cash and cash equivalents pledged to us under master netting agreements related to derivative instruments of $1.2 billion and $1.5 billion at March 31, 2013 and December 31, 2012, respectively. At March 31, 2013 and December 31, 2012, we had $485 million and $501 million, respectively, of collateral in the form of securities pledged to and held by us under these master netting agreements. At March 31, 2013, non-cash collateral held exceeded our total exposure at fair value by $5 million. Although it is our practice not to repledge assets held as collateral, a portion of the collateral may be repledged based on master netting agreements related to our derivative instruments. Also, at March 31, 2013 and December 31, 2012, we had $0 billion and $1.5 billion, respectively, of securities pledged to us for transactions involving securities purchased under agreements to resell that we had the right to repledge. From time to time we may obtain pledges of collateral from certain seller/servicers as additional security for certain of their obligations to us, including their obligations to repurchase mortgages sold to us in breach of representations and warranties. This collateral may, at our discretion, take the form of cash, cash equivalents, or agency securities.

In addition, we hold cash and cash equivalents as collateral in connection with certain of our multifamily guarantees and mortgage loans as credit enhancements. The cash and cash equivalents held as collateral related to these transactions at March 31, 2013 and December 31, 2012 was $163 million and $158 million, respectively.

We consider federal funds sold to be overnight unsecured trades executed with commercial banks that are members of the Federal Reserve System. We did not hold any federal funds sold at March 31, 2013 and December 31, 2012.

Collateral Pledged by Freddie Mac

We are required to pledge collateral for margin requirements with third-party custodians in connection with secured financings and derivative transactions with some counterparties. The amount of collateral pledged related to our derivative instruments is determined after giving consideration to our credit rating. As of March 31, 2013, we had one secured, uncommitted intraday line of credit with a third party in connection with the Federal Reserve s payments system risk policy, which restricts or eliminates daylight overdrafts by the GSEs, in connection with our use of the Fedwire system. In certain circumstances, the line of credit agreement gives the secured party the right to repledge the securities underlying our financing to other third parties, including the Federal Reserve Bank. We pledge collateral to meet our collateral requirements under the line of credit agreement upon demand by the counterparty.

The table below summarizes all securities pledged as collateral by us, including assets that the secured party may repledge and those that may not be repledged.

Table 10.2 Collateral in the Form of Securities Pledged

	March 31, 2013	December 31, 2012
	(in millions)	
Securities pledged with the ability for the secured party to repledge:		
Debt securities of consolidated trusts held by third parties(1)	$ 10,419	$ 10,390
Available-for-sale securities	118	132
Securities pledged without the ability for the secured party to repledge:		
Debt securities of consolidated trusts held by third parties(1)	97	148
Total securities pledged	$ 10,634	$ 10,670

(1) Represents PCs held by us in our Investments segment mortgage investments portfolio and pledged as collateral which are recorded as a reduction to debt securities of consolidated trusts held by third parties on our consolidated balance sheets.

Securities Pledged with the Ability of the Secured Party to Repledge

At March 31, 2013, we pledged securities with the ability of the secured party to repledge of $10.5 billion, of which $10.5 billion was collateral posted in connection with our secured uncommitted intraday line of credit with a third party as discussed above.

At December 31, 2012, we pledged securities with the ability of the secured party to repledge of $10.5 billion, of which $10.5 billion was collateral posted in connection with our secured uncommitted intraday line of credit with a third party as discussed above.

The remaining $33 million and $65 million of collateral posted with the ability of the secured party to repledge at March 31, 2013 and December 31, 2012, respectively, was posted in connection with our margin account related to futures transactions.

Securities Pledged without the Ability of the Secured Party to Repledge

At March 31, 2013 and December 31, 2012, we pledged securities, without the ability of the secured party to repledge, of $97 million and $148 million, respectively, at a clearinghouse in connection with the trading and settlement of securities.

Collateral in the Form of Cash Pledged

At March 31, 2013, we pledged $9.2 billion of collateral in the form of cash and cash equivalents, of which $9.1 billion related to our derivative agreements as we had $9.2 billion of such derivatives in a net loss position. At December 31, 2012, we pledged $9.8 billion of collateral in the form of cash and cash equivalents, of which $9.7 billion related to our derivative agreements as we had $9.7 billion of such derivatives in a net loss position. The remaining $126 million and $110 million was posted at clearinghouses in connection with our securities transactions at March 31, 2013 and December 31, 2012, respectively. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on March 31, 2013, was $9.2 billion for which we posted collateral of $9.1 billion in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on March 31, 2013, we would be required to post an additional $0.1 billion of collateral to our counterparties.

NOTE 11: STOCKHOLDERS EQUITY (DEFICIT)

Senior Preferred Stock

No cash was received from Treasury under the Purchase Agreement in the first quarter of 2013 due to our positive net worth at December 31, 2012. At March 31, 2013, our assets exceeded our liabilities under GAAP; therefore no draw is being requested from Treasury under the Purchase Agreement. Our quarterly senior preferred stock dividend is the amount, if any, by which our Net Worth Amount at the end of the immediately preceding fiscal quarter, exceeds the applicable Capital Reserve Amount, which was established at $3.0 billion for 2013 and declines to zero in 2018. Our senior preferred stock dividend obligation in the second quarter of 2013 will be $7.0 billion. See NOTE 2: CONSERVATORSHIP AND RELATED MATTERS Government Support for our Business in our 2012 Annual Report for additional information. The aggregate liquidation preference on the senior preferred stock owned by Treasury was $72.3 billion and $72.3 billion as of March 31, 2013 and December 31, 2012, respectively. See NOTE 18: REGULATORY CAPITAL for additional information.

Stock-Based Compensation

We did not repurchase or issue any of our common shares or non-cumulative preferred stock during the three months ended March 31, 2013. For a discussion regarding our stock-based compensation plans, see NOTE 11: STOCKHOLDERS EQUITY (DEFICIT) in our 2012 Annual Report.

For purposes of the earnings-per-share calculation, all stock-based compensation plan options outstanding at March 31, 2013 and 2012 were out of the money and excluded from the computation of dilutive potential common shares for the three months ended March 31, 2013 and 2012, respectively. The weighted average common shares outstanding for the period includes the weighted average number of shares that are associated with the warrant for our common stock issued to Treasury pursuant to the Purchase Agreement.

Dividends Declared

No common dividends were declared in the first quarter of 2013. In the first quarter of 2013, we paid dividends of $5.8 billion in cash on the senior preferred stock at the direction of our Conservator. We did not declare or pay dividends on any other series of Freddie Mac preferred stock outstanding during the first quarter of 2013.

Accumulated Other Comprehensive Income

The table below presents changes in AOCI after the effects of our 35% federal statutory tax rate related to available-for-sale securities, closed cash flow hedges, and our defined benefit plans.

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Table 11.1 Changes in AOCI by Component, Net of Tax

	Three Months Ended March 31, 2013			
	AOCI Related to Available-For-Sale Securities[1]	AOCI Related to Cash Flow Hedge Relationships[2]	AOCI Related to Defined Benefit Plans	Total
	(in millions)			
Beginning balance	$ (1,444)	$ (1,316)	$ (178)	$ (2,938)
Other comprehensive income before reclassifications[3]	2,317		18	2,335
Amounts reclassified from accumulated other comprehensive income	(37)	90	2	55
Changes in AOCI by component	2,280	90	20	2,390
Ending balance	$ 836	$ (1,226)	$ (158)	$ (548)

	Three Months Ended March 31, 2012			
	AOCI Related to Available-For-Sale Securities[1]	AOCI Related to Cash Flow Hedge Relationships[2]	AOCI Related to Defined Benefit Plans	Total
	(in millions)			
Beginning balance	$ (6,213)	$ (1,730)	$ (52)	$ (7,995)
Other comprehensive income before reclassifications[3]	838		(47)	791
Amounts reclassified from accumulated other comprehensive income[4]	309	111	1	421
Changes in AOCI by component	1,147	111	(46)	1,212
Ending balance	$ (5,066)	$ (1,619)	$ (98)	$ (6,783)

(1) The amounts reclassified from AOCI represent the gain or loss recognized in earnings due to a sale of an available-for-sale security or the recognition of a net impairment recognized in earnings. See NOTE 7: INVESTMENTS IN SECURITIES for more information.
(2) The amounts reclassified from AOCI represent the AOCI amount that was recognized in earnings as the originally hedged forecasted transactions affected earnings, unless it was deemed probable that the forecasted transaction would not occur. If it is probable that the forecasted transaction will not occur, then the deferred gain or loss associated with the hedge related to the forecasted transaction would be reclassified into earnings immediately. See NOTE 9: DERIVATIVES for more information about our derivatives.
(3) For the three months ended March 31, 2013 and 2012, net of tax expense of $1.2 billion and $451 million, respectively, for AOCI related to available-for-sale securities.
(4) For the three months ended March 31, 2012, net of tax benefit of $166 million for AOCI related to available-for-sale securities, and net of tax benefit of $54 million for AOCI related to cash flow hedge relationships.

Reclassifications from AOCI to Net Income

The table below presents reclassifications from AOCI to net income, including the affected line item in our consolidated statements of comprehensive income.

Table 11.2 Reclassifications from AOCI to Net Income

Details about Accumulated Other Comprehensive Income Components	For the Three Months Ended March 31, 2013 (in millions)	Affected Line Item in the Consolidated Statements of Comprehensive Income
AOCI related to available-for-sale securities		
	$ 101	Other gains (losses) on investment securities recognized in earnings
	(43)	Net impairment of available-for-sale securities recognized in earnings
	58	Total before tax
	(21)	Tax (expense) or benefit
	37	Net of tax
AOCI related to cash flow hedge relationships		
	(1)	Interest expense Other debt
	(131)	Expense related to derivatives
	(132)	Total before tax
	42	Tax (expense) or benefit
	(90)	Net of tax
AOCI related to defined benefit plans		
	(2)	Salaries and employee benefits
		Tax (expense) or benefit
	(2)	Net of tax
Total reclassifications in the period	$ (55)	Net of tax

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Future Reclassifications from AOCI to Net Income Related to Closed Cash Flow Hedges

As shown in Table 11.1 Changes in AOCI by Component, Net of Tax, the total AOCI related to derivatives designated as cash flow hedges was a loss of $1.2 billion and $1.6 billion at March 31, 2013 and 2012, respectively, composed of deferred net losses on closed cash flow hedges. Closed cash flow hedges involve derivatives that have been terminated or are no longer designated as cash flow hedges. Fluctuations in prevailing market interest rates have no effect on the deferred portion of AOCI relating to losses on closed cash flow hedges.

The previous deferred amount related to closed cash flow hedges remains in our AOCI balance and will be recognized into earnings over the expected time period for which the forecasted transactions affect earnings. Over the next 12 months, we estimate that approximately $282 million, net of taxes, of the $1.2 billion of cash flow hedge losses in AOCI at March 31, 2013 will be reclassified into earnings. The maximum remaining length of time over which we have hedged the exposure related to the variability in future cash flows on forecasted transactions, primarily forecasted debt issuances, is 21 years. However, over 70% and 90% of AOCI relating to closed cash flow hedges at March 31, 2013 will be reclassified to earnings over the next five and ten years, respectively.

NOTE 12: INCOME TAXES

Income Tax Benefit

For the three months ended March 31, 2013 and 2012, we reported an income tax benefit of $35 million and $14 million, respectively, resulting in effective tax rates of (0.8)% and (2.5)%, respectively. The increase in the income tax benefit is primarily due to a decrease in alternative minimum tax, offset by the amortization of net deferred losses on pre-2008 closed cash flow hedges. Our effective tax rate was different from the statutory rate of 35% primarily due to the valuation allowance on our net deferred tax assets.

Deferred Tax Assets and Liabilities

At March 31, 2013, our valuation allowance on our net deferred tax assets was $30.1 billion. The remaining $450 million of net deferred tax liability represents the tax effect of net unrealized gains on our available-for-sale securities.

The table below presents the balances of significant deferred tax assets, liabilities, and the valuation allowance at March 31, 2013 and December 31, 2012.

Table 12.1 Deferred Tax Assets and Liabilities

	March 31, 2013	December 31, 2012
	(in millions)	
Deferred tax assets:		
Deferred fees	$ 4,310	$ 4,330
Basis differences related to derivative instruments	9,725	10,294
Credit related items and allowance for loan losses	5,928	6,785
Unrealized (gains) losses related to available-for-sale securities		778
LIHTC and AMT credit carryforward	3,462	3,408
Net operating loss carryforward	10,568	11,479
Other items, net	137	146
Total deferred tax assets	34,130	37,220
Deferred tax liabilities:		
Basis differences related to assets held for investment[1]	(3,859)	(4,609)
Unrealized (gains) losses related to available-for-sale securities	(450)	
Basis differences related to debt	(149)	(149)
Total deferred tax liability	(4,458)	(4,758)
Valuation allowance	(30,122)	(31,684)
Deferred tax assets (liabilities), net	$ (450)	$ 778

(1) The deferred tax liability balance for basis differences related to assets held for investment includes a basis adjustment on seriously delinquent loans. This deferred tax liability offsets a portion of the deferred tax asset for credit related items and the allowance for loan losses.

Valuation Allowance on Net Deferred Tax Assets

On a quarterly basis, we determine whether a valuation allowance is necessary on our net deferred tax assets. In doing so, we consider all evidence currently available, both positive and negative, in determining whether, based on the weight of the evidence, it is more likely than not that the deferred tax assets will be realized. In conducting our assessment, we evaluate certain objective evidence including: (a) our cumulative loss position for the past three years; (b) our estimated 2012 taxable income (loss), which is expected to be break-even; (c) our significant tax net operating loss and low income housing tax credit carryforwards; (d) our access to capital under the agreements associated with the conservatorship; and (e) the positive trend of our financial results. Additionally, we evaluate certain subjective evidence including: (a) difficulty in predicting unsettled circumstances related to the conservatorship; (b) the likelihood of estimated 2013 taxable income; and (c) management s intent and ability to hold our available-for-sale securities until losses can be recovered. Our consideration of the evidence requires significant judgments, estimates and assumptions about inherently uncertain matters, particularly about our future business structure and financial condition.

In evaluating whether we will be able to realize our net deferred tax assets as of March 31, 2013, we determined that the negative evidence supporting maintaining a valuation allowance outweighed the positive evidence supporting a release of the valuation allowance. As a result, we have concluded that at March 31, 2013, it is not more likely than not that we will be able to realize our net deferred tax assets, and we continue to record a valuation allowance related to our net deferred tax assets. As a result of maintaining a valuation allowance on our net deferred tax assets, there remains a net deferred tax liability associated with gains on our available-for-sale securities as of March 31, 2013.

IRS Examinations and Unrecognized Tax Benefits

The IRS is currently auditing our income tax returns for tax years 2008 through 2011. As of March 31, 2013, we have evaluated all income tax positions and determined that no reserves are currently needed. For additional information, see NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES and NOTE 12: INCOME TAXES in our 2012 Annual Report, and NOTE 17: LEGAL CONTINGENCIES.

NOTE 13: SEGMENT REPORTING

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. See NOTE 2: CONSERVATORSHIP AND RELATED MATTERS for additional information about the conservatorship.

We present Segment Earnings by: (a) reclassifying certain investment-related activities and credit guarantee-related activities between various line items on our GAAP consolidated statements of comprehensive income; and (b) allocating certain revenues and expenses, including certain returns on assets and funding costs, and all administrative expenses to our three reportable segments. These reclassifications and allocations are described in NOTE 13: SEGMENT REPORTING in our 2012 Annual Report.

We do not consider our assets by segment when evaluating segment performance or allocating resources. We conduct our operations solely in the U.S. and its territories. Therefore, we do not generate any revenue from geographic locations outside of the U.S. and its territories.

Segments

Our operations consist of three reportable segments, which are based on the type of business activities each performs Investments, Single-family Guarantee, and Multifamily. See NOTE 13: SEGMENT REPORTING in our 2012 Annual Report for a description of our reportable segments and the activities and items included in each.

Segment Earnings

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

The sum of Segment Earnings for each segment and the All Other category equals GAAP net income (loss). Likewise, the sum of comprehensive income (loss) for each segment and the All Other category equals GAAP comprehensive income (loss). However, the accounting principles we apply to present certain financial statement line items in Segment Earnings for our reportable segments, in particular Segment Earnings net interest income and management and guarantee income, differ significantly from those applied in preparing the comparable line items in our consolidated financial statements prepared in

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accordance with GAAP. Accordingly, the results of such line items differ significantly from, and should not be used as a substitute for, the comparable line items as determined in accordance with GAAP. For reconciliations of the Segment Earnings line items to the comparable line items in our consolidated financial statements prepared in accordance with GAAP, see Table 13.2 Segment Earnings and Reconciliation to GAAP Results.

Segment Adjustments

In presenting Segment Earnings net interest income and management and guarantee income, we make adjustments to better reflect how management measures and assesses the performance of each segment and the company as a whole. These adjustments relate to amounts that are not reflected in net income (loss) as determined in accordance with GAAP. These adjustments are reversed through the segment adjustments line item within Segment Earnings, so that Segment Earnings (loss) for each segment equals GAAP net income (loss) for each segment. Segment adjustments consist of the following:

We adjust our Segment Earnings net interest income for the Investments segment to include the amortization of cash premiums and discounts, as well as buy-up fees, on the consolidated Freddie Mac mortgage-related securities we purchase as investments. As of March 31, 2013, the unamortized balance of such premiums and discounts, net was $3.4 billion and the unamortized balance of buy-up fees was $0.7 billion. These adjustments are necessary to reflect the effective yield realized on investments in consolidated Freddie Mac mortgage-related securities purchased at a premium or discount or with buy-up fees.

We adjust our Segment Earnings management and guarantee income for the Single-family Guarantee segment to include the amortization of buy-down fees and credit delivery fees recorded in periods prior to the January 1, 2010 adoption of accounting guidance for the transfers of financial assets and the consolidation of VIEs. As of March 31, 2013, the unamortized balance of buy-down fees was $0.5 billion and the unamortized balance of credit delivery fees was $1.3 billion. We consider such fees to be part of the effective rate of the guarantee fee on guaranteed mortgage loans. These adjustments are necessary in order to better reflect the realization of revenue associated with guarantee contracts over the life of the underlying loans.

The table below presents Segment Earnings by segment.

Table 13.1 Summary of Segment Earnings and Comprehensive Income (Loss)

	Three Months Ended March 31,	
	2013	**2012**
	(in millions)	
Segment Earnings (loss), net of taxes:		
Investments	$ 2,838	$ 1,628
Single-family Guarantee	1,186	(1,675)
Multifamily	585	624
All Other	(28)	
Total Segment Earnings, net of taxes	4,581	577
Net income	$ 4,581	$ 577
Comprehensive income (loss) of segments:		
Investments	$ 4,794	$ 1,963
Single-family Guarantee	1,197	(1,698)
Multifamily	1,008	1,524
All Other	(28)	
Comprehensive income of segments	6,971	1,789
Comprehensive income	$ 6,971	$ 1,789

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The table below presents detailed reconciliations between our GAAP financial statements and Segment Earnings by financial statement line item for our reportable segments and All Other.

Table 13.2 Segment Earnings and Reconciliation to GAAP Results

	Three Months Ended March 31, 2013								
						Reconciliation to Consolidated Statements of Comprehensive Income			
	Investments	Single-family Guarantee	Multifamily	All Other	Total Segment Earnings (Loss), Net of Taxes	Reclassifications[1]	Segment Adjustments[2]	Total Reconciling Items	Total per Consolidated Statements of Comprehensive Income
	(in millions)								
Net interest income	$ 1,030	$ 94	$ 303	$	$ 1,427	$ 2,549	$ 289	$ 2,838	$ 4,265
Benefit (provision) for credit losses		244	34		278	225		225	503
Non-interest income (loss):									
Management and guarantee income[3]		1,243	46		1,289	(1,001)	(228)	(1,229)	60
Net impairment of available-for-sale securities recognized in earnings	8		(11)		(3)	(40)		(40)	(43)
Derivative gains (losses)	1,387		2		1,389	(1,014)		(1,014)	375
Gains (losses) on trading securities	(392)		15		(377)				(377)
Gains (losses) on sale of mortgage loans	(16)		67		51				51
Gains (losses) on mortgage loans recorded at fair value	(157)		115		(42)				(42)
Other non-interest income (loss)	759	241	97		1,097	(719)		(719)	378
Non-interest expense:									
Administrative expenses	(112)	(241)	(79)		(432)				(432)
REO operations income (expense)		(8)	2		(6)				(6)
Other non-interest expense		(154)	(5)	(27)	(186)				(186)
Segment adjustments[2]	289	(228)			61		(61)	(61)	
Income tax (expense) benefit	42	(5)	(1)	(1)	35				35
Net income (loss)	2,838	1,186	585	(28)	4,581				4,581
Total other comprehensive income, net of taxes	1,956	11	423		2,390				2,390
Comprehensive income (loss)	$ 4,794	$ 1,197	$ 1,008	$ (28)	$ 6,971	$	$	$	$ 6,971

	Three Months Ended March 31, 2012								
						Reconciliation to Consolidated Statements of Comprehensive Income			
	Investments	Single-family Guarantee	Multifamily	All Other	Total Segment Earnings (Loss), Net of Taxes	Reclassifications[1]	Segment Adjustments[2]	Total Reconciling Items	Total per Consolidated Statements of Comprehensive Income
	(in millions)								
Net interest income	$ 1,724	$ (32)	$ 318	$	$ 2,010	$ 2,335	$ 155	$ 2,490	$ 4,500
Benefit (provision) for credit losses		(2,184)	19		(2,165)	340		340	(1,825)
Non-interest income (loss):									
Management and guarantee income[3]		1,011	33		1,044	(803)	(196)	(999)	45

Net impairment of available-for-sale securities recognized in earnings	(496)		(16)		(512)	(52)		(52)	(564)
Derivative gains (losses)	200		(1)		199	(1,255)		(1,255)	(1,056)
Gains (losses) on trading securities	(398)		21		(377)				(377)
Gains (losses) on sale of mortgage loans	(14)		54		40				40
Gains (losses) on mortgage loans recorded at fair value	(38)		177		139				139
Other non-interest income (loss)	552	181	89		822	(565)		(565)	257
Non-interest expense:									
Administrative expenses	(92)	(193)	(52)		(337)				(337)
REO operations income (expense)		(172)	1		(171)				(171)
Other non-interest expense		(73)	(15)		(88)				(88)
Segment adjustments[2]	155	(196)			(41)		41	41	
Income tax (expense) benefit	35	(17)	(4)		14				14
Net income (loss)	1,628	(1,675)	624		577				577
Total other comprehensive income (loss), net of taxes	335	(23)	900		1,212				1,212
Comprehensive income (loss)	$ 1,963	$ (1,698)	$ 1,524	$	$ 1,789	$	$	$	$ 1,789

(1) See NOTE 13: SEGMENT REPORTING Segment Earnings *Investment Activity-Related Reclassifications* and *Credit Guarantee Activity-Related Reclassifications* in our 2012 Annual Report for information regarding these reclassifications.
(2) See Segment Earnings *Segment Adjustments* for information regarding these adjustments.
(3) Management and guarantee income total per consolidated statements of comprehensive income is included in other income on our GAAP consolidated statements of comprehensive income.

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The table below presents comprehensive income (loss) by segment.

Table 13.3 Comprehensive Income (Loss) of Segments

	Three Months Ended March 31, 2013					
		Other Comprehensive Income (Loss), Net of Taxes				
	Net Income (Loss)	Changes in Unrealized Gains (Losses) Related to Available-For-Sale Securities	Changes in Unrealized Gains (Losses) Related to Cash Flow Hedge Relationships	Changes in Defined Benefit Plans	Total Other Comprehensive Income (Loss), Net of Taxes	Comprehensive Income (Loss)
	(in millions)					
Total comprehensive income (loss) of segments:						
Investments	$ 2,838	$ 1,859	$ 90	$ 7	$ 1,956	$ 4,794
Single-family Guarantee	1,186			11	11	1,197
Multifamily	585	421		2	423	1,008
All Other	(28)					(28)
Total per consolidated statements of comprehensive income	$ 4,581	$ 2,280	$ 90	$ 20	$ 2,390	$ 6,971

	Three Months Ended March 31, 2012					
		Other Comprehensive Income (Loss), Net of Taxes				
	Net Income (Loss)	Changes in Unrealized Gains (Losses) Related to Available-For-Sale Securities	Changes in Unrealized Gains (Losses) Related to Cash Flow Hedge Relationships	Changes in Defined Benefit Plans	Total Other Comprehensive Income (Loss), Net of Taxes	Comprehensive Income (Loss)
	(in millions)					
Total comprehensive income (loss) of segments:						
Investments	$ 1,628	$ 242	$ 111	$ (18)	$ 335	$ 1,963
Single-family Guarantee	(1,675)			(23)	(23)	(1,698)
Multifamily	624	905		(5)	900	1,524
Total per consolidated statements of comprehensive income	$ 577	$ 1,147	$ 111	$ (46)	$ 1,212	$ 1,789

NOTE 14: FINANCIAL GUARANTEES

When we securitize single-family mortgages that we purchase, we issue mortgage-related securities that can be sold to investors or held by us. During the three months ended March 31, 2013 and 2012, we issued approximately $133.5 billion and $108.3 billion respectively, in UPB of Freddie Mac mortgage-related securities backed by single-family mortgage loans (excluding those backed by HFA bonds). We no longer recognize a financial guarantee for such arrangements as we instead recognize both the mortgage loans and the debt securities of these securitization trusts on our consolidated balance sheets. See NOTE 9: FINANCIAL GUARANTEES in our 2012 Annual Report for a description of the nature of the transactions that give rise to our financial guarantees.

For securities issued by non-consolidated securitization trusts and other guarantee commitments for which we are exposed to incremental credit risk, we recognize a guarantee asset, guarantee obligation and a reserve for guarantee losses, as necessary. Our guarantee obligation represents the recognized liability, net of cumulative amortization, associated with our guarantee.

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The table below presents our maximum potential exposure, our recognized liability, and the maximum remaining term of our financial guarantees that are not consolidated on our balance sheets.

Table 14.1 Financial Guarantees

	March 31, 2013			December 31, 2012		
	Maximum Exposure(1)	Recognized Liability	Maximum Remaining Term	Maximum Exposure(1)	Recognized Liability	Maximum Remaining Term
	(dollars in millions, terms in years)					
Non-consolidated Freddie Mac securities(2)	$ 54,868	$ 507	40	$ 50,715	$ 430	41
Other guarantee commitments	24,214	606	36	23,455	575	37
Derivative instruments(3)	9,685	678	32	10,306	789	33
Servicing-related premium guarantees	226		5	210		5

(1) Maximum exposure represents the contractual amounts that could be lost under the non-consolidated guarantees if counterparties or borrowers defaulted, without consideration of possible recoveries under credit enhancement arrangements, such as recourse provisions, third-party insurance contracts, or from collateral held or pledged. The maximum exposure disclosed above is not representative of the actual loss we are likely to incur, based on our historical loss experience and after consideration of proceeds from related collateral liquidation. The maximum exposure for our liquidity guarantees is not mutually exclusive of our default guarantees on the same securities; therefore, these amounts are included within the maximum exposure of non-consolidated Freddie Mac securities and other guarantee commitments.

(2) In addition to our guarantee of principal and interest, we also provide liquidity guarantees for certain multifamily housing revenue bonds included in this category. However, no advances under these liquidity guarantees were outstanding at March 31, 2013 and December 31, 2012.

(3) See NOTE 9: DERIVATIVES for information about these derivative guarantees.

Non-Consolidated Freddie Mac Securities

During the three months ended March 31, 2013 we issued approximately $4.8 billion, compared to $3.1 billion during the three months ended March 31, 2012, in UPB of non-consolidated Freddie Mac securities primarily backed by multifamily mortgage loans, for which a guarantee asset and guarantee obligation were recognized.

We recognize a reserve for guarantee losses, which is included within other liabilities on our consolidated balance sheets, which totaled $152 million and $183 million at March 31, 2013 and December 31, 2012, respectively. For many of the loans underlying our non-consolidated guarantees, there are credit protections from third parties, including subordination, covering a portion of our exposure. See NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES for information about credit protections on loans we guarantee.

Other Guarantee Commitments

We provide long-term standby commitments to certain of our customers, which obligate us to purchase seriously delinquent loans that are covered by those agreements. During the three months ended March 31, 2013 and 2012, we issued and guaranteed $2.2 billion and $2.3 billion, respectively, in UPB of long-term standby commitments. These long-term standby commitments totaled $13.5 billion and $12.4 billion of UPB at March 31, 2013 and December 31, 2012, respectively. We also had other guarantee commitments on multifamily housing revenue bonds that were issued by HFAs of $9.3 billion and $9.4 billion in UPB at March 31, 2013 and December 31, 2012, respectively. In addition, as of March 31, 2013 and December 31, 2012, we had issued guarantees under the TCLFP on securities backed by HFA bonds with UPB of $1.4 billion and $1.7 billion, respectively.

NOTE 15: CONCENTRATION OF CREDIT AND OTHER RISKS

Single-Family Credit Guarantee Portfolio

Our business activity is to participate in and support the residential mortgage market in the United States, which we pursue by both issuing guaranteed mortgage securities and investing in mortgage loans and mortgage-related securities.

The table below summarizes the concentration by year of origination and geographical area of the approximately $1.6 trillion UPB of our single-family credit guarantee portfolio at both March 31, 2013 and December 31, 2012. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in our 2012 Annual Report and NOTE 4: MORTGAGE LOANS AND LOAN LOSS RESERVES and NOTE 7: INVESTMENTS IN SECURITIES for more information about credit risk associated with loans and mortgage-related securities that we hold.

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Table 15.1 Concentration of Credit Risk Single-Family Credit Guarantee Portfolio

	March 31, 2013		December 31, 2012		Percent of Credit Losses[1] Three Months Ended	
	Percentage of Portfolio[2]	Serious Delinquency Rate	Percentage of Portfolio[2]	Serious Delinquency Rate	March 31, 2013	March 31, 2012
Year of Origination						
2013	5%	%	N/A	N/A	%	N/A
2012	25	0.1	22%	0.1%	<1	%
2011	13	0.3	14	0.3	1	<1
2010	13	0.6	15	0.5	2	1
2009	11	1.0	12	0.9	2	2
2008	4	7.0	6	6.8	9	9
2007	7	12.2	7	12.4	34	37
2006	5	11.2	5	11.4	23	25
2005	6	7.2	6	7.2	19	17
2004 and prior	11	3.2	13	3.2	10	9
Total	100%	3.0%	100%	3.3%	100%	100%
Region[3]						
West	28%	2.4%	28%	2.8%	34%	45%
Northeast	26	3.7	25	3.8	10	8
North Central	18	2.3	18	2.5	22	19
Southeast	17	4.6	17	5.0	30	24
Southwest	11	1.6	12	1.7	4	4
Total	100%	3.0%	100%	3.3%	100%	100%
State[4]						
California	16%	2.0%	16%	2.3%	19%	24%
Florida	6	9.1	6	9.9	22	15
Illinois	5	3.8	5	4.1	11	8
Arizona	2	2.0	2	2.5	4	8
Nevada	2	7.2	1	8.1	6	7
Michigan	3	1.7	3	1.9	4	4
Washington	3	3.2	3	3.5	3	3
All other	63	2.6	64	2.7	31	31
Total	100%	3.0%	100%	3.3%	100%	100%

(1) Credit losses consist of the aggregate amount of charge-offs, net of recoveries, and REO operations expense in each of the respective periods and exclude foregone interest on non-performing loans and other market-based losses recognized on our consolidated statements of comprehensive income.

(2) Based on the UPB of our single-family credit guarantee portfolio, which includes unsecuritized single-family mortgage loans held by us on our consolidated balance sheets and those underlying Freddie Mac mortgage-related securities, or covered by our other guarantee commitments.

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

(4) States presented are those with the highest percentage of credit losses during the three months ended March 31, 2013. Our top seven states based on the highest percentage of UPB as of March 31, 2013 are: California (16%), Florida (6%), Illinois (5%), New York (5%), Texas (4%), New Jersey (4%), and Virginia (4%), which collectively comprised 44% of our single-family credit guarantee portfolio as of March 31, 2013.

Credit Performance of Certain Higher Risk Single-Family Loan Categories

Participants in the mortgage market often characterize single-family loans based upon their overall credit quality at the time of origination, generally considering them to be prime or subprime. 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. However, there is no universally accepted definition of subprime or Alt-A. 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. In the event we purchase a refinance mortgage and the original loan had been previously identified as Alt-A, such refinance loan may no longer be categorized or reported as Alt-A in the table below 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.

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Although we do not categorize single-family mortgage loans we purchase or guarantee as prime or subprime, we recognize that there are a number of mortgage loan types with certain characteristics that indicate a higher degree of credit risk. For example, a borrower s credit score is a useful measure for assessing the credit quality of the borrower. Statistically, borrowers with higher credit scores are more likely to repay or have the ability to refinance than those with lower scores.

Presented below is a summary of the serious delinquency rates of certain higher-risk categories (based on characteristics of the loan at origination) of single-family loans in our single-family credit guarantee portfolio. The table includes a presentation of each higher-risk category in isolation. A single loan may fall within more than one category (for example, an interest-only loan may also have an original LTV ratio greater than 90%). Loans with a combination of these attributes will have an even higher risk of delinquency than those with an individual attribute.

Table 15.2 Certain Higher-Risk Categories in the Single-Family Credit Guarantee Portfolio(1)

	Percentage of Portfolio(1)		Serious Delinquency Rate	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Interest-only	3%	3%	15.5%	16.3%
Option ARM(2)	<1	<1	15.6	16.3
Alt-A(3)	4	5	11.1	11.4
Original LTV ratio greater than 90%(4)	14	13	4.3	4.8
Lower FICO scores at origination (less than 620)	3	3	11.6	12.2

(1) Based on UPB.
(2) For reporting purposes, loans within the option ARM category continue to be reported in that category following modification, even though the modified loan no longer provides for optional payment provisions.
(3) Alt-A loans may not include those loans that were previously classified as Alt-A and that have been refinanced as either a relief refinance mortgage or in another refinance mortgage initiative.
(4) Includes HARP loans, which we are required to purchase as part of our participation in the MHA Program.

The percentage of borrowers in our single-family credit guarantee portfolio, based on UPB, with estimated current LTV ratios greater than 100% was 14% and 15% at March 31, 2013 and December 31, 2012, respectively. As estimated current LTV ratios increase, the borrower s equity in the home decreases, which negatively affects the borrower s ability to refinance (outside of HARP) or to sell the property for an amount at or above the balance of the outstanding mortgage loan. The serious delinquency rate for single-family loans with estimated current LTV ratios greater than 100% was 12.3% and 12.7% as of March 31, 2013 and December 31, 2012, respectively. Loans originated in 2005 through 2008 have been more affected by declines in home prices since 2006 than loans originated in other years. Loans originated in 2005 through 2008 comprised approximately 22% of our single-family credit guarantee portfolio, based on UPB at March 31, 2013, and these loans accounted for approximately 85% and 88% of our credit losses during the three months ended March 31, 2013 and 2012, respectively.

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. See NOTE 7: INVESTMENTS IN SECURITIES for further information on these categories and other concentrations in our investments in securities.

Multifamily Mortgage Portfolio

The table below summarizes the concentration of multifamily mortgages in our multifamily mortgage portfolio by certain attributes. Information presented for multifamily mortgage loans includes certain categories based on loan or borrower characteristics present at origination. The table includes a presentation of each category in isolation. A single loan may fall within more than one category (for example, a non-credit enhanced loan may also have an original DSCR below 1.10).

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Table 15.3 Concentration of Credit Risk Multifamily Mortgage Portfolio

	March 31, 2013		December 31, 2012	
	UPB	Delinquency Rate[(1)]	UPB	Delinquency Rate[(1)]
	(dollars in billions)			
State[(2)]				
California	$ 21.2	0.10%	$ 21.1	0.12%
Texas	16.0	0.13	15.9	0.13
New York	10.8	0.09	10.7	0.09
Florida	9.0	0.04	8.4	0.12
Virginia	7.0		6.6	
Maryland	6.6		6.9	
All other states	58.4	0.26	57.8	0.32
Total	$ 129.0	0.16%	$ 127.4	0.19%
Region[(3)]				
Northeast	$ 36.0	0.03%	$ 36.1	0.04%
West	32.2	0.13	31.8	0.09
Southwest	25.7	0.22	25.4	0.22
Southeast	24.3	0.36	23.4	0.54
North Central	10.8	0.14	10.7	0.19
Total	$ 129.0	0.16%	$ 127.4	0.19%
Category[(4)]				
Original LTV ratio greater than 80%	$ 5.6	2.34%	$ 5.8	2.31%
Original DSCR below 1.10	2.2	3.76	2.3	2.97

(1) Based on the UPB of multifamily mortgages two monthly payments or more delinquent or in foreclosure.
(2) Represents the six states with the highest UPB at March 31, 2013.
(3) See endnote (3) to Table 15.1 Concentration of Credit Risk Single-family Credit Guarantee Portfolio for a description of these regions.
(4) These categories are not mutually exclusive and a loan in one category may also be included within another category.

One indicator of risk for mortgage loans in our multifamily mortgage portfolio is the amount of a borrower s equity in the underlying property. A borrower s equity in a property decreases as the LTV ratio increases. Higher LTV ratios negatively affect a borrower s ability to refinance or sell a property for an amount at or above the balance of the outstanding mortgage. The DSCR is another indicator of future credit performance. The DSCR estimates a multifamily borrower s ability to service its mortgage obligation using the secured property s cash flow, after deducting non-mortgage expenses from income. The higher the DSCR, the more likely it is that a multifamily borrower will be able to continue servicing its mortgage obligation.

We estimate that the percentage of loans in our multifamily mortgage portfolio with a current LTV ratio of greater than 100% was approximately 2% and 3% at March 31, 2013 and December 31, 2012, respectively, and our estimate of the current average DSCR for these loans was 0.92 and 1.0, respectively. We estimate that the percentage of loans in our multifamily mortgage portfolio with a current DSCR less than 1.0 was 4% and 3% at March 31, 2013 and December 31, 2012, respectively, and the average current LTV ratio of these loans was 105% and 111%, respectively. Our estimates of current DSCRs are 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 financial results of our multifamily borrowers to estimate a property s value, there may be a significant lag in reporting, which could be six months or more, as they complete their financial results in the normal course of business. Our internal estimates of property valuation are derived using techniques that include income capitalization, discounted cash flows, sales comparables, or replacement costs.

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Seller/Servicers

We acquire a significant portion of our single-family mortgage purchase volume from several large seller/servicers with whom we have entered into mortgage purchase volume commitments that provide for the lenders to deliver us up to a certain volume of mortgages during a specified period of time. Our top 10 single-family seller/servicers provided approximately 68% of our single-family purchase volume during the three months ended March 31, 2013. Wells Fargo Bank, N.A., JPMorgan Chase Bank, N.A., and U.S. Bank, N.A., accounted for 21%, 13%, and 10%, respectively, of our single-family mortgage purchase volume and were the only single-family seller/servicers that comprised 10% or more of our purchase volume during the three months ended March 31, 2013. We are exposed to the risk that we could lose purchase volume to the extent these arrangements are terminated without replacement from other lenders.

We are exposed to institutional credit risk arising from the potential insolvency or non-performance by our seller/servicers of their obligations to repurchase mortgages or (at our option) indemnify us in the event of: (a) breaches of the representations and warranties they made when they sold the mortgages to us; or (b) failure to comply with our servicing requirements. 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 on the appeal. As of March 31, 2013 and December 31, 2012 the UPB of loans subject to our repurchase requests issued to our single-family seller/servicers was approximately $2.9 billion and $3.0 billion, and approximately 48% and 41% of these requests, respectively, were outstanding for four months or more since issuance of our initial repurchase request as measured by the UPB of the loans subject to the requests (these figures include repurchase requests for which appeals were pending). As of March 31, 2013, two of our largest seller/servicers (Bank of America, N.A. and Wells Fargo Bank, N.A.) had aggregate repurchase requests outstanding, based on UPB, of $1.6 billion, and approximately 63% of these requests were outstanding for four months or more since issuance of the initial request. During the three months ended March 31, 2013 and 2012, we recovered amounts that covered losses with respect to $0.9 billion and $0.8 billion, respectively, of UPB on loans subject to our repurchase requests.

The ultimate amounts of recovery payments we receive from seller/servicers related to their repurchase obligations may be significantly less than the amount of our estimates of potential exposure to losses. Our estimate of probable incurred losses for exposure to seller/servicers for their repurchase obligations is considered in our allowance for loan losses as of March 31, 2013 and December 31, 2012. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Allowance for Loan Losses and Reserve for Guarantee Losses in our 2012 Annual Report for further information. We believe we have appropriately provided for these exposures, based upon our estimates of incurred losses, in our loan loss reserves at March 31, 2013 and December 31, 2012; however, our actual losses may exceed our estimates.

We are also 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 loss mitigation efforts, including under the servicing alignment initiative and the MHA Program, and therefore, we 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 two single-family loan servicers, Wells Fargo Bank, N.A. and JPMorgan Chase Bank, N.A., serviced approximately 26% and 13%, respectively, of our single-family mortgage loans, as of March 31, 2013 and together serviced approximately 39% of our single-family mortgage loans. 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.

As of March 31, 2013 our top three multifamily servicers, Berkadia Commercial Mortgage, LLC, CBRE Capital Markets, Inc., and Wells Fargo Bank, N.A., each serviced more than 10% of our multifamily mortgage portfolio, excluding Other Guarantee Transactions, and together serviced approximately 38% of this portfolio.

Mortgage Insurers

We have institutional credit risk relating to the potential insolvency of, or non-performance by, mortgage insurers that insure single-family mortgages we purchase or guarantee. We evaluate the recovery and collectability from insurance policies for mortgage loans that we hold for investment as well as loans underlying our non-consolidated Freddie Mac mortgage-related securities or covered by other guarantee commitments as part of the estimate of our loan loss reserves. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Allowance for Loan Losses and Reserve for

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Guarantee Losses in our 2012 Annual Report for additional information. As of March 31, 2013, these insurers provided coverage, with maximum loss limits of $48.7 billion, for $200.6 billion of UPB, in connection with our single-family credit guarantee portfolio. Our top four mortgage insurer counterparties, Mortgage Guaranty Insurance Corporation (or MGIC), Radian Guaranty Inc., United Guaranty Residential Insurance Company, and Genworth Mortgage Insurance Corporation each accounted for more than 10% and collectively represented approximately 76% of our overall mortgage insurance coverage at March 31, 2013. Certain of our mortgage insurance counterparties are no longer rated by either S&P or Moody s. The remaining counterparties, including the top four counterparties, are rated BBB or below as of April 24, 2013, based on the lower of the S&P or Moody s rating scales and stated in terms of the S&P equivalent.

We received proceeds of $0.4 billion and $0.5 billion during the three months ended March 31, 2013 and 2012, 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 of $1.2 billion and $1.3 billion as of March 31, 2013 and December 31, 2012, respectively. The balance of our outstanding accounts receivable from mortgage insurers, net of associated reserves, was approximately $0.8 billion at both March 31, 2013 and December 31, 2012.

Bond Insurers

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. At March 31, 2013, the remaining contractual limit for reimbursement of losses under such policies was $8.5 billion. At March 31, 2013, our top five bond insurers, Ambac Assurance Corporation (or Ambac), Financial Guaranty Insurance Company (or FGIC), MBIA Insurance Corp., National Public Finance Guarantee Corp., and Assured Guaranty Municipal Corp., each accounted for more than 10% of our overall bond insurance coverage and collectively represented approximately 99% of our total coverage.

We evaluate the expected recovery from primary bond insurance policies as part of our impairment analysis for our investments in securities. If a bond insurer fails to meet its obligations on our investments in securities, then the fair values of our securities may further decline, which could have a material adverse effect on our results and financial condition. See NOTE 7: INVESTMENTS IN SECURITIES in our 2012 Annual Report for further information on our evaluation of impairment on securities covered by bond insurance.

Cash and Other Investments Counterparties

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

Our cash and other investment counterparties are primarily major financial institutions and the Federal Reserve Bank. As of March 31, 2013 and December 31, 2012, including amounts related to our consolidated VIEs, there were $68.2 billion and $60.7 billion, respectively, of: (a) cash and securities purchased under agreements to resell invested with institutional counterparties; or (b) cash deposited with the Federal Reserve Bank. As of March 31, 2013 these included:

- $29.6 billion of securities purchased under agreements to resell with 12 counterparties that had short-term S&P ratings of A-1;
- $3.0 billion of securities purchased under agreements to resell with one counterparty that had a short-term S&P rating of A-2;
- $6.0 billion of securities purchased under agreements to resell with one counterparty that had a short-term S&P rating of A-3;
- $17.0 billion of cash equivalents invested in U.S. Treasury securities; and
- $12.2 billion of cash deposited with the Federal Reserve Bank (as a non-interest-bearing deposit).

Derivative Portfolio

For a discussion of our derivative counterparties and related master netting and collateral agreements, see NOTE 10: COLLATERAL AND OFFSETTING OF ASSETS AND LIABILITIES.

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NOTE 16: FAIR VALUE DISCLOSURES

The accounting guidance for fair value measurements and disclosures defines fair value, establishes a framework for measuring fair value, and sets forth disclosure requirements regarding fair value measurements. This guidance applies whenever other accounting guidance requires or permits assets or liabilities to be measured at fair value. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

We use fair value measurements for the initial recording of certain assets and liabilities and periodic remeasurement of certain assets and liabilities on a recurring or non-recurring basis.

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures establishes a three-level fair value hierarchy that prioritizes the inputs into the valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority, Level 1, to measurements based on quoted prices in active markets for identical assets or liabilities. The next highest priority, Level 2, is given to measurements based on observable inputs other than quoted prices in active markets for identical assets or liabilities. The lowest priority, Level 3, is given to measurements based on unobservable inputs. Assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

During the first quarter of 2012, we adopted an amendment to the guidance pertaining to fair value measurements and disclosure. The amendment changed the definition of the principal market to the perspective of the overall market for the particular asset or liability being valued, with less emphasis on the perspective of the reporting entity. As a result of adopting this guidance, we made a change to our principal market assessment for certain single-family mortgage loans, primarily for loans that have not been modified and are delinquent four months or more or are in foreclosure. For these loans, we changed our principal market assessment to the whole loan market. The resulting impact was a decrease of $13.8 billion to our fair value of net assets in our consolidated fair value balance sheets.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The table below presents our assets and liabilities measured in our consolidated balance sheets at fair value on a recurring basis subsequent to initial recognition, including instruments where we have elected the fair value option, as of March 31, 2013 and December 31, 2012.

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Table 16.1 Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Fair Value at March 31, 2013				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (in millions)	Netting Adjustment[1]	Total
Assets:					
Investments in securities:					
Available-for-sale, at fair value:					
Mortgage-related securities:					
Freddie Mac	$	$ 50,611	$ 1,784	$	$ 52,395
Fannie Mae		13,704	153		13,857
Ginnie Mae		180	16		196
CMBS		46,287	3,398		49,685
Subprime			28,518		28,518
Option ARM			6,144		6,144
Alt-A and other			10,960		10,960
Obligations of states and political subdivisions			5,305		5,305
Manufactured housing			700		700
Total available-for-sale securities, at fair value		110,782	56,978		167,760
Trading, at fair value:					
Mortgage-related securities:					
Freddie Mac		8,670	977		9,647
Fannie Mae		8,959	288		9,247
Ginnie Mae		33	88		121
Other		137	19		156
Total mortgage-related securities		17,799	1,372		19,171
Non-mortgage-related securities:					
Asset-backed securities		89			89
Treasury notes	12,329				12,329
Total non-mortgage-related securities	12,329	89			12,418
Total trading securities, at fair value	12,329	17,888	1,372		31,589
Total investments in securities	12,329	128,670	58,350		199,349
Mortgage loans:					
Held-for-sale, at fair value			14,140		14,140
Derivative assets, net:					
Interest-rate swaps	18	11,126	15		11,159
Option-based derivatives		8,788			8,788
Other	4	40	1		45
Subtotal, before netting adjustments	22	19,954	16		19,992
Netting adjustments[1]				(19,393)	(19,393)
Total derivative assets, net	22	19,954	16	(19,393)	599
Other assets:					
Guarantee asset, at fair value			1,159		1,159
All other, at fair value			138		138
Total other assets			1,297		1,297

Total assets carried at fair value on a recurring basis	$ 12,351	$ 148,624	$ 73,803	$ (19,393)	$ 215,385
Liabilities:					
Debt securities of consolidated trusts held by third parties, at fair value	$	$ 67	$	$	$ 67
Other debt, at fair value			1,508		1,508
Derivative liabilities, net:					
Interest-rate swaps	5	25,775	54		25,834
Option-based derivatives		640	1		641
Other	2	47	38		87
Subtotal, before netting adjustments	7	26,462	93		26,562
Netting adjustments[1]				(26,337)	(26,337)
Total derivative liabilities, net	7	26,462	93	(26,337)	225
Total liabilities carried at fair value on a recurring basis	$ 7	$ 26,529	$ 1,601	$ (26,337)	$ 1,800

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	Fair Value at December 31, 2012				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustment[1]	Total
			(in millions)		
Assets:					
Investments in securities:					
Available-for-sale, at fair value:					
Mortgage-related securities:					
Freddie Mac	$	$ 56,713	$ 1,802	$	$ 58,515
Fannie Mae		15,117	163		15,280
Ginnie Mae		193	16		209
CMBS		47,878	3,429		51,307
Subprime			26,457		26,457
Option ARM			5,717		5,717
Alt-A and other			10,904		10,904
Obligations of states and political subdivisions			5,798		5,798
Manufactured housing			709		709
Total available-for-sale securities, at fair value		119,901	54,995		174,896
Trading, at fair value:					
Mortgage-related securities:					
Freddie Mac		9,189	1,165		10,354
Fannie Mae		10,026	312		10,338
Ginnie Mae		39	92		131
Other		135	21		156
Total mortgage-related securities		19,389	1,590		20,979
Non-mortgage-related securities:					
Asset-backed securities		292			292
Treasury bills	1,160				1,160
Treasury notes	19,061				19,061
Total non-mortgage-related securities	20,221	292			20,513
Total trading securities, at fair value	20,221	19,681	1,590		41,492
Total investments in securities	20,221	139,582	56,585		216,388
Mortgage loans:					
Held-for-sale, at fair value			14,238		14,238
Derivative assets, net:					
Interest-rate swaps	27	13,920	18		13,965
Option-based derivatives		10,097			10,097
Other	37	92	2		131
Subtotal, before netting adjustments	64	24,109	20		24,193
Netting adjustments[1]				(23,536)	(23,536)
Total derivative assets, net	64	24,109	20	(23,536)	657
Other assets:					
Guarantee asset, at fair value			1,029		1,029
All other, at fair value			114		114
Total other assets			1,143		1,143
Total assets carried at fair value on a recurring basis	$ 20,285	$ 163,691	$ 71,986	$ (23,536)	$ 232,426
Liabilities:					

Debt securities of consolidated trusts held by third parties, at fair value	$		$	70	$		$		$	70
Other debt, at fair value						2,187				2,187
Derivative liabilities, net:										
Interest-rate swaps		5		30,213		26				30,244
Option-based derivatives				749		1				750
Other		3		52		40				95
Subtotal, before netting adjustments		8		31,014		67				31,089
Netting adjustments[1]								(30,911)		(30,911)
Total derivative liabilities, net		8		31,014		67		(30,911)		178
Total liabilities carried at fair value on a recurring basis	$	8	$	31,084	$	2,254	$	(30,911)	$	2,435

(1) Represents counterparty netting, cash collateral netting, net trade/settle receivable or payable and net derivative interest receivable or payable. The net cash collateral posted and net trade/settle receivable were $7.8 billion and $107 million, respectively, at March 31, 2013. The net cash collateral posted and net trade/settle receivable were $8.2 billion and $0 million, respectively, at December 31, 2012. The net interest receivable (payable) of derivative assets and derivative liabilities was $(1.0) billion and $(0.8) billion at March 31, 2013 and December 31, 2012, respectively, which was mainly related to interest rate swaps that we have entered into.

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Changes in Fair Value Levels

We monitor the availability of observable market data to: (a) assess the appropriate classification of financial instruments within the fair value hierarchy; and (b) transfer assets and liabilities between Level 1, Level 2, and Level 3 accordingly. Observable market data includes, but is not limited to, quoted prices and market transactions. Changes in economic conditions or the volume and level of activity in a market generally will drive changes in availability of observable market data. Changes in availability of observable market data, which also may result in changing the valuation technique used, are generally the cause of transfers between Level 1, 2, or 3.

For the three months ended March 31, 2013 and 2012, our transfers between Level 1 and Level 2 assets and liabilities were less than $1 million.

The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2013 and 2012. The table also presents gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recognized in our consolidated statements of comprehensive income for Level 3 assets and liabilities for the three months ended March 31, 2013 and 2012. When assets and liabilities are transferred between levels, we recognize the transfer as of the beginning of the period.

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Table 16.2 Fair Value Measurements of Assets and Liabilities Using Significant Unobservable Inputs

	Three Months Ended March 31, 2013											
		Realized and unrealized gains (losses)										
	Balance, January 1, 2013	Included in earnings[1][2][3][4]	Included in other comprehensive income[1]	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[5]	Transfers out of Level 3[5]	Balance, March 31, 2013	Unrealized gains (losses) still held[6]
	(in millions)											
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$ 1,802	$	$ (2)	$ (2)	$	$	$	$ (16)	$	$	$ 1,784	$
Fannie Mae	163							(10)			153	
Ginnie Mae	16							(1)	1		16	
CMBS	3,429		(66)	(66)				(14)	49		3,398	
Subprime	26,457	(33)	3,148	3,115				(1,054)			28,518	(33)
Option ARM	5,717		622	622				(195)			6,144	
Alt-A and other	10,904		432	432				(376)			10,960	
Obligations of states and political subdivisions	5,798	1	(28)	(27)	(10)		(49)	(407)			5,305	
Manufactured housing	709		12	12				(21)			700	
Total available-for-sale mortgage-related securities	54,995	(32)	4,118	4,086	(10)		(49)	(2,094)	50		56,978	(33)
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	1,165	(86)		(86)	46		(24)	(60)		(64)	977	(86)
Fannie Mae	312	(15)		(15)				(9)			288	(15)
Ginnie Mae	92				3			(7)			88	
Other	21							(2)			19	
Total trading mortgage-related securities	1,590	(101)		(101)	49		(24)	(78)		(64)	1,372	(101)
Mortgage loans:												
Held-for-sale, at fair value	14,238	9		9	5,709		(5,749)	(67)			14,140	1
Other assets:												
Guarantee asset[7]	1,029	6		6		148		(24)			1,159	6
All other, at fair value	114	24		24							138	24
Total other assets	1,143	30		30		148		(24)			1,297	30

		Realized and unrealized (gains) losses										
	Balance, January 1, 2013	Included in earnings[1][2][3][4]	Included in other comprehensive income[1]	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3[5]	Transfers out of Level 3[5]	Balance, March 31, 2013	Unrealized (gains) losses still held[6]
	(in millions)											
Liabilities												
Other debt, at fair value	$ 2,187	$ (9)	$	$ (9)	$	$	$	$ (670)	$	$	$ 1,508	$ (16)
Net derivatives[8]	47	59		59				(29)			77	35

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	Three Months Ended March 31, 2012											
		Realized and unrealized gains (losses)										
	Balance, January 1, 2012	Included in earnings[(1)(2)(3)(4)]	Included in other comprehensive income[(1)]	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3	Transfers out of Level 3	Balance, March 31, 2012	Unrealized gains (losses) still held[(6)]
	(in millions)											
Assets												
Investments in securities:												
Available-for-sale, at fair value:												
Mortgage-related securities:												
Freddie Mac	$ 2,048	$	$ (2)	$ (2)	$	$	$	$ (28)	$	$ (120)	$ 1,898	$
Fannie Mae	172		1	1				(5)			168	
Ginnie Mae	12							(1)			11	
CMBS	3,756	76	(337)	(261)			(330)	(22)			3,143	
Subprime	27,999	(441)	743	302				(1,156)			27,145	(441)
Option ARM	5,865	(48)	258	210				(257)			5,818	(48)
Alt-A and other	10,868	(57)	631	574				(358)			11,084	(57)
Obligations of states and political subdivisions	7,824	1	63	64			(7)	(316)			7,565	
Manufactured housing	766	(2)	7	5				(23)			748	(2)
Total available-for-sale mortgage-related securities	59,310	(471)	1,364	893			(337)	(2,166)		(120)	57,580	(548)
Trading, at fair value:												
Mortgage-related securities:												
Freddie Mac	1,866	6		6		51	(63)	(51)	35	(119)	1,725	5
Fannie Mae	538	3		3	(4)		4	(8)		(55)	478	3
Ginnie Mae	22							(2)			20	
Other	90							(2)		(75)	13	
Total trading mortgage-related securities	2,516	9		9	(4)	51	(59)	(63)	35	(249)	2,236	8
Mortgage loans:												
Held-for-sale, at fair value	9,710	179		179	5,367		(3,903)	(16)			11,337	104
Other assets:												
Guarantee asset[(7)]	752	1		1		62		(17)			798	1
All other, at fair value	151	(8)		(8)							143	(8)
Total other assets	903	(7)		(7)		62		(17)			941	(7)
		Realized and unrealized (gains) losses										
	Balance, January 1, 2012	Included in earnings[(1)(2)(3)(4)]	Included in other comprehensive income[(1)]	Total	Purchases	Issues	Sales	Settlements, net	Transfers into Level 3	Transfers out of Level 3	Balance, March 31, 2012	Unrealized (gains) losses still held[(6)]
	(in millions)											
Liabilities												
Other debt, at fair value	$	$ 18	$	$ 18	$	$	$	$ (812)	$ 3,015	$	$ 2,221	$ 28
Net derivatives[(8)]	(17)	18		18				(4)		33	30	12
Other liabilities:												
All other, at fair value		4		4							4	4

(1) Changes in fair value for available-for-sale investment securities are recorded in AOCI, while gains and losses from sales are recorded in other gains (losses) on investment securities recognized in earnings on our consolidated statements of comprehensive income. For mortgage-related securities classified as trading, the realized and unrealized gains (losses) are recorded in other gains (losses) on investment securities recognized in earnings on our consolidated statements of comprehensive income.
(2) Changes in fair value of derivatives not designated as accounting hedges are recorded in derivative gains (losses) on our consolidated statements of comprehensive income.
(3) Changes in fair value of the guarantee asset are recorded in other income on our consolidated statements of comprehensive income.
(4) For held-for-sale mortgage loans with the fair value option elected, gains (losses) on fair value changes and from sales of mortgage loans are recorded in other income on our consolidated statements of comprehensive income.
(5) Transfers out of Level 3 during the three months ended March 31, 2013 consist primarily of certain mortgage-related securities due to an increased volume and level of activity in the market and availability of price quotes from dealers and third-party pricing services. Transfers into Level 3 during the three months ended March 31, 2013 consist primarily of certain mortgage-related securities due to a change in valuation method as a result of a lack of relevant price quotes from dealers and third-party pricing services.
(6) Represents the amount of total gains or losses for the period, included in earnings, attributable to the change in unrealized gains and losses related to assets and liabilities classified as Level 3 that were still held at March 31, 2013 and 2012, respectively. Included in these amounts are credit-related other-than-temporary impairments recorded on available-for-sale securities.
(7) We estimate that all amounts recorded for unrealized gains and losses on our guarantee asset relate to those guarantee asset amounts still recorded on our balance sheet. The amounts reflected as included in earnings represent the periodic fair value changes of our guarantee asset.
(8) Net derivatives include derivative assets and derivative liabilities prior to counterparty netting, cash collateral netting, net trade/settle receivable or payable and net derivative interest receivable or payable.

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Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis. These adjustments usually result from application of lower-of-cost-or-fair-value accounting or write-downs of individual assets. These assets include impaired held-for-investment multifamily mortgage loans and REO, net.

The table below presents assets measured in our consolidated balance sheets at fair value on a non-recurring basis at March 31, 2013 and December 31, 2012, respectively.

Table 16.3 Assets Measured at Fair Value on a Non-Recurring Basis

	Fair Value at March 31, 2013				Fair Value at December 31, 2012			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in millions)							
Assets measured at fair value on a non-recurring basis:								
Mortgage loans:(1)								
Held-for-investment	$	$	$ 975	$ 975	$	$	$ 1,025	$ 1,025
REO, net(2)			1,171	1,171			776	776
Total assets measured at fair value on a non-recurring basis	$	$	$ 2,146	$ 2,146	$	$	$ 1,801	$ 1,801

	Total Gains (Losses)(3) Three Months Ended March 31,	
	2013	2012
	(in millions)	
Assets measured at fair value on a non-recurring basis:		
Mortgage loans:(1)		
Held-for-investment	$ (1)	$ (26)
REO, net(2)	(28)	(15)
Total gains (losses)	$ (29)	$ (41)

(1) Represents carrying value and related write-downs of loans for which adjustments are based on the fair value amounts. These loans consist of impaired multifamily mortgage loans that are classified as held-for-investment and have a related valuation allowance.
(2) Represents the fair value and related losses of foreclosed properties that were measured at fair value subsequent to their initial classification as REO, net. The carrying amount of REO, net was written down to fair value of $1.2 billion, less estimated costs to sell of $75 million (or approximately $1.1 billion) at March 31, 2013. The carrying amount of REO, net was written down to fair value of $0.8 billion, less estimated costs to sell of $50 million (or approximately $0.7 billion) at December 31, 2012.
(3) Represents the total net gains (losses) recorded on items measured at fair value on a non-recurring basis as of March 31, 2013 and 2012, respectively.

Valuation Processes and Controls Over Fair Value Measurement

We have control processes designed to ensure that our fair value measurements are appropriate and reliable, that they are based on observable inputs where possible, and that our valuation approaches are consistently applied and the assumptions and inputs are reasonable. Our control processes provide a framework that ensures a segregation of duties and oversight of our fair value methodologies, techniques, validation procedures, and results.

Groups within our Finance division, independent of our trading and investing function, execute and validate the valuation processes and are responsible for determining the fair values of the majority of our financial assets and liabilities. In determining fair value, we consider the credit risk of our counterparties in estimating the fair values of our assets and our own credit risk in estimating the fair values of our liabilities. The fair values determined by our Finance division are further verified by an independent group within our Enterprise Risk Management (ERM) division.

The validation procedures performed by ERM are intended to ensure that the prices we receive from third parties are consistent with our observations of market activity, and that fair value measurements developed using internal data reflect the assumptions that a market participant would use in pricing our assets and liabilities. These validation procedures include performing a monthly independent verification of fair value measurements through independent modeling, analytics, and comparisons to other market source data, if available. Where applicable, prices are back-tested by comparing actual settlement prices to our fair value measurements. Analytical procedures include automated checks consisting of prior-period variance analysis, comparisons of actual prices to internally calculated expected prices based on observable market changes, analysis of changes in pricing ranges, and relative value and yield comparisons using our proprietary models. Thresholds are set for each product category by ERM to identify exceptions that require further analysis. If a price is outside of our established thresholds, we perform additional validation procedures, including supplemental analytics and/or follow up discussions with the third-party provider. If we are unable to validate the reasonableness of a given price, we ultimately do not use that price for fair value measurements in our consolidated financial statements. These reviews are risk-based and cover all product categories, and are executed before we finalize the prices used in preparing our fair value measurements for our financial statements.

In addition to performing the validation procedures noted above, ERM provides independent risk governance over all valuation processes by establishing and maintaining corporate-wide valuation control policies. ERM also independently reviews key judgments, methodologies, and valuation techniques to ensure compliance with its established policies.

Our Valuation & Finance Model Committee (Valuation Committee), which includes representation from our business areas, ERM, and Finance divisions, provides senior management s governance over valuation processes, methodologies, controls and fair value measurements. Identified exceptions are reviewed and resolved through the verification process and the fair value measurements used in the financial statements are approved at the Valuation Committee.

Where models are employed to assist in the measurement and verification of fair values, changes made to those models during the period are reviewed and approved according to the corporate model change governance process, which specifies that all material changes be reviewed at the Valuation Committee. Inputs used by models are regularly updated for changes in the underlying data, assumptions, valuation inputs, and market conditions, and are subject to the valuation controls noted above.

Use of Third-Party Pricing Data in Fair Value Measurement

As discussed in the sections that follow, many of our valuation techniques use, either directly or indirectly, data provided by third-party pricing services or dealers. The techniques used by these pricing services and dealers to develop the prices generally are either: (a) a comparison to transactions involving instruments with similar collateral and risk profiles, adjusted as necessary based on specific characteristics of the asset or liability being valued; or (b) industry-standard modeling, such as a discounted cash flow model. The prices provided by the pricing services and dealers reflect their observations and assumptions related to market activity, including risk premiums and liquidity adjustments. The models and related assumptions used by the pricing services and dealers are owned and managed by them and, in many cases, the significant inputs used in the valuation techniques are not reasonably available to us. However, we have an understanding of the processes and assumptions used to develop the prices based on our ongoing due diligence, which includes discussions with our vendors at least annually and often more frequently. We believe that the procedures executed by the pricing services and dealers, combined with our internal verification and analytical procedures, provide assurance that the prices used in our financial statements comply with the accounting guidance for fair value measurements and disclosures and reflect the assumptions that a market participant would use in pricing our assets and liabilities. The price quotes we receive are non-binding both to us and to our counterparties.

In many cases, we receive prices from third-party pricing services or dealers and use those prices without adjustment, and the significant inputs used to develop the prices are not reasonably available to us. For a large majority of the assets and liabilities we value using pricing services and dealers, we obtain prices from multiple external sources and use the median of the prices to measure fair value. This technique is referred to below as median of external sources. The significant inputs used in the fair value measurement of assets and liabilities that are valued using the median of external sources pricing technique are the third-party prices. Significant increases (decreases) in any of the third-party prices in isolation may result in a significantly higher (lower) fair value measurement. In limited circumstances, we may be able to receive pricing information from only a single external source. This technique is referred to below as single external source.

In limited circumstances, we receive prices or pricing-related data that we adjust or use as an input to our models or other valuation techniques to measure fair value, as described in Valuation Techniques for Assets and Liabilities Measured at Fair Value in Our Consolidated Balance Sheets Derivative Assets, Net and Derivative Liabilities, Net. In other limited circumstances, we receive prices from a third-party provider and use those prices without adjustment, but the inputs used by the third-party provider to develop the prices are reasonably available to us, as described in Valuation Techniques for Assets and Liabilities Measured at Fair Value in Our Consolidated Balance Sheets Mortgage Loans, Held-for-Sale and Other Assets and Other Liabilities.

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Valuation Techniques for Assets and Liabilities Measured at Fair Value in Our Consolidated Balance Sheets

We categorize assets and liabilities that we measure and report at fair value in our consolidated balance sheets within the fair value hierarchy based on the valuation techniques used to derive the fair value and our judgment regarding the observability of the related inputs. The following is a description of the valuation techniques we use for fair value measurement and disclosure; the significant inputs used in those techniques (if applicable); our basis for classifying the measurements as Level 1, Level 2, or Level 3 of the fair value hierarchy; and, for those measurements classified as Level 3 of the hierarchy, a narrative description of the sensitivity of the fair value measurement to changes in significant unobservable inputs and a description of any interrelationships between those unobservable inputs. Although the sensitivities of the unobservable inputs are generally discussed below in isolation, interrelationships exist among the inputs such that a change in one unobservable input typically results in a change to one or more of the other inputs. For example, the most common interrelationship that impacts the majority of our fair value measurements is between future interest rates, prepayment speeds, and probabilities of default. Generally, a change in the assumption used for future interest rates results in a directionally opposite change in the assumption used for prepayment speeds and a directionally similar change in the assumption used for probabilities of default.

Each technique discussed below may not be used in a given reporting period, depending on the composition of our assets and liabilities measured at fair value and relevant market activity during that period.

Investments in Securities

Mortgage-Related Securities

Agency Securities

Agency securities, both trading and available-for-sale, consist of mortgage-related securities issued and guaranteed by Freddie Mac, Fannie Mae, and Ginnie Mae. The valuation techniques for agency securities vary depending on the type of security.

Fixed-rate single-class securities are valued using observable prices for similar securities in the TBA market. The observable TBA prices vary based on agency, term, coupon, and settlement date. In addition, we may adjust the TBA price accordingly based on matrices we receive from external dealers for securities with specific collateral characteristics if we observe those collateral characteristics to be trading at a premium or discount to the TBA price. Significant inputs used in this technique are the TBA prices and the security characteristics mentioned above. These securities have observable market pricing and are classified as Level 2.

Adjustable-rate single-class securities and the majority of multiclass securities are valued using the median of external sources. For certain multiclass securities, we are able to receive prices from only a single external source. Adjustable-rate single-class securities and the multiclass securities valued using these techniques generally have observable market prices and are classified as Level 2. However, certain multiclass securities valued using these techniques are classified as Level 3 when there is a low volume or level of activity in the market for those securities.

Certain multiclass securities for which we are not able to obtain external prices due to limited relevant market activity are valued using a discounted cash flow technique. Under this technique, securities are valued by starting with a third-party market price for a similar security within our portfolio. We then use our proprietary prepayment and interest rate models to calculate an OAS for the similar security, which is used to determine the net present value of the projected cash flows for the security to be valued. The significant unobservable input used in the fair value measurement of these securities is the OAS. Significant increases (decreases) in the OAS in isolation would result in a significantly lower (higher) fair value measurement. These securities are classified as Level 3 as significant inputs used in the fair value measurement are unobservable.

Certain complex multiclass securities for which current cash flow information is not readily available are valued using a risk-metric pricing technique. Under this technique, securities are valued by starting with a prior period price and adjusting that price for market changes in certain key risk metrics such as key rate durations. If necessary, our judgment is applied to adjust the price based on specific security characteristics. The significant unobservable inputs used in the fair value measurement of these securities are the key risk metrics. Significant increases (decreases) in key rate durations in isolation would result in a significantly lower (higher) fair value measurement. These securities are classified as Level 3 as significant inputs used in the fair value measurement are unobservable.

Commercial Mortgage-Backed Securities

The majority of our CMBS are valued using the median of external sources. For a small number of CMBS, we are able to receive prices from only a single external source. CMBS valued using these techniques generally have observable market pricing and are classified as Level 2. However, certain CMBS valued using these techniques are classified as Level 3 when there is a low volume or level of activity in the market for those securities.

Certain CMBS, primarily military housing revenue bonds, are valued using a risk-metric pricing technique, similar to that described above for agency securities. The significant unobservable inputs used in the fair value measurement of these CMBS securities are the key risk metrics. Significant increases (decreases) in key rate durations in isolation would result in a significantly lower (higher) fair value measurement. These securities are classified as Level 3 as significant inputs used in the fair value measurement are unobservable.

Subprime, Option ARM, and Alt-A and Other (Mortgage-Related); Obligations of States and Political Subdivisions; and Manufactured Housing

Subprime, option ARM, and Alt-A and other securities consist of non-agency mortgage-related securities backed by subprime, option ARM, and/or Alt-A and other collateral. Obligations of states and political subdivisions consist primarily of housing revenue bonds. Manufactured housing securities consist of non-agency mortgage-related securities backed by loans on manufactured housing properties. These types of securities are all valued based on the median of external sources and are classified as Level 3 due to the low volume and level of activity in the markets for these securities.

Non-Mortgage-Related Securities

Asset-Backed Securities

Asset-backed securities consist primarily of private-label non-mortgage-related securities. These securities are valued using the median of external sources. These securities have observable market pricing and are classified as Level 2.

Treasury Bills and Treasury Notes

Treasury bills and Treasury notes are valued using quoted prices in active markets for identical assets and are classified as Level 1.

FDIC-Guaranteed Corporate Medium-Term Notes

FDIC-guaranteed corporate medium-term notes are securities that are guaranteed by the FDIC and therefore are considered to have the credit risk of a U.S. federal agency. These securities are valued using the median of external sources. These securities have observable market pricing and are classified as Level 2.

Mortgage Loans, Held-for-Sale

Mortgage loans, held-for-sale consist of multifamily mortgage loans with the fair value option elected and are measured at fair value on a recurring basis. Mortgage loans, held-for-sale are primarily valued using market prices from a third-party pricing service that uses a discounted cash flow technique. Under this technique, the pricing service forecasts cash flows for the various mortgage loans and discounts them at a market rate, including a spread that is based on pricing data obtained from purchases and sales of similar mortgage loans, adjusted based on the mortgage loan s current LTV ratio and DSCR. The significant unobservable inputs used in the fair value measurement of these loans are the current LTV ratio and DSCR. Significant increases (decreases) in the current LTV ratio in isolation would result in a significantly lower (higher) fair value measurement. Significant increases (decreases) in the DSCR in isolation would result in a significantly higher (lower) fair value measurement. These loans are classified as Level 3 as significant inputs used in the fair value measurement are unobservable.

Mortgage Loans, Held-for-Investment

Mortgage loans, held-for-investment are measured at fair value on a non-recurring basis and represent multifamily mortgage loans that have been written down to the fair value of the underlying collateral due to impairment. The underlying collateral is primarily valued using either an income capitalization technique or third-party appraisals.

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Under the income capitalization technique, the collateral is valued by discounting the present value of future cash flows by applying an overall capitalization rate to the forecasted net operating income. The significant unobservable input used in the fair value measurement of these loans is the capitalization rate, which is determined through analysis of the DSCR. Significant increases (decreases) in the capitalization rate in isolation would result in a significantly lower (higher) fair value measurement.

Under the third-party appraisal technique, we use the prices provided by third-party appraisers without adjustment. The third-party appraisers consider the physical condition of the property and use comparable sales and other market data in determining the appraised value.

Impaired multifamily mortgage loans held-for-investment are classified as Level 3 as significant inputs used in the fair value measurement are unobservable.

Derivative Assets, Net and Derivative Liabilities, Net

Derivative assets and derivative liabilities consist of interest-rate swaps, option-based derivatives, and other derivatives, such as exchange-traded futures, foreign-currency swaps, and certain forward purchase and sale commitments.

Interest-Rate Swaps

Interest-rate swaps consist of receive-fixed, pay-fixed, and basis swaps. The majority of our interest-rate swaps are valued using a discounted cash flow technique. Under this technique, interest-rate swaps are valued by using the appropriate yield curves to discount the expected cash flows of both the fixed and variable rate components of the swap contracts. The significant inputs used in the fair value measurement of these derivatives are market-based interest rates. These derivatives are classified as Level 2 as the significant inputs used in the fair value measurement are observable in active markets. Certain interest rate swaps that are exchange traded are classified in Level 1.

Option-Based Derivatives

Option-based derivatives consist of interest rate caps, interest rate floors, call swaptions, and put swaptions. We value the majority of our option-based derivatives using option-pricing models. Dealer-supplied interest rate volatility matrices are a key input into these models. Within each matrix, prices are provided for a range of option terms, swap terms, and strikes. Our models then interpolate to determine the volatility for each instrument and use that volatility as an input to the option-pricing model. These derivatives are classified as Level 2 as the significant inputs used are observable in active markets.

Other Derivatives

Other derivatives consist of exchange-traded futures, foreign-currency swaps, and certain forward purchase and sale commitments.

Exchange-traded futures are valued using quoted prices in active markets for identical assets or liabilities and are classified as Level 1.

Foreign-currency swaps are valued using a discounted cash flow technique. Under this technique, foreign-currency swaps are valued using yield curves derived from observable market data to calculate and discount the expected cash flows for the swap contracts. The significant inputs used in the fair value measurement of these derivatives are market-based interest rates and foreign currency exchange rates. These derivatives are classified as Level 2 as the significant inputs used in the fair value measurement are observable in active markets.

Certain purchase and sale commitments are also considered to be derivatives and are valued using the same techniques we use to value the underlying instruments we are committing to purchase or sell. These instruments generally have observable market pricing and are classified as Level 2. Valuation techniques for commitments to purchase or sell investment securities and to extinguish or issue debt securities of consolidated trusts are further discussed in Investments in Securities. Valuation techniques for commitments to purchase single-family mortgage loans are further discussed in Valuation Techniques for Assets and Liabilities Not Measured at Fair Value in Our Consolidated Balance Sheets, but for Which the Fair Value is Disclosed *Mortgage Loans*.

Other Assets and Other Liabilities

Other assets consist of our guarantee asset related to guarantees issued to unconsolidated securitization trusts and mortgage servicing rights. Other liabilities, from time to time, consist of mortgage servicing rights.

Guarantee Asset

Our guarantee asset is primarily related to our multifamily guarantees. The multifamily guarantee asset is valued using a discounted cash flow technique. Under this technique, the present value of future cash flows related to our management and guarantee fee is discounted based on the current OAS-to-benchmark interest rates for new guarantees, which are driven by changes in our estimates of credit risk and changes in the credit profile of the multifamily guarantee portfolio. The significant unobservable input used in the fair value measurement of the guarantee asset is the OAS-to-benchmark rates. Significant increases (decreases) in the OAS in isolation would result in a significantly lower (higher) fair value measurement. The guarantee asset is classified as Level 3 as significant inputs used in the fair value measurement are unobservable.

All Other Assets and Liabilities

All other assets and, from time to time, other liabilities consist primarily of mortgage servicing rights. Mortgage servicing rights are valued using a discounted cash flow technique by a third-party vendor that specializes in valuing and brokering sales of mortgage servicing rights. Under this technique, the cash flows from the mortgage servicing rights are discounted based on estimated prepayment rates, estimated costs to service both performing and non-performing loans, and estimated servicing income per loan (including ancillary income). The significant unobservable inputs used in the fair value measurement of mortgage servicing rights are the estimates of prepayment rates, costs to service per loan, and servicing income per loan. Significant increases (decreases) in cost to service per loan, and prepayment rate in isolation would result in a significantly lower (higher) fair value measurement. Significant increases (decreases) in servicing income per loan in isolation would result in a significantly higher (lower) fair value measurement. Mortgage servicing rights are classified as Level 3 as significant inputs used in the fair value measurement are unobservable.

REO, Net

REO, net consists primarily of single-family REO. REO, net is initially measured at its fair value less costs to sell, and is subsequently measured at the lower of cost or fair value less costs to sell. REO, net is valued using an internal model. Under this technique, our internal model uses actual disposition prices on REO for the past three months to determine the average sales proceeds per property at the state level expressed as a fixed percentage based on the ratio of the disposition price to the UPB of the associated loan immediately prior to our acquisition of the property. This fixed percentage is then applied to the individual property to determine its fair value. Certain adjustments, such as state-level adjustments, are made to the estimated fair value, as applicable. The significant unobservable input used in the fair value measurement of REO, net is the historical average sales proceeds per property by state. Significant increases (decreases) in the historical average sales proceeds per property by state in isolation would result in a significantly higher (lower) fair value measurement. REO, net is classified as Level 3 as significant inputs used in the fair value measurement are unobservable.

Debt Securities of Consolidated Trusts Held by Third Parties, at Fair Value

We elected the fair value option for certain debt securities of consolidated trusts held by third parties. These consist of certain multifamily K certificates. These are valued using either the median of external sources or a single external source (which may be the counterparty to the transaction) and are classified as Level 2 due to market pricing that is observable. See Fair Value Option *Debt Securities of Consolidated Trusts Held by Third Parties* for additional information.

Other Debt, at Fair Value

We elected the fair value option for foreign-currency denominated debt instruments and certain other debt securities. These are valued using either the median of external sources or a single external source (which may be the counterparty to the transaction) and are classified as Level 3 due to the low volume and level of activity in the market for these types of debt instruments. See Fair Value Option *Other Debt* for additional information.

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Quantitative Information about Level 3 Fair Value Measurements for Assets and Liabilities Measured at Fair Value in Our Consolidated Balance Sheets

The table below provides valuation techniques, the range, and the weighted average of significant unobservable inputs for assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3) as of March 31, 2013 and December 31, 2012.

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Table 16.4 Quantitative Information about Recurring Level 3 Fair Value Measurements

	March 31, 2013					
	Total Fair Value	Level 3 Fair Value	Predominant Valuation Technique(s)	Unobservable Inputs[1] Type	Range	Weighted Average
	(dollars in millions)					
Recurring fair value measurements						
Assets						
Investments in securities						
Available-for-sale, at fair value						
Mortgage-related securities						
Agency securities:						
Freddie Mac		$1,469	Risk metric	Effective duration[2]	1.08 - 1.97 years	1.08 years
		315	Other			
Total Freddie Mac	$ 52,395	1,784				
Fannie Mae		63	Single external source	External pricing source	$117.6 - $117.6	$117.6
		54	Median of external sources	External pricing sources	$104.4 - $106.0	$105.5
		19	Discounted cash flows	OAS	(5,671) - 1,341 bps	261 bps
		17	Other			
Total Fannie Mae	13,857	153				
Ginnie Mae		9	Discounted cash flows			
		7	Median of external sources			
Total Ginnie Mae	196	16				
CMBS		2,417	Single external source	External pricing source	$98.0 - $98.0	$98.0
		936	Risk metric	Effective duration[2]	6.67 - 9.79 years	8.94 years
		45	Other			
Total CMBS	49,685	3,398				
Subprime, option ARM, and Alt-A:						
Subprime		26,538	Median of external sources	External pricing sources	$60.1 - $70.7	$65.2
		1,980	Other			
Total subprime	28,518	28,518				
Option ARM		6,140	Median of external sources	External pricing sources	$48.9 - $57.7	$53.0
		4	Other			
Total option ARM	6,144	6,144				
Alt-A and other		8,539	Median of external sources	External pricing sources	$71.9 - $80.5	$76.4
		1,958	Single external source	External pricing source	$76.1 - $76.1	$76.1
		463	Other			
Total Alt-A and other	10,960	10,960				
Obligations of states and political subdivisions		5,218	Median of external sources	External pricing sources	$102.0 - $102.8	$102.4
		87	Other			
Total obligations of states and political subdivisions	5,305	5,305				
Manufactured housing		683	Median of external sources	External pricing sources	$80.8 - $87.0	$83.6
		17	Other			
Total manufactured housing	700	700				

Total available-for-sale mortgage-related securities	167,760	56,978				
Trading, at fair value						
Mortgage-related securities						
Agency securities:						
Freddie Mac		969	Discounted cash flows	OAS	(14,382) - 6,482 bps	740 bps
		8	Other			
Total Freddie Mac	9,647	977				
Fannie Mae		288	Discounted cash flows	OAS	(1,083) - 3,050 bps	731 bps
Total Fannie Mae	9,247	288				
Ginnie Mae		84	Median of external sources			
		4	Other			
Total Ginnie Mae	121	88				
Other		11	Discounted cash flows			
		7	Median of external sources			
		1	Other			
	156	19				
Total trading mortgage-related securities	19,171	1,372				
Total investments in securities	$ 186,931	$58,350				
Mortgage loans:						
Held-for-sale, at fair value	$ 14,140	$14,140	Discounted cash flows	DSCR	1.08 - 9.67	2.01
				Current LTV	7% - 80%	71%
Other assets:						
Guarantee asset, at fair value		940	Discounted cash flows	OAS	16 - 192 bps	54 bps
		219	Other			
Total guarantee asset, at fair value	1,159	1,159				
All other, at fair value		128	Discounted cash flows	Prepayment rate	6.07% - 91.04%	24.07%
				Servicing income per loan	0.08% - 0.88%	0.25%
				Cost to service per loan	$52 - $1,014	$158
		10	Other			
Total all other, at fair value	138	138				
Total other assets	1,297	1,297				
Liabilities						
Other debt, at fair value		999	Single external source	External pricing source	$99.3 - $99.3	$99.3
		509	Median of external sources	External pricing sources	$103.0 - $103.3	$103.3
Total other debt recorded at fair value	1,508	1,508				
Net derivatives	(374)	77	Other			

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	December 31, 2012					
	Total Fair Value	Level 3 Fair Value	Predominant Valuation Technique(s)	Unobservable Inputs[1] Type	Range	Weighted Average
	(dollars in millions)					
Recurring fair value measurements						
Assets						
Investments in securities						
Available-for-sale, at fair value						
Mortgage-related securities						
Agency securities:						
Freddie Mac		$1,477	Risk metric	Effective duration[2]	0.89 - 1.98 years	0.89 years
		325	Other			
Total Freddie Mac	$ 58,515	1,802				
Fannie Mae		78	Median of external sources	External pricing sources	$103.9 - $106.0	$105.2
		65	Single external source	External pricing source	$116.0 - $116.0	$116.0
		20	Other			
Total Fannie Mae	15,280	163				
Ginnie Mae		8	Discounted cash flows			
		8	Median of external sources			
Total Ginnie Mae	209	16				
CMBS		2,462	Single external source	External pricing source	$99.4 - $99.4	$99.4
		432	Risk metric	Effective duration[2]	9.3 - 14.8 years	12.0 years
		535	Other			
Total CMBS	51,307	3,429				
Subprime, option ARM, and Alt-A:						
Subprime		24,890	Median of external sources	External pricing sources	$54.4 - $64.4	$59.2
		1,567	Other			
Total subprime	26,457	26,457				
Option ARM		5,631	Median of external sources	External pricing sources	$43.8 - $52.6	$47.9
		86	Other			
Total option ARM	5,717	5,717				
Alt-A and other		8,562	Median of external sources	External pricing sources	$69.6 - $77.9	$73.8
		1,901	Single external source	External pricing source	$71.8 - $71.8	$71.8
		441	Other			
Total Alt-A and other	10,904	10,904				
Obligations of states and political subdivisions		5,533	Median of external sources	External pricing sources	$102.3 - $103.2	$102.7
		265	Other			
Total obligations of states and political subdivisions	5,798	5,798				
Manufactured housing		693	Median of external sources	External pricing sources	$80.0 - $85.5	$82.8
		16	Other			
Total manufactured housing	709	709				
Total available-for-sale mortgage-related securities	174,896	54,995				
Trading, at fair value						
Mortgage-related securities						
Agency securities:						

Freddie Mac		1,112	Discounted cash flows	OAS	(33,702) - 3,251 bps	502 bps
		53	Other			
Total Freddie Mac	10,354	1,165				
Fannie Mae		312	Discounted cash flows	OAS	(1,263) - 3,251 bps	810 bps
Total Fannie Mae	10,338	312				
Ginnie Mae		87	Median of external sources			
		5	Other			
Total Ginnie Mae	131	92				
Other		12	Discounted cash flows			
		9	Median of external sources			
	156	21				
Total trading mortgage-related securities	20,979	1,590				
Total investments in securities	$ 195,875	$56,585				
Mortgage loans:						
Held-for-sale, at fair value	$ 14,238	$14,238	Discounted cash flows	DSCR	1.25 - 6.88	1.97
				Current LTV	19% - 80%	69%
Other assets:						
Guarantee asset, at fair value		870	Discounted cash flows	OAS	0 - 368 bps	55 bps
		159	Other			
Total guarantee asset, at fair value	1,029	1,029				
All other, at fair value		112	Discounted cash flows	Prepayment rate	7.73% - 39.87%	21.23%
				Servicing income per loan	0.19% - 0.52%	0.25%
				Cost to service per loan	$78 - $354	$141
		2	Other			
Total all other, at fair value	114	114				
Total other assets	1,143	1,143				
Liabilities						
Other debt, at fair value		1,188	Median of external sources	External pricing sources	$101.7 - $102.0	$101.7
		999	Single external source	External pricing source	$99.9 - $99.9	$99.9
Total other debt recorded at fair value	2,187	2,187				
Net derivatives	(479)	47	Other			

(1) Certain unobservable input types, range, and weighted average data are not disclosed in this table if they are associated with a class: (a) that has a Level 3 fair value measurement that is not considered material; or (b) where we have disclosed the predominant valuation technique with related unobservable inputs for the most significant portion of that class.

(2) Effective duration is used as a proxy to represent the aggregate impact of key rate durations.

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The table below provides valuation techniques, the range, and the weighted average of significant unobservable inputs for assets and liabilities measured at fair value on a non-recurring basis using unobservable inputs (Level 3) as of March 31, 2013 and December 31, 2012.

Table 16.5 Quantitative Information about Non-Recurring Level 3 Fair Value Measurements

	March 31, 2013					
				Unobservable Inputs(1)		
	Total Fair Value	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
	(dollars in millions)					
Non-recurring fair value measurements						
Mortgage loans						
Held-for-investment		$ 648	Income capitalization	Capitalization rates(2)	5% - 9%	7%
		327	Third-party appraisal	Property value	$2 million - $44 million	$ 22 million
Total held-for-investment	$ 975	975				
REO, net		1,165	Internal model(3)	Historical average sales proceeds per property by state(4)	$46,453 - $308,391	$101,377
		6	Other			
Total REO, net	1,171	1,171				

	December 31, 2012					
				Unobservable Inputs(1)		
	Total Fair Value	Level 3 Fair Value	Predominant Valuation Technique(s)	Type	Range	Weighted Average
	(dollars in millions)					
Non-recurring fair value measurements						
Mortgage loans						
Held-for-investment		$ 711	Income capitalization	Capitalization rates(2)	5% - 9%	7%
		314	Third-party appraisal	Property value	$2 million - $43 million	$ 21 million
Total held-for-investment	$ 1,025	1,025				
REO, net		771	Internal model(3)	Historical average sales proceeds per property by state(4)	$32,186 - $356,397	$102,697
		5	Other			
Total REO, net	776	776				

(1) Certain unobservable input types, range, and weighted average data are not disclosed in this table if they are associated with a class: (a) that has a Level 3 fair value measurement that is not considered material; or (b) where we have disclosed the predominant valuation technique with related unobservable inputs for the most significant portion of that class.
(2) The capitalization rate Range and Weighted Average represent those loans that are valued using the Income Capitalization approach, which is the predominant valuation technique used for this population. Certain loans in this population are valued using other techniques, and the capitalization rate for those is not represented in the Range or Weighted Average above.
(3) Represents internal models that use distressed property sales proceeds by state based on a three month average to measure the initial value of REO and the subsequent write-down to measure the current fair value for REO properties.
(4) Represents the average of three months of REO sales proceeds by state.

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Fair Value of Financial Instruments

The table below presents the carrying value and estimated fair value of our financial instruments as of March 31, 2013 and December 31, 2012.

Table 16.6 Fair Value of Financial Instruments

	March 31, 2013					
		Fair Value				
	Carrying Amount(1)	Level 1	Level 2	Level 3	Netting Adjustments	Total
				(in millions)		
Financial Assets						
Cash and cash equivalents	$ 27,733	$ 11,489	$ 16,244	$	$	$ 27,733
Restricted cash and cash equivalents	1,848	1,832	16			1,848
Federal funds sold and securities purchased under agreements to resell	38,646		38,646			38,646
Investments in securities:						
Available-for-sale, at fair value	167,760		110,782	56,978		167,760
Trading, at fair value	31,589	12,329	17,888	1,372		31,589
Total investments in securities	199,349	12,329	128,670	58,350		199,349
Mortgage loans:						
Mortgage loans held by consolidated trusts	1,505,211		1,190,487	350,311		1,540,798
Unsecuritized mortgage loans	182,943		13,641	149,871		163,512
Total mortgage loans	1,688,154		1,204,128	500,182		1,704,310
Derivative assets, net	599	22	19,954	16	(19,393)	599
Guarantee asset	1,159			1,445		1,445
Total financial assets	$ 1,957,488	$ 25,672	$ 1,407,658	$ 559,993	$ (19,393)	$ 1,973,930
Financial Liabilities						
Debt, net:						
Debt securities of consolidated trusts held by third parties	$ 1,425,913	$	$ 1,479,701	$ 2,397	$	$ 1,482,098
Other debt	529,936		528,909	17,314		546,223
Total debt, net	1,955,849		2,008,610	19,711		2,028,321
Derivative liabilities, net	225	7	26,462	93	(26,337)	225
Guarantee obligation	1,113			2,776		2,776
Total financial liabilities	$ 1,957,187	$ 7	$ 2,035,072	$ 22,580	$ (26,337)	$ 2,031,322

	December 31, 2012					
		Fair Value				
	Carrying Amount(1)	Level 1	Level 2	Level 3	Netting Adjustments	Total
				(in millions)		
Financial Assets						
Cash and cash equivalents	$ 8,513	$ 8,513	$	$	$	$ 8,513
Restricted cash and cash equivalents	14,592	14,576	16			14,592
Federal funds sold and securities purchased under agreements to resell	37,563		37,563			37,563
Investments in securities:						
Available-for-sale, at fair value	174,896		119,901	54,995		174,896
Trading, at fair value	41,492	20,221	19,681	1,590		41,492

Total investments in securities	216,388	20,221	139,582	56,585		216,388
Mortgage loans:						
Mortgage loans held by consolidated trusts	1,495,932		1,130,438	409,722		1,540,160
Unsecuritized mortgage loans	190,415		16,428	151,175		167,603
Total mortgage loans	1,686,347		1,146,866	560,897		1,707,763
Derivative assets, net	657	64	24,109	20	(23,536)	657
Guarantee asset	1,029			1,325		1,325
Total financial assets	$ 1,965,089	$ 43,374	$ 1,348,136	$ 618,827	$ (23,536)	$ 1,986,801
Financial Liabilities						
Debt, net:						
Debt securities of consolidated trusts held by third parties	$ 1,419,524	$	$ 1,484,228	$ 2,867	$	$ 1,487,095
Other debt	547,518		546,955	18,646		565,601
Total debt, net	1,967,042		2,031,183	21,513		2,052,696
Derivative liabilities, net	178	8	31,014	67	(30,911)	178
Guarantee obligation	1,004			2,487		2,487
Total financial liabilities	$ 1,968,224	$ 8	$ 2,062,197	$ 24,067	$ (30,911)	$ 2,055,361

(1) Equals the amount reported on our GAAP consolidated balance sheets.

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Valuation Techniques for Assets and Liabilities Not Measured at Fair Value in Our Consolidated Balance Sheets, but for Which the Fair Value is Disclosed

The following is a description of the valuation techniques we use for items not measured at fair value in our consolidated balance sheets, but for which the fair value is disclosed, the significant inputs used in those techniques (if applicable), and our basis for classifying the measurements as Level 1, Level 2, or Level 3 of the valuation hierarchy. Each technique discussed below may not be used in a given reporting period, depending on the composition of our assets and liabilities measured at fair value and relevant market activity during that period.

Cash and Cash Equivalents (including Restricted Cash and Cash Equivalents)

Cash and cash equivalents (including restricted cash and cash equivalents) largely consist of highly liquid investment securities with an original maturity of three months or less used for cash management purposes, as well as cash held at financial institutions and cash collateral posted by our derivative counterparties. Given that these assets are short-term in nature with limited market value volatility, the carrying amount on our GAAP consolidated balance sheets is deemed to be a reasonable approximation of fair value. Cash and restricted cash are classified as Level 1. Cash equivalents (including restricted cash equivalents) are primarily classified as Level 2 because we use observable inputs other than quoted prices in active markets for identical assets to determine the fair value measurement. However, cash equivalents (including restricted cash equivalents) for which we can obtain quoted prices in active markets for identical assets are classified as Level 1.

Federal Funds Sold and Securities Purchased Under Agreements to Resell

Federal funds sold and securities purchased under agreements to resell principally consist of short-term contractual agreements such as reverse repurchase agreements involving Treasury and agency securities and federal funds sold. Given that these assets are short-term in nature, the carrying amount on our GAAP consolidated balance sheets is deemed to be a reasonable approximation of fair value. Federal funds sold and securities purchased under agreements to resell are classified as Level 2 because these assets have observable market pricing, but quoted prices for identical assets are not available.

Mortgage Loans

Single-family and certain multifamily mortgage loans are classified as held-for-investment and recorded at amortized cost. Other multifamily mortgage loans that are held for investment are recorded at the fair value of the underlying collateral upon impairment. Multifamily held-for-sale mortgage loans are recorded at fair value due to the election of the fair value option.

Single-Family Loans

Determination of Principal Market

In determining the fair value of single-family mortgage loans, valuation outcomes can vary widely based on management judgments and decisions used in determining: (a) the principal market; (b) modeling assumptions, including default, severity, home prices, and risk premiums; and (c) inputs used to determine variables including risk premiums, credit costs, security pricing, and implied management and guarantee fees. Our principal markets include the GSE securitization market and the whole loan market. To determine the principal market, we considered the market with the greatest volume and level of activity and our ability to access that market. In the absence of a market with active trading, we determined the market that would maximize the amount we would receive upon sale. We determined that the principal market is the whole loan market for loans that are four or more months delinquent, loans that are in foreclosure, loans that have completed a HAMP loan modification, and loans that have completed a non-HAMP loan modification but have not been current for at least 12 consecutive months. The total UPB of loans where the whole loan market is the principal market was approximately $108.6 billion and $110.0 billion as of March 31, 2013 and December 31, 2012, respectively. We determined that the principal market for all other loans, regardless of whether the loan is currently securitized or whether the loan is eligible for purchase under current underwriting standards, is the GSE securitization market. The total UPB of loans where the GSE securitization market is the principal market was approximately $1.5 trillion as of both March 31, 2013 and December 31, 2012.

Whole Loan Market as Principal Market

Loans where we determine that the principal market is the whole loan market are valued using the median of external sources. Under the median of external sources technique, prices for single-family loans are obtained from multiple dealers.

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These dealers reference market activity for deeply delinquent and modified loans, where available, and use internal models and their judgment to determine default rates, severity rates, home prices, and risk premiums. Single-family mortgage loans valued using this technique are classified as Level 3 due to the low volume and level of activity in this market.

GSE Securitization Market as Principal Market

Loans where we determine that the principal market is the GSE securitization market are valued using the build-up technique. Under the build-up technique, the fair value of single-family mortgage loans is based on the estimate of the price we would receive if we were to securitize the loans. These loans are valued by starting with benchmark security pricing for actively traded mortgage-related securities with similar characteristics; adding in the value of our management and guarantee fee, which is the compensation we receive for performing our management and guarantee activities; and subtracting the value of the credit obligation related to performing our guarantee.

The security price is based on benchmark security pricing for similar actively traded mortgage-related securities, adjusted as necessary based on security characteristics. This security pricing process is consistent with our approach for valuing similar securities retained in our investment portfolio or issued as debt to third parties. See Valuation Techniques for Assets and Liabilities Measured at Fair Value in Our Consolidated Balance Sheets *Investments in Securities*.

The management and guarantee fee is valued by estimating the present value of the additional cash flows related to our management and guarantee fee. The management and guarantee fees for the majority of our loans are valued using third-party dealer prices on hypothetical interest-only securities based on collateral characteristics from our single-family credit guarantee portfolio. For loans where third-party market data is not readily available, we use a discounted cash flow approach, leveraging the dealer prices received for the majority of our loans and including only those cash flows related to our management and guarantee fee.

The credit obligation related to performing our guarantee is valued by estimating the fair value of the related credit and other costs (such as general and administrative expenses) and benefits (such as credit enhancements) inherent in our guarantee obligation. For loans that qualify for purchase under current underwriting standards, we use the delivery and guarantee fees that we charge under our current market pricing as a market observation. For loans that do not qualify for purchase based on current underwriting standards, we use our internal credit models, which incorporate factors such as loan characteristics, loan performance status information, expected losses, and risk premiums without further adjustment.

Single-family mortgage loans that qualify for purchase under current underwriting standards are classified as Level 2 as the significant inputs used for the valuation of these loans, such as security pricing, our externally published credit pricing matrices, and third-party prices used in valuing the management and guarantee fee, are observable, while the unobservable inputs, such as general and administrative expenses and credit enhancements, are not significant to the fair value measurement. Single-family mortgage loans that do not qualify for purchase under current underwriting standards are classified as Level 3 as the credit cost is based on our internal credit models which use unobservable inputs that are significant to the fair value measurement.

HARP Loans

For loans that have been refinanced under HARP, we value our guarantee obligation using the delivery and guarantee fees currently charged by us under that initiative. HARP loans valued using this technique are classified as Level 2, as the fees charged by us are observable. If, subsequent to delivery, the refinanced loan no longer qualifies for purchase based on current underwriting standards (such as becoming past due or being modified), the fair value of the guarantee obligation is then measured using: (a) our internal credit models; or (b) the median of external sources, if the loan s principal market has changed to the whole loan market. HARP loans valued using either of these techniques are classified as Level 3 as significant inputs are unobservable. The majority of our HARP loans are classified as Level 2.

The total compensation that we receive for the delivery of a HARP loan reflects the pricing that we are willing to offer because HARP is a part of a broader government program intended to provide assistance to homeowners and prevent foreclosures. When HARP ends, the beneficial pricing afforded to HARP loans will no longer be reflected in our delivery and guarantee fee pricing structure. If these benefits were not reflected in the pricing for these loans, the fair value of our mortgage loans would have decreased by $11.4 billion and $11.2 billion as of March 31, 2013 and December 31, 2012, respectively. The total fair value of the loans in our portfolio that reflects the pricing afforded to HARP loans as of March 31, 2013 and December 31, 2012 as presented in our consolidated fair value balance sheets is $156.8 billion and $153.1 billion, respectively.

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Multifamily Loans

For a discussion of the techniques used to determine the fair value of held-for-sale and impaired held-for-investment multifamily mortgage loans, see Valuation Techniques for Assets and Liabilities Measured at Fair Value in Our Consolidated Balance Sheets *Mortgage Loans, Held-for-Sale* and *Mortgage Loans, Held-for-Investment*, respectively. Non-impaired multifamily mortgage loans are valued using the same technique as held-for-sale multifamily mortgage loans.

Total Debt, Net

Total debt, net represents debt securities of consolidated trusts held by third parties and other debt that we issued to finance our assets. On our consolidated GAAP balance sheets, total debt, net, excluding debt securities for which the fair value option has been elected, is reported at amortized cost, which is net of deferred items, including premiums, discounts, and hedging-related basis adjustments.

For debt securities of consolidated trusts, the valuation techniques we use are similar to the techniques we use to value our investments in agency securities for GAAP purposes. See Valuation Techniques for Assets and Liabilities Measured at Fair Value in Our Consolidated Balance Sheets *Investments in Securities* *Mortgage-Related Securities* *Agency Securities* for additional information regarding the valuation techniques we use.

Other debt includes short-term zero-coupon discount notes, callable debt, and non-callable debt. Short-term zero-coupon discount notes are valued using a yield analysis technique. Under this technique, the debt instruments are valued using published yield matrices which are based on the days to maturity of the debt and converted into a price. Significant inputs used in this technique are the published yield matrices. Short-term zero-coupon discount notes are classified as Level 2 as the significant inputs used are observable in active markets. Other debt securities, including both callable and non-callable debt, are valued using a single external source or median of external sources. These debt securities generally have observable market pricing and are classified as Level 2. However, certain other debt securities are classified as Level 3 when there is a low volume or level of activity in the market for those types of debt securities.

Total debt, net for which we have elected the fair value option includes certain debt securities of consolidated trusts held by third parties, foreign-currency denominated debt and certain other debt. We report these items at fair value on our GAAP consolidated balance sheets. See Valuation Techniques for Assets and Liabilities Measured at Fair Value in Our Consolidated Balance Sheets *Debt Securities of Consolidated Trusts Held by Third Parties, at Fair Value* and *Other Debt, at Fair Value* for additional information.

Guarantee Obligation

Our guarantee obligation is classified as Level 3 as significant inputs used in the fair value measurement are unobservable. The technique for estimating the fair value of our guarantee obligation is described in the *Mortgage Loans* *Single-Family Loans* section above.

Fair Value Option

We elected the fair value option for certain types of investments in securities, multifamily held-for-sale mortgage loans, and certain debt.

Investments in Securities

We elected the fair value option for certain mortgage-related securities to better reflect the natural offset these securities provide to fair value changes recorded historically on our guarantee asset at the time of our election. In addition, upon adoption of the accounting guidance for the fair value option, we elected this option for securities within the scope of the accounting guidance for investments in beneficial interests in securitized financial assets to better reflect any valuation changes that would occur subsequent to impairment write-downs previously recorded on these instruments. Related interest income continues to be reported as interest income in our consolidated statements of comprehensive income. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Investments in Securities in our 2012 Annual Report for additional information about the measurement and recognition of interest income on investments in securities. See NOTE 7: INVESTMENTS IN SECURITIES for additional information regarding the net unrealized gains (losses) on trading securities, which include gains (losses) for other items that are not selected for the fair value option.

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Multifamily Held-For-Sale Mortgage Loans

We elected the fair value option for multifamily mortgage loans that were purchased for securitization. These multifamily mortgage loans are classified as held-for-sale mortgage loans in our consolidated balance sheets to reflect our intent to sell in the future. Related interest income continues to be reported as interest income in our consolidated statements of comprehensive income. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Mortgage Loans in our 2012 Annual Report for additional information about the measurement and recognition of interest income on our mortgage loans.

Debt Securities of Consolidated Trusts Held by Third Parties

We elected the fair value option for certain debt securities of consolidated trusts held by third parties. These consist of certain multifamily K certificates. We elected the fair value option on these debt instruments as they contain embedded derivatives that require bifurcation. Fair value changes for debt securities of consolidated trusts held by third parties are recorded in gains (losses) on debt recorded at fair value in our consolidated statements of comprehensive income. Related interest expense continues to be reported as interest expense in our consolidated statements of comprehensive income. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Debt Securities Issued in our 2012 Annual Report for additional information about the measurement and recognition of interest expense on debt securities issued.

Other Debt

We elected the fair value option for foreign-currency denominated debt and certain other debt securities. In the case of foreign-currency denominated debt, we have entered into derivative transactions that effectively convert these instruments to U.S. dollar denominated floating rate instruments. We elected the fair value option on these debt instruments to better reflect the economic offset that naturally results from the debt due to changes in interest rates. We also elected the fair value option for certain other debt securities containing potential embedded derivatives that required bifurcation. Fair value changes for debt for which we have elected the fair value option are recorded in gains (losses) on debt recorded at fair value in our consolidated statements of comprehensive income. Related interest expense continues to be reported as interest expense in our consolidated statements of comprehensive income. See NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Debt Securities Issued in our 2012 Annual Report for additional information about the measurement and recognition of interest expense on debt securities issued.

The table below presents the fair value and UPB related to certain items for which we have elected the fair value option at March 31, 2013 and December 31, 2012.

Table 16.7 Difference between Fair Value and Unpaid Principal Balance for Certain Financial Instruments with Fair Value Option Elected

	March 31, 2013		December 31, 2012	
	Multifamily Held-For-Sale Mortgage Loans	Other Debt - Long Term	Multifamily Held-For-Sale Mortgage Loans	Other Debt- Long Term
	(in millions)			
Fair value	$ 14,140	$ 1,508	$ 14,238	$ 2,187
Unpaid principal balance	13,994	1,492	13,972	2,167
Difference	$ 146	$ 16	$ 266	$ 20

Changes in Fair Value under the Fair Value Option Election

For multifamily held-for-sale mortgage loans, we recorded gains of $9 million and $179 million from the change in fair value in other income in our consolidated statements of comprehensive income for the three months ended March 31, 2013 and 2012, respectively. Gains (losses) on debt securities with the fair value option elected were $12 million and $(17) million for the three months ended March 31, 2013 and 2012, respectively, which were recorded in gains (losses) on debt recorded at fair value in our consolidated statements of comprehensive income. Changes in fair value attributable to instrument-specific credit risk were not material for the three months ended March 31, 2013 or 2012 for any assets or liabilities for which we elected the fair value option.

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NOTE 17: LEGAL CONTINGENCIES

We are involved as a party in a variety of legal and regulatory proceedings arising from time to time in the ordinary course of business including, among other things, contractual disputes, personal injury claims, employment-related litigation and other legal proceedings incidental to our business. We are frequently involved, directly or indirectly, in litigation involving mortgage foreclosures. From time to time, we are also involved in proceedings arising from our termination of a seller/servicer s eligibility to sell mortgages to, and/or service mortgages for, us. In these cases, the former seller/servicer sometimes seeks damages against us for wrongful termination under a variety of legal theories. In addition, we are sometimes sued in connection with the origination or servicing of mortgages. These suits typically involve claims alleging wrongful actions of seller/servicers. Our contracts with our seller/servicers generally provide for indemnification against liability arising from their wrongful actions with respect to mortgages sold to or serviced for Freddie Mac.

Litigation and claims resolution are subject to many uncertainties and are not susceptible to accurate prediction. In accordance with the accounting guidance for contingencies, we reserve for litigation claims and assessments asserted or threatened against us when a loss is probable (as defined in such guidance) and the amount of the loss can be reasonably estimated.

During the first quarter of 2013, we paid approximately $2 million for the advancement of legal fees and expenses of former officers and directors pursuant to our indemnification obligations to them. These fees and expenses related to certain of the matters described below. This figure does not include certain administrative support costs and certain costs related to document production and storage.

Putative Securities Class Action Lawsuits

Ohio Public Employees Retirement System (OPERS) vs. Freddie Mac, Syron, et al. This putative securities class action lawsuit was filed against Freddie Mac and certain former officers on January 18, 2008 in the U.S. District Court for the Northern District of Ohio purportedly on behalf of a class of purchasers of Freddie Mac stock from August 1, 2006 through November 20, 2007. The plaintiff alleges that the defendants violated federal securities laws by making false and misleading statements concerning our business, risk management and the procedures we put into place to protect the company from problems in the mortgage industry. The plaintiff seeks unspecified damages and interest, and reasonable costs and expenses, including attorney and expert fees. On April 10, 2008, the Court appointed OPERS as lead plaintiff and approved its choice of counsel. On September 2, 2008, defendants filed motions to dismiss plaintiff s amended complaint. On November 7, 2008, the plaintiff filed a second amended complaint. On November 19, 2008, the Court granted FHFA s motion to intervene in its capacity as Conservator. On April 6, 2009, defendants moved to dismiss the second amended complaint. On January 23, 2012, the Court denied defendants motions to dismiss. On March 28, 2012, the plaintiff filed its third amended complaint, which included allegations based on a non-prosecution agreement entered into between Freddie Mac and the SEC on December 15, 2011. On April 26, 2012, defendants filed motions to dismiss the third amended complaint. The Court denied the motions on May 25, 2012. On August 17, 2012, plaintiff filed a motion to certify a class of plaintiffs comprised of purchasers of Freddie Mac stock from August 1, 2006 through November 20, 2007, which Freddie Mac has opposed. On April 10, 2013, the presiding judge in the case recused himself, and the case was assigned to a different judge. Discovery is ongoing.

At present, it is not possible for us to predict the probable outcome of this lawsuit or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the event of an adverse judgment in the foregoing matter due to the following factors, among others: the inherent uncertainty of pre-trial litigation; and the fact that the Court has not yet ruled upon motions for class certification or summary judgment. In particular, absent the certification of a class, the identification of a class period, and the identification of the alleged statement or statements that survive dispositive motions, we cannot reasonably estimate any possible loss or range of possible loss.

Kuriakose vs. Freddie Mac, Syron, Piszel and Cook. Another putative class action lawsuit was filed against Freddie Mac and certain former officers on August 15, 2008 in the U.S. District Court for the Southern District of New York for alleged violations of federal securities laws purportedly on behalf of a class of purchasers of Freddie Mac stock from November 21, 2007 through August 5, 2008. The plaintiffs claimed that defendants made false and misleading statements about Freddie Mac s business that artificially inflated the price of Freddie Mac s common stock, and sought unspecified damages, costs, and attorneys fees. On February 6, 2009, the Court granted FHFA s motion to intervene in its capacity as Conservator. On May 19, 2009, plaintiffs filed an amended consolidated complaint, purportedly on behalf of a class of purchasers of Freddie

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Mac stock from November 20, 2007 through September 7, 2008. Defendants filed motions to dismiss the complaint on February 24, 2010. On March 30, 2011, the Court granted without prejudice the defendants motions to dismiss all claims, and allowed the plaintiffs the option to file a new complaint, which they did on July 18, 2011. On October 13, 2011, the defendants filed motions to dismiss the second amended consolidated complaint. On February 17, 2012, the plaintiffs served a motion seeking leave to file a third amended consolidated complaint based on the non-prosecution agreement entered into between Freddie Mac and the SEC on December 15, 2011. On September 24, 2012, the Court granted with prejudice defendants motions to dismiss plaintiffs second amended complaint in its entirety, denied plaintiffs motion to file a third amended complaint, and directed that the case be closed. Judgment was entered in favor of the defendants on September 27, 2012. On October 26, 2012, plaintiffs filed a notice of appeal in the U.S. Court of Appeals for the Second Circuit.

At present, it is not possible for us to predict the probable outcome of this lawsuit or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the event of an adverse judgment in the foregoing matter due to the following factors, among others: the inherent uncertainty of pre-trial litigation in the event plaintiffs appeal is granted and the case is remanded to the District Court; and the fact that the parties have not briefed and the District Court has not yet ruled upon motions for class certification or summary judgment. In particular, absent the certification of a class, the identification of a class period, and the identification of the alleged statement or statements that survive dispositive motions, we cannot reasonably estimate any possible loss or range of possible loss.

Energy Lien Litigation

On July 14, 2010, the State of California filed a lawsuit against Freddie Mac, Fannie Mae, FHFA, and others in the U.S. District Court for the Northern District of California, alleging that Freddie Mac and Fannie Mae committed unfair business practices in violation of California law by advising seller/servicers that property liens arising from government-sponsored energy initiatives such as California s Property Assessed Clean Energy, or PACE, program cannot take priority over a mortgage to be sold to Freddie Mac or Fannie Mae. The lawsuit contended that PACE programs create liens superior to such mortgages and that FHFA was engaged in rulemaking when it issued a directive to Freddie Mac and Fannie Mae affirming that they could not purchase mortgages involving properties subject to PACE liens where those liens purported to have priority over the mortgage lien. The lawsuit further alleged that, in doing so, FHFA violated the National Environmental Policy Act, or NEPA, and the Administrative Procedure Act, or APA, by not following required rulemaking procedures. The complaint sought declaratory and injunctive relief, costs and such other relief as the court deemed proper.

The County of Placer intervened in the lawsuit, and the lawsuit was consolidated with two similar complaints filed in the U.S. District Court for the Northern District of California against Freddie Mac, Fannie Mae, FHFA, and others by the County of Sonoma and the City of Palm Desert. The District Court dismissed the claims against Freddie Mac on August 26, 2011, but allowed the NEPA and APA claims against FHFA to go forward. During the course of the litigation, the District Court entered a preliminary injunction requiring FHFA to provide a notice and comment period with regard to its directives to Freddie Mac and Fannie Mae concerning energy liens. Accordingly, on January 26, 2012, FHFA issued an advance notice of proposed rulemaking seeking comment on whether the restriction on purchasing mortgage loans secured by properties with outstanding first-lien PACE obligations should be maintained. On August 9, 2012, the District Court granted summary judgment against FHFA and found that FHFA had failed to comply with required notice and comment procedures set forth in the APA in directing Freddie Mac and Fannie Mae concerning energy liens. On October 16, 2012, the District Court entered judgment and directed that FHFA complete the notice and comment process, and publish a Final Rule, no later than May 14, 2013. After appeal by FHFA, on March 19, 2013, the U.S. Court of Appeals for the Ninth Circuit overturned the judgment of the District Court and dismissed the case, finding, among other things, that FHFA had not engaged in rulemaking and that FHFA was therefore not required to follow the notice and comment procedures of the APA.

Freddie Mac, Fannie Mae, FHFA, and others were also named as defendants in two other similar cases filed in the U.S. District Court for the Northern District of Florida and in the U.S. District Court for the Eastern District of New York. However, both of these cases were dismissed, and appeals of these decisions were denied by the U.S. Courts of Appeals for the Eleventh and Second Circuits, respectively.

At present, it is not possible for us to predict the probable outcome of this litigation or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the event of an adverse judgment in this litigation due to the following factors, among others: the inherent uncertainty of pre-trial litigation; and the fact that the plaintiffs could still file for review by the U.S. Supreme Court.

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Related Third Party Litigation and Indemnification Requests

On December 16, 2011, the SEC announced that it had charged three former executives of Freddie Mac with securities laws violations. These executives are former Chairman of the Board and Chief Executive Officer Richard F. Syron, former Executive Vice President and Chief Business Officer Patricia L. Cook, and former Executive Vice President for the single-family guarantee business Donald J. Bisenius.

By letter dated October 17, 2008, Freddie Mac received formal notification of a putative class action securities lawsuit, *Mark vs. Goldman, Sachs & Co., J.P. Morgan Chase & Co., and Citigroup Global Markets Inc.,* filed on September 23, 2008, in the U.S. District Court for the Southern District of New York, regarding the company s November 29, 2007 public offering of $6 billion of 8.375% Fixed to Floating Rate Non-Cumulative Perpetual Preferred Stock. On January 29, 2009, a plaintiff filed a putative class action lawsuit in the U.S. District Court for the Southern District of New York styled *Kreysar vs. Syron, et al.*

On April 30, 2009, the Court consolidated the Mark case with the Kreysar case, and the plaintiffs filed a consolidated class action complaint on July 2, 2009. The consolidated complaint alleged that three former Freddie Mac officers, certain underwriters and Freddie Mac s auditor violated federal securities laws by making material false and misleading statements in connection with the company s November 29, 2007 public offering of $6 billion of 8.375% Fixed to Floating Rate Non-Cumulative Perpetual Preferred Stock. The complaint further alleged that certain defendants and others made additional false statements following the offering. The complaint named as defendants Syron, former Executive Vice President and Chief Financial Officer Anthony S. Piszel, Cook, certain underwriters, and PricewaterhouseCoopers LLP. After a series of motions and amendments to the complaint, only Syron and Piszel remain as defendants.

On April 4, 2011, Piszel filed a motion for partial judgment on the pleadings. The Court granted that motion on April 28, 2011. The plaintiffs moved for class certification, which motion was ultimately denied by the Court. On May 31, 2012, the U.S. Court of Appeals for the Second Circuit denied plaintiffs motion for leave to appeal the denial of class certification. In August 2012, plaintiffs sought leave to file another motion for class certification, which request the Court denied on September 25, 2012.

Freddie Mac is not named as a defendant in the consolidated lawsuit, but the underwriters previously gave notice to Freddie Mac of their intention to seek full indemnity and contribution under the underwriting agreement in this case, including reimbursement of fees and disbursements of their legal counsel. At present, it is not possible for us to predict the probable outcome of the lawsuit or any potential effect on our business, financial condition, liquidity, or results of operations. In addition, we are unable to reasonably estimate the possible loss or range of possible loss in the event of an adverse judgment in the foregoing matter due to the inherent uncertainty of litigation and the fact that plaintiffs may appeal the denial of class certification. Absent the certification of a specified class, the identification of a class period, and the identification of the alleged statement or statements that survive dispositive motions, we cannot reasonably estimate any possible loss or range of possible loss.

On July 6, 2011, plaintiffs filed a lawsuit in the U.S. District Court for Massachusetts styled *Liberty Mutual Insurance Company, Peerless Insurance Company, Employers Insurance Company of Wausau, Safeco Corporation and Liberty Life Assurance Company of Boston vs. Goldman, Sachs & Co*. The complaint alleges that Goldman, Sachs & Co. made materially misleading statements and omissions in connection with Freddie Mac s November 29, 2007 public offering of $6 billion of 8.375% Fixed to Floating Rate Non-Cumulative Perpetual Preferred Stock. Freddie Mac is not named as a defendant in this lawsuit.

In an amended complaint dated February 17, 2012, Western and Southern Life Insurance Company and others asserted claims against GS Mortgage Securities Corp., Goldman Sachs Mortgage Company and Goldman Sachs & Co. in the Court of Common Pleas, Hamilton County, Ohio. The amended complaint asserts, among other things, that Goldman Sachs is liable to plaintiffs under the Ohio Securities Act for alleged misstatements and omissions in connection with $6 billion of preferred stock issued by Freddie Mac on December 4, 2007. Freddie Mac is not named as a defendant in this lawsuit.

Lehman Bankruptcy

On September 15, 2008, Lehman filed a chapter 11 bankruptcy petition in the U.S. Bankruptcy Court for the Southern District of New York. Thereafter, many of Lehman s U.S. subsidiaries and affiliates also filed bankruptcy petitions (collectively, the Lehman Entities). Freddie Mac had numerous relationships with the Lehman Entities which gave rise to several claims. On September 22, 2009, Freddie Mac filed proofs of claim in the Lehman bankruptcies aggregating

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approximately $2.1 billion. On December 6, 2011, the Court confirmed Lehman s chapter 11 plan of liquidation, which provides for the liquidation of the bankruptcy estate s assets over the next three years. Our most significant claims are a $1.2 billion claim relating to losses incurred on short-term lending transactions with certain Lehman Entities and an $868 million claim relating to Lehman s repurchase obligations. The plan addresses these claims as follows:

The plan leaves open for subsequent determination whether our claim relating to the short-term lending transactions will be accorded priority status. The Lehman estate has set aside $1.2 billion to be available for payment of our claim in full if, after litigation or settlement, this claim is allowed as a priority claim. In the event that this claim is not ultimately accorded priority status, it will be treated as a senior unsecured claim under the plan, pursuant to which Freddie Mac would be entitled to receive an estimated distribution of approximately 21% (or approximately $250 million) over the next three years.

The plan does not adjudge or allow our claim relating to Lehman s repurchase obligations, and instead permits claims allowance proceedings to continue. To the extent this claim is allowed, it will be treated as a general unsecured claim, for which Freddie Mac would ultimately receive a distribution of approximately 19.9% of the allowed amount.

Taylor, Bean & Whitaker and Ocala Funding, LLC Bankruptcies

On August 24, 2009, TBW, which had been one of our single-family seller/servicers, filed for bankruptcy in the U.S. Bankruptcy Court for the Middle District of Florida. We entered into a settlement regarding the TBW bankruptcy in 2011. However, we continue to be involved in certain matters relating to the TBW bankruptcy, as described below.

On July 10, 2012, Ocala Funding, LLC, or Ocala, which is a wholly owned subsidiary of TBW, filed for bankruptcy in the U.S. Bankruptcy Court for the Middle District of Florida. In connection with the bankruptcy filing, Ocala also filed a motion seeking an examination of and subsequent document discovery from Freddie Mac and FHFA, asserting that it has viable, legitimate and valuable causes of action against Freddie Mac to recover approximately $805 million of funds that were allegedly transferred from Ocala to Freddie Mac custodial accounts maintained by TBW, prior to the TBW bankruptcy. In its filings, Ocala also indicated that it wishes to use the examination to obtain information relating to whether it may have other claims against Freddie Mac relating to TBW s fraudulent conduct prior to the TBW bankruptcy. Ocala intends to distribute any monies recovered from Freddie Mac among its creditors, including various banks and the FDIC. The Court has authorized discovery to proceed, subject to subsequent rulings or objections filed by Freddie Mac and FHFA to specific document requests.

On or about May 14, 2010, certain underwriters at Lloyds, London and London Market Insurance Companies brought an adversary proceeding in the U.S. Bankruptcy Court for the Middle District of Florida against TBW, Freddie Mac and other parties seeking a declaration rescinding $90 million of mortgage bankers bonds providing fidelity and errors and omissions insurance coverage. Several excess insurers on the bonds thereafter filed similar claims in that action. 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 is proceeding.

IRS Litigation

In 2010 and 2011, we received Statutory Notices from the IRS assessing a total of $3.0 billion of additional income taxes and penalties for the 1998 to 2007 tax years. We filed a petition with the U.S. Tax Court on October 22, 2010 in response to the Statutory Notices for the 1998 to 2005 tax years and, in 2012, paid the tax assessed in the Statutory Notices for the years 2006 and 2007 of $36 million. In the fourth quarter of 2012 we reached an agreement in principle with the IRS for all years, including 2006 and 2007, to favorably resolve the matters in dispute and reduced the previously unrecognized tax benefits to zero. We are currently working with the IRS to finalize the stipulation of settled issues and closing agreement, and expect that a final decision can be entered within the next 12 months.

Lawsuits Involving Real Estate Transfer Taxes

Beginning in 2011 in Michigan, states have been filing lawsuits challenging Freddie Mac and Fannie Mae s statutory exemption from real estate transfer taxes imposed on the transfer of real property for which Freddie Mac or Fannie Mae was the grantor or grantee. Currently, approximately 45 lawsuits are pending in 21 states and the District of Columbia. We have received favorable rulings in several cases, and one unfavorable ruling (in Michigan, as discussed below). Several appeals are pending. Plaintiffs in these cases are generally seeking a declaration that Freddie Mac and Fannie Mae are not exempt from transfer taxes, damages for unpaid transfer taxes, as well as other items, which may include penalties, interest, liquidated penalties, pre-judgment interest, costs and attorneys fees.

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On June 20, 2011, Oakland County (Michigan) and the Oakland County Treasurer filed a lawsuit against Freddie Mac and Fannie Mae in the U.S. District Court for the Eastern District of Michigan alleging that the enterprises failed to pay real estate transfer taxes on transfers of real property in Oakland County where the enterprises were the grantors. FHFA later intervened as Conservator for Freddie Mac and Fannie Mae. On November 10, 2011, Genesee County (Michigan) and the Genesee County Treasurer filed a class action lawsuit in the same court on behalf of itself and the other 82 Michigan counties raising similar claims against FHFA (as Conservator), Freddie Mac, and Fannie Mae. The Court later certified the class, with two Michigan counties opting out. The Michigan Department of Attorney General and the Michigan Department of Treasury intervened in both actions against the defendants. In both actions, FHFA, Freddie Mac and Fannie Mae asserted that they were not liable for the transfer taxes based on federal statutory tax exemptions applicable to each. On March 23, 2012, the Court granted summary judgment against FHFA (as Conservator), Freddie Mac, and Fannie Mae in both actions, determining that the statutory exemptions did not exempt them from Michigan s state and county transfer tax. The plaintiffs in both cases subsequently filed amended complaints to cover purportedly taxable transactions where Freddie Mac and Fannie Mae received property as grantees through a Michigan Sheriff s deed or a deed in lieu of foreclosure. FHFA (as Conservator), Freddie Mac, and Fannie Mae filed an appeal to the U.S. Court of Appeals for the Sixth Circuit, and the District Court has stayed the actions pending resolution of the appeal. The District Court has not yet addressed the amount of damages the plaintiffs contend are owed in either case.

At present, it is not possible for us to predict the probable outcome of these lawsuits or any potential effect on our business, financial condition, liquidity, or results of operation. In addition, we are unable to reasonably estimate the possible loss or range of possible loss with respect to these lawsuits due to the following factors, among others: (a) none of the plaintiffs have demanded a stated amount of damages they believe are due; (b) with respect to the Oakland County and Genesee County lawsuits, the scope of permissible claims has not yet been determined and discovery regarding the amount of damages is still in the early stages; and (c) with respect to the other lawsuits, discovery regarding the amount of damages has not yet begun.

LIBOR Lawsuit

On March 14, 2013, Freddie Mac filed a lawsuit in the U.S. District Court for the Eastern District of Virginia against the British Bankers Association and the 16 U.S. Dollar LIBOR panel banks and a number of their affiliates. The complaint alleges, among other things, that the defendants fraudulently and collusively suppressed LIBOR, a benchmark interest rate indexed to trillions of dollars of financial products, and asserts claims for antitrust violations, breach of contract, tortious interference with contract and fraud.

NOTE 18: REGULATORY CAPITAL

On October 9, 2008, FHFA announced that it was suspending capital classification of us during conservatorship in light of the Purchase Agreement. FHFA continues to closely monitor our capital levels, but the existing statutory and FHFA-directed regulatory capital requirements are not binding during conservatorship. We continue to provide our submission to FHFA on minimum capital, but no longer provide our submission on risk-based capital.

Our regulatory minimum capital is a leverage-based measure that is generally calculated based on GAAP and reflects a 2.50% capital requirement for on-balance sheet assets and 0.45% capital requirement for off-balance sheet obligations. Based upon our adoption of amendments to the accounting guidance for transfers of financial assets and consolidation of VIEs, we determined that, under the new consolidation guidance, we are the primary beneficiary of trusts that issue our single-family PCs and certain Other Guarantee Transactions and, therefore, effective January 1, 2010, we consolidated on our balance sheet the assets and liabilities of these trusts. Pursuant to regulatory guidance from FHFA, our minimum capital requirement was not automatically affected by adoption of these amendments. Specifically, upon adoption of these amendments, FHFA directed us, for purposes of minimum capital, to continue reporting single-family PCs and certain Other Guarantee Transactions held by third parties using a 0.45% capital requirement. FHFA reserves the authority under the GSE Act to raise the minimum capital requirement for any of our assets or activities.

The table below summarizes our minimum capital requirements and deficits and net worth.

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Table 18.1 Net Worth and Minimum Capital

	March 31, 2013	December 31, 2012
	(in millions)	
GAAP net worth[(1)]	$ 9,971	$ 8,827
Core capital (deficit)[(2)(3)]	$ (61,817)	$ (60,571)
Less: Minimum capital requirement[(2)]	21,779	22,063
Minimum capital surplus (deficit)[(2)]	$ (83,596)	$ (82,634)

(1) Net worth (deficit) represents the difference between our assets and liabilities under GAAP.
(2) Core capital and minimum capital figures for March 31, 2013 are estimates. FHFA is the authoritative source for our regulatory capital.
(3) Core capital excludes certain components of GAAP total equity (deficit) (i.e., AOCI and the liquidation preference of the senior preferred stock) as these items do not meet the statutory definition of core capital.

Following our entry into conservatorship and consistent with the objectives of conservatorship, we have focused our risk and capital management on, among other things, maintaining a positive balance of GAAP equity in order to reduce the likelihood that we will need to make additional draws on the Purchase Agreement with Treasury. The Purchase Agreement provides that, if FHFA determines as of quarter end that our liabilities have exceeded our assets under GAAP, Treasury will contribute funds to us in an amount at least equal to the difference between such liabilities and assets.

Under the GSE Act, FHFA must place us into receivership if FHFA determines in writing that our assets are and have been less than our obligations for a period of 60 days. FHFA has notified us that the measurement period for any mandatory receivership determination with respect to our assets and obligations would commence no earlier than the SEC public filing deadline for our quarterly or annual financial statements and would continue for 60 calendar days after that date. FHFA has advised us that, if, during that 60-day period, we receive funds from Treasury in an amount at least equal to the deficiency amount under the Purchase Agreement, the Director of FHFA will not make a mandatory receivership determination. If funding has been requested under the Purchase Agreement to address a deficit in our net worth, and Treasury is unable to provide us with such funding within the 60-day period specified by FHFA, FHFA would be required to place us into receivership if our assets remain less than our obligations during that 60-day period.

At March 31, 2013, our assets exceeded our liabilities under GAAP; therefore no draw is being requested from Treasury under the Purchase Agreement. As of March 31, 2013, our aggregate funding received from Treasury under the Purchase Agreement was $71.3 billion. This aggregate funding amount does not include the initial $1.0 billion liquidation preference of senior preferred stock that we issued to Treasury in September 2008 as an initial commitment fee and for which no cash was received. We paid quarterly dividends of $5.8 billion on the senior preferred stock in cash in March 2013 at the direction of the Conservator.

NOTE 19: SELECTED FINANCIAL STATEMENT LINE ITEMS

Gains (losses) on mortgage loans recorded at fair value is a significant component of other income. For the amounts recorded to gains (losses) on mortgage loans recorded at fair value during the three months ended March 31, 2013 and 2012, see Table 13.2 Segment Earnings and Reconciliation to GAAP Results.

The table below presents the significant components of other assets and other liabilities on our consolidated balance sheets.

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Table 19.1 Significant Components of Other Assets and Other Liabilities on Our Consolidated Balance Sheets

	March 31, 2013	December 31, 2012
	(in millions)	
Other assets:		
Guarantee asset	$ 1,159	$ 1,029
Accounts and other receivables[1]	8,341	10,091
All other	2,577	2,645
Total other assets	$ 12,077	$ 13,765
Other liabilities:		
Guarantee obligation	$ 1,113	$ 1,004
Servicer liabilities	2,916	3,304
Accounts payable and accrued expenses[2]	1,495	984
All other	891	807
Total other liabilities	$ 6,415	$ 6,099

(1) Primarily consists of servicer receivables.
(2) Includes the deferred tax liability at March 31, 2013.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved as a party to a variety of legal proceedings arising from time to time in the ordinary course of business. See NOTE 17: LEGAL CONTINGENCIES for more information regarding our involvement as a party to various legal proceedings.

ITEM 1A. RISK FACTORS

This Form 10-Q should be read together with the RISK FACTORS section in our 2012 Annual Report, which describes various risks and uncertainties to which we are or may become subject. These risks and uncertainties could, directly or indirectly, adversely affect our business, financial condition, results of operations, cash flows, strategies, and/or prospects.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

The securities we issue are exempted securities under the Securities Act of 1933, as amended. As a result, we do not file registration statements with the SEC with respect to offerings of our securities.

Following our entry into conservatorship, we suspended the operation of, and ceased making grants under, equity compensation plans. Previously, we had provided equity compensation under those plans to employees and members of our Board of Directors. Under the Purchase Agreement, we cannot issue any new options, rights to purchase, participations, or other equity interests without Treasury s prior approval. However, grants outstanding as of the date of the Purchase Agreement remain in effect in accordance with their terms.

No stock options were exercised during the three months ended March 31, 2013. See NOTE 11: STOCKHOLDERS EQUITY (DEFICIT) in our 2012 Annual Report for more information.

Dividend Restrictions

Our payment of dividends on Freddie Mac common stock or any series of Freddie Mac preferred stock (other than senior preferred stock) is subject to certain restrictions as described in MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES Dividends and Dividend Restrictions in our 2012 Annual Report.

Information about Certain Securities Issuances by Freddie Mac

Pursuant to SEC regulations, public companies are required to disclose certain information when they incur a material direct financial obligation or become directly or contingently liable for a material obligation under an off-balance sheet arrangement. The disclosure must be made in a current report on Form 8-K under Item 2.03 or, if the obligation is incurred in connection with certain types of securities offerings, in prospectuses for that offering that are filed with the SEC.

Freddie Mac s securities offerings are exempted from SEC registration requirements. As a result, we are not required to and do not file registration statements or prospectuses with the SEC with respect to our securities offerings. To comply with the disclosure requirements of Form 8-K relating to the incurrence of material financial obligations, we report our incurrence of these types of obligations either in offering circulars (or supplements thereto) that we post on our web site or in a current report on Form 8-K, in accordance with a no-action letter we received from the SEC staff. In cases where the information is disclosed in an offering circular posted on our web site, the document will be posted on our web site within the same time period that a prospectus for a non-exempt securities offering would be required to be filed with the SEC.

The web site address for disclosure about our debt securities, other than debt securities of consolidated trusts, is www.freddiemac.com/debt. From this address, investors can access the offering circular and related supplements for debt securities offerings under Freddie Mac s global debt facility, including pricing supplements for individual issuances of debt securities.

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Disclosure about the mortgage-related securities we issue, some of which are off-balance sheet obligations, can be found at www.freddiemac.com/mbs. From this address, investors can access information and documents about our mortgage-related securities, including offering circulars and related offering circular supplements.

ITEM 6. EXHIBITS

The exhibits are listed in the Exhibit Index at the end of this Form 10-Q.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Federal Home Loan Mortgage Corporation

Date: May 8, 2013

By: /s/ Donald H. Layton
Donald H. Layton
Chief Executive Officer

Date: May 8, 2013

By: /s/ Ross J. Kari
Ross J. Kari
Executive Vice President Chief Financial Officer
(Principal Financial Officer)

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GLOSSARY

This Glossary includes acronyms and defined terms that are used throughout this report.

Administration Executive branch of the U.S. government.

Agency securities Generally refers to mortgage-related securities issued by the GSEs or government agencies.

Alt-A loan 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. In determining our Alt-A exposure on loans underlying our single-family credit guarantee portfolio, we classified mortgage loans as Alt-A if the lender that delivers them to us classified the loans as Alt-A, or if the loans had reduced documentation requirements as well as a combination of certain credit characteristics and expected performance characteristics at acquisition which, when compared to full documentation loans in our portfolio, indicate that the loan should be classified as Alt-A. In the event we purchase a refinance mortgage in either our relief refinance mortgage initiative or in another mortgage refinance initiative 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 report and our other financial reports because the new refinance loan replacing the original loan would not be identified by the 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. For non-agency mortgage-related securities that are backed by Alt-A loans, 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.

AOCI Accumulated other comprehensive income (loss), net of taxes

ARM Adjustable-rate mortgage A mortgage loan with an interest rate that adjusts periodically over the life of the mortgage loan based on changes in a benchmark index.

Bond insurers Companies that provide credit insurance principally covering securitized assets in both the primary issuance and secondary markets.

BPs Basis points One one-hundredth of 1%. This term is commonly used to quote the yields of debt instruments or movements in interest rates.

Cash and other investments portfolio Our cash and other investments portfolio is comprised of our cash and cash equivalents, federal funds sold and securities purchased under agreements to resell, and investments in non-mortgage-related securities.

Charter The Federal Home Loan Mortgage Corporation Act, as amended, 12 U.S.C. § 1451 et seq.

CMBS Commercial mortgage-backed security A security backed by mortgages on commercial property (often including multifamily rental properties) rather than one-to-four family residential real estate. Although the mortgage pools underlying CMBS can include mortgages financing multifamily properties and commercial properties, such as office buildings and hotels, the classes of CMBS that we hold receive distributions of scheduled cash flows only from multifamily properties. Military housing revenue bonds are included as CMBS within investments-related disclosures. We have not identified CMBS as either subprime or Alt-A securities.

Comprehensive income (loss) Consists of net income (loss) plus total other comprehensive income (loss).

Conforming loan/Conforming jumbo loan/Conforming loan limit A conventional single-family mortgage loan with an original principal balance that is equal to or less than the applicable conforming loan limit, which is a dollar amount cap on the size of the original principal balance of single-family mortgage loans we are permitted by law to purchase or securitize. The conforming loan limit is determined annually based on changes in FHFA s housing price index. Any decreases in the housing price index are accumulated and used to offset any future increases in the housing price index so that conforming loan limits do not decrease from year-to-year. Since 2006, the base conforming loan limit for a one-family residence has been set at $417,000, and higher limits have been established in certain high-cost areas (currently, up to $625,500 for a one-family residence). Higher limits also apply to two- to four-family residences, and for mortgages secured by properties in Alaska, Guam, Hawaii and the U.S. Virgin Islands.

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Actual loan limits are set by FHFA for each county (or equivalent), and the loan limit for specific high-cost areas may be lower than the maximum amounts. We refer to loans that we have purchased with UPB exceeding the base conforming loan limit (i.e., $417,000) as conforming jumbo loans.

Beginning in 2008, pursuant to a series of laws, our loan limits in certain high-cost areas were increased temporarily above the limits that otherwise would have been applicable (up to $729,750 for a one-family residence). The latest of these increases expired on September 30, 2011.

Conservator The Federal Housing Finance Agency, acting in its capacity as conservator of Freddie Mac.

Convexity A measure of how much a financial instrument s duration changes as interest rates change.

Core spread income Refers to a fair value estimate of the net current period accrual of income from the spread between mortgage-related investments and debt, calculated on an option-adjusted basis.

Credit enhancement Any number of different financial arrangements that are designed to reduce credit risk by partially or fully compensating an investor in the event of certain financial losses. Examples of credit enhancements include mortgage insurance, overcollateralization, indemnification agreements, and government guarantees.

Credit losses Consists of charge-offs and REO operations expense.

Credit-related expenses Consists of our provision (benefit) for credit losses and REO operations expense.

Deed in lieu of foreclosure An alternative to foreclosure in which the borrower voluntarily conveys title to the property to the lender and the lender accepts such title (sometimes together with an additional payment by the borrower) in full satisfaction of the mortgage indebtedness.

Delinquency A failure to make timely payments of principal or interest on a mortgage loan. For single-family mortgage loans, we generally report delinquency rate information based on the number of loans that are seriously delinquent. For multifamily loans, we report delinquency rate information based on the UPB of loans that are two monthly payments or more past due or in the process of foreclosure.

Derivative A financial instrument whose value depends upon the characteristics and value of an underlying financial asset or index, such as a security or commodity price, interest or currency rates, or other financial indices.

Dodd-Frank Act Dodd-Frank Wall Street Reform and Consumer Protection Act.

Dollar roll transactions Transactions whereby we enter into an agreement to sell and subsequently repurchase (or purchase and subsequently resell) agency securities.

DSCR Debt Service Coverage Ratio An indicator of future credit performance for multifamily loans. The DSCR estimates a multifamily borrower s ability to service its mortgage obligation using the secured property s cash flow, after deducting non-mortgage expenses from income. The higher the DSCR, the more likely a multifamily borrower will be able to continue servicing its mortgage obligation.

Duration Duration is a measure of a financial instrument s price sensitivity to changes in interest rates.

Duration gap One of our primary interest-rate risk measures. Duration gap is a measure of the difference between the estimated durations of our interest rate sensitive assets and liabilities. We present the duration gap of our financial instruments in units expressed as months. A duration gap of zero implies that the change in value of our interest rate sensitive assets from an instantaneous change in interest rates would be expected to be accompanied by an equal and offsetting change in the value of our debt and derivatives, thus leaving the net fair value of equity unchanged.

Effective rent The average rent actually paid by the tenant over the term of a lease.

Euribor Euro Interbank Offered Rate

Exchange Act Securities and Exchange Act of 1934, as amended

Fannie Mae Federal National Mortgage Association

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FASB Financial Accounting Standards Board

FDIC Federal Deposit Insurance Corporation

Federal Reserve Board of Governors of the Federal Reserve System

FHA Federal Housing Administration

FHFA Federal Housing Finance Agency An independent agency of the U.S. government with responsibility for regulating Freddie Mac, Fannie Mae, and the FHLBs.

FHLB Federal Home Loan Bank

FICO score A credit scoring system developed by Fair, Isaac and Co. FICO scores are the most commonly used credit scores today. FICO scores are ranked on a scale of approximately 300 to 850 points with a higher value indicating a lower likelihood of credit default.

Fixed-rate mortgage Refers to a mortgage originated at a specific rate of interest that remains constant over the life of the loan. For purposes of presentation in this report and elsewhere in our reporting, we have categorized a number of modified loans as fixed-rate loans (instead of as adjustable rate loans), even though the modified loans have rate adjustment provisions. In these cases, while the terms of the modified loans provide for the interest rate to adjust in the future, such future rates are determined at the time of the modification rather than at a subsequent date.

Foreclosure alternative A workout option pursued when a home retention action is not successful or not possible. A foreclosure alternative is either a short sale or deed in lieu of foreclosure.

Foreclosure transfer Refers to our completion of a transaction provided for by the foreclosure laws of the applicable state, in which a delinquent borrower s ownership interest in a mortgaged property is terminated and title to the property is transferred to us or to a third party. State foreclosure laws commonly refer to such transactions as foreclosure sales, sheriff s sales, or trustee s sales, among other terms. When we, as mortgage holder, acquire a property in this manner, we pay for it by extinguishing some or all of the mortgage debt.

Freddie Mac mortgage-related securities Securities we issue and guarantee, including PCs, REMICs and Other Structured Securities, and Other Guarantee Transactions.

GAAP Generally accepted accounting principles in the United States of America.

Ginnie Mae Government National Mortgage Association

GSE Act The Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Reform Act.

GSEs Government sponsored enterprises Refers to certain legal entities created by the U.S. government, including Freddie Mac, Fannie Mae, and the FHLBs.

Guarantee fee The fee that we receive for guaranteeing the payment of principal and interest to mortgage security investors, which consists primarily of a combination of management and guarantee fees paid on a monthly basis, as a percentage of the UPB of the underlying loans, and initial upfront payments, such as delivery fees.

HAFA Home Affordable Foreclosures Alternative program In 2009, the Treasury Department introduced the HAFA program to provide an option for HAMP-eligible homeowners who are unable to keep their homes. The HAFA program took effect on April 5, 2010 and we implemented it effective August 1, 2010.

HAMP Home Affordable Modification Program Refers to the effort under the MHA Program whereby the U.S. government, Freddie Mac and Fannie Mae commit funds to help eligible homeowners avoid foreclosure and keep their homes through mortgage modifications.

HARP Home Affordable Refinance Program Refers to the effort under the MHA Program that seeks to help eligible borrowers with existing loans that are guaranteed by us or Fannie Mae to refinance into loans with more affordable monthly payments and/or fixed-rate terms without obtaining new mortgage insurance in excess of what is already in place. Originally, only borrowers who had mortgages sold to Freddie Mac or Fannie Mae on or before May 31, 2009 with current LTV ratios above 80% (and up to 125%) were eligible to refinance their mortgages under the program. In October 2011, HARP was

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expanded to allow eligible borrowers who have mortgages with current LTV ratios above 125% to refinance under the program. The relief refinance initiative, under which we also allow borrowers with LTV ratios of 80% and below to participate, is our implementation of HARP for our loans.

HFA State or local Housing Finance Agency

HFA initiative An initiative among Treasury, FHFA, Freddie Mac, and Fannie Mae that commenced in 2009. Under the HFA initiative, we and Fannie Mae provide assistance to state and local HFAs so that the HFAs can continue to meet their mission of providing affordable financing for both single-family and multifamily housing. The HFA initiative includes the NIBP and the TCLFP.

HUD U.S. Department of Housing and Urban Development HUD has authority over Freddie Mac with respect to fair lending.

Implied volatility A measurement of how the value of a financial instrument changes due to changes in the market s expectation of potential changes in future interest rates. A decrease in implied volatility generally increases the estimated fair value of our mortgage assets and decreases the estimated fair value of our callable debt and options-based derivatives, while an increase in implied volatility generally has the opposite effect.

Interest-only loan A mortgage loan that allows the borrower to pay only interest (either fixed-rate or adjustable-rate) for a fixed period of time before principal amortization payments are required to begin. After the end of the interest-only period, the borrower can choose to refinance the loan, pay the principal balance in total, or begin paying the monthly scheduled principal due on the loan.

IRS Internal Revenue Service

K Certificates Multifamily regularly issued, structured pass-through securities backed primarily by recently originated multifamily mortgage loans. We categorize K Certificates that we guarantee as Other Guarantee Transactions. See Other Guarantee Transactions for more information.

LIBOR London Interbank Offered Rate

LIHTC partnerships Low-income housing tax credit partnerships Prior to 2008, we invested as a limited partner in LIHTC partnerships, which are formed for the purpose of providing funding for affordable multifamily rental properties. These LIHTC partnerships invest directly in limited partnerships that own and operate multifamily rental properties that generate federal income tax credits and deductible operating losses.

Liquidation preference Generally refers to an amount that holders of preferred securities are entitled to receive out of available assets, upon liquidation of a company. The initial liquidation preference of our senior preferred stock was $1.0 billion. The aggregate liquidation preference of our senior preferred stock includes the initial liquidation preference plus amounts funded by Treasury under the Purchase Agreement. In addition, dividends and periodic commitment fees not paid in cash are added to the liquidation preference of the senior preferred stock. We may make payments to reduce the liquidation preference of the senior preferred stock only in limited circumstances.

LTV ratio Loan-to-value ratio The ratio of the unpaid principal amount of a mortgage loan to the value of the property that serves as collateral for the loan, expressed as a percentage. Loans with high LTV ratios generally tend to have a higher risk of default and, if a default occurs, a greater risk that the amount of the gross loss will be high compared to loans with lower LTV ratios. We report LTV ratios based solely on the amount of the loan purchased or guaranteed by us, generally excluding any second-lien mortgages (unless we own or guarantee the second lien).

MD&A Management s Discussion and Analysis of Financial Condition and Results of Operations

MHA Program Making Home Affordable Program Formerly known as the Housing Affordability and Stability Plan, the MHA Program was announced by the Administration in February 2009. The MHA Program is designed to help in the housing recovery, promote liquidity and housing affordability, expand foreclosure prevention efforts and set market standards. The MHA Program includes HARP and HAMP.

Mortgage assets Refers to both mortgage loans and the mortgage-related securities we hold in our mortgage-related investments portfolio.

Mortgage-related investments portfolio Our investment portfolio, which consists principally of mortgage-related securities and single-family and multifamily mortgage loans. The size of our mortgage-related investments portfolio under the Purchase Agreement is determined without giving effect to the January 1, 2010 change in accounting guidance related to transfers of financial assets and consolidation of VIEs. Accordingly, for purposes of the portfolio limit, when PCs and certain Other Guarantee Transactions are purchased into the mortgage-related investments portfolio, this is considered the acquisition of assets rather than the reduction of debt.

Mortgage-to-debt OAS The net OAS between the mortgage and agency debt sectors. This is an important factor in determining the expected level of net interest yield on a new mortgage asset. Higher mortgage-to-debt OAS means that a newly purchased mortgage asset is expected to provide a greater return relative to the cost of the debt issued to fund the purchase of the asset and, therefore, a higher net interest yield. Mortgage-to-debt OAS tends to be higher when there is weak demand for mortgage assets and lower when there is strong demand for mortgage assets.

Multifamily mortgage A mortgage loan secured by a property with five or more residential rental units.

Multifamily mortgage portfolio Consists of multifamily mortgage loans held by us on our consolidated balance sheets as well as our guarantee of non-consolidated Freddie Mac mortgage-related securities, and other guarantee commitments, but excluding those underlying our guarantees of HFA bonds under the HFA initiative.

Net worth (deficit) The amount by which our total assets exceed (or are less than) our total liabilities as reflected on our consolidated balance sheets prepared in conformity with GAAP.

Net worth sweep dividend, Net Worth Amount, and Capital Reserve Amount For each quarter from January 1, 2013 through and including December 31, 2017, the dividend payment on the senior preferred stock will be the amount, if any, by which our Net Worth Amount at the end of the immediately preceding fiscal quarter, less the applicable Capital Reserve Amount, exceeds zero. The term Net Worth Amount is defined as: (a) the total assets of Freddie Mac (excluding Treasury s commitment and any unfunded amounts thereof, less; (b) our total liabilities (excluding any obligation in respect of capital stock), in each case as reflected on our consolidated balance sheets prepared in accordance with GAAP. If the calculation of the dividend payment for a quarter does not exceed zero, then no dividend shall accrue or be payable for that quarter. The applicable Capital Reserve Amount will be $3 billion for 2013 and will be reduced by $600 million each year thereafter until it reaches zero on January 1, 2018. For each quarter beginning January 1, 2018, the dividend payment will be the amount, if any, by which our Net Worth Amount at the end of the immediately preceding fiscal quarter exceeds zero.

NIBP New Issue Bond Program is a component of the HFA initiative in which we and Fannie Mae issued partially-guaranteed pass-through securities to Treasury that are backed by bonds issued by various state and local HFAs. The program provides financing for HFAs to issue new housing bonds. Treasury is obligated to absorb any losses under the program up to a certain level before we are exposed to any losses.

NPV Net present value

OAS Option-adjusted spread An estimate of the incremental yield spread between a particular financial instrument (*e.g.*, a security, loan or derivative contract) and a benchmark yield curve (*e.g.*, LIBOR or agency or U.S. Treasury securities). This includes consideration of potential variability in the instrument s cash flows resulting from any options embedded in the instrument, such as prepayment options.

Option ARM loan Mortgage loans that permit a variety of repayment options, including minimum, interest-only, fully amortizing 30-year and fully amortizing 15-year payments. The minimum payment alternative for option ARM loans allows the borrower to make monthly payments that may be less than the interest accrued for the period. The unpaid interest, known as negative amortization, is added to the principal balance of the loan, which increases the outstanding loan balance. For our non-agency mortgage-related securities that are backed by option ARM loans, we categorize securities as option ARM 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 securities as either subprime or Alt-A securities.

OTC Over-the-counter

Original LTV Ratio A credit measure for mortgage loans, calculated as the UPB 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

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calculation. The existence of a second-lien mortgage reduces the borrower s equity in the home and, therefore, can increase the risk of default.

Other guarantee commitments Mortgage-related assets held by third parties for which we provide our guarantee without our securitization of the related assets.

Other Guarantee Transactions Transactions in which third parties transfer non-Freddie Mac mortgage-related securities to trusts specifically created for the purpose of issuing mortgage-related securities, or certificates, in the Other Guarantee Transactions. In the securities market, our non-HFA related multifamily Other Guarantee Transactions are known as K Certificates.

PCs Participation Certificates Securities that we issue as part of a securitization transaction. Typically we purchase mortgage loans from parties who sell mortgage loans, place a pool of loans into a PC trust and issue PCs from that trust. The PCs are generally transferred to the seller of the mortgage loans in consideration of the loans or are sold to third-party investors if we purchased the mortgage loans for cash.

PMVS Portfolio Market Value Sensitivity One of our primary interest-rate risk measures. PMVS measures are estimates of the amount of average potential pre-tax loss in the market value of our net assets due to parallel (PMVS-L) and non-parallel (PMVS-YC) changes in LIBOR.

Primary mortgage market The market where lenders originate mortgage loans and lend funds to borrowers. We do not lend money directly to homeowners, and do not participate in this market.

Purchase Agreement / Senior Preferred Stock Purchase Agreement An agreement the Conservator, acting on our behalf, entered into with Treasury on September 7, 2008, which was subsequently amended and restated on September 26, 2008 and further amended on May 6, 2009, December 24, 2009, and August 17, 2012.

Recorded Investment The dollar amount of a loan recorded on our consolidated balance sheets, excluding any valuation allowance, such as the allowance for loan losses, but which does reflect direct write-downs of the investment. For mortgage loans, direct write-downs consist of valuation allowances associated with recording our initial investment in loans acquired with evidence of credit deterioration at the time of purchase. Recorded investment excludes accrued interest income.

Reform Act The Federal Housing Finance Regulatory Reform Act of 2008, which, among other things, amended the GSE Act by establishing a single regulator, FHFA, for Freddie Mac, Fannie Mae, and the FHLBs.

Relief refinance mortgage A single-family mortgage loan delivered to us for purchase or guarantee that meets the criteria of the Freddie Mac Relief Refinance Mortgage^{sm} initiative. Part of this initiative is our implementation of HARP for our loans, and relief refinance options are also available for certain non-HARP loans. Although HARP is targeted at borrowers with current LTV ratios above 80%, our initiative also allows borrowers with LTV ratios of 80% and below to participate.

REMIC Real Estate Mortgage Investment Conduit A type of multiclass mortgage-related security that divides the cash flows (principal and interest) of the underlying mortgage-related assets into two or more classes that meet the investment criteria and portfolio needs of different investors.

REMICs and Other Structured Securities (or in the case of Multifamily securities, **Other Structured Securities**) Single- and multiclass securities issued by Freddie Mac that represent beneficial interests in pools of PCs and certain other types of mortgage-related assets. REMICs and Other Structured Securities that are single-class securities pass through the cash flows (principal and interest) on the underlying mortgage-related assets. REMICs and Other Structured Securities that are multiclass securities divide the cash flows of the underlying mortgage-related assets into two or more classes designed to meet the investment criteria and portfolio needs of different investors. Our principal multiclass securities qualify for tax treatment as REMICs.

REO Real estate owned Real estate which we have acquired through foreclosure or through a deed in lieu of foreclosure.

S&P Standard & Poor s

SEC Securities and Exchange Commission

Secondary mortgage market A market consisting of institutions engaged in buying and selling mortgages in the form of whole loans (*i.e.*, mortgages that have not been securitized) and mortgage-related securities. We participate in the secondary mortgage market by purchasing mortgage loans and mortgage-related securities for investment and by issuing guaranteed mortgage-related securities, principally PCs.

Senior preferred stock The shares of Variable Liquidation Preference Senior Preferred Stock issued to Treasury under the Purchase Agreement.

Seriously delinquent Single-family mortgage loans that are three monthly payments or more past due or in the process of foreclosure as reported to us by our servicers.

Short sale Typically an alternative to foreclosure consisting of a sale of a mortgaged property in which the homeowner sells the home at market value and the lender accepts proceeds (sometimes together with an additional payment or promissory note from the borrower) that are less than the outstanding mortgage indebtedness in full satisfaction of the loan.

Single-family credit guarantee portfolio Consists of unsecuritized single-family loans, single-family loans held by consolidated trusts, and single-family loans underlying non-consolidated Other Guarantee Transactions and covered by other guarantee commitments. Excludes our REMICs and Other Structured Securities that are backed by Ginnie Mae Certificates and our guarantees under the HFA initiative.

Single-family mortgage A mortgage loan secured by a property containing four or fewer residential dwelling units.

Spread The difference between the yields of two debt securities, or the difference between the yield of a debt security and a benchmark yield, such as LIBOR.

Strips Mortgage pass-through securities created by separating the principal and interest payments on a pool of mortgage loans. A principal-only strip entitles the security holder to principal cash flows, but no interest cash flows, from the underlying mortgages. An interest-only strip entitles the security holder to interest cash flows, but no principal cash flows, from the underlying mortgages.

Subprime 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. Subprime generally refers to the credit risk classification of a loan. There is no universally accepted definition of subprime. The subprime segment of the mortgage market primarily serves borrowers with poorer credit payment histories and such loans typically have a mix of credit characteristics that indicate a higher likelihood of default and higher loss severities than prime loans. Such characteristics might include, among other factors, a combination of high LTV ratios, low credit scores or originations using lower underwriting standards, such as limited or no documentation of a borrower s income. 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. Notwithstanding our historical characterizations of the single family credit guarantee portfolio, certain security collateral underlying our Other Guarantee Transactions has been identified as subprime based on information provided to Freddie Mac when the transactions were entered into. 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.

Swaption An option contract to enter into an interest-rate swap. In exchange for an option premium, a buyer obtains the right but not the obligation to enter into a specified swap agreement with the issuer on a specified future date.

TBA To be announced

TCLFP Temporary Credit and Liquidity Facility Program is a component of the HFA initiative in which we and Fannie Mae issued credit and liquidity guarantees to holders of variable-rate demand obligations issued by various state and local HFAs. Treasury is obligated to absorb any losses under the program up to a certain level before we are exposed to any losses. The program was scheduled to expire on December 31, 2012. However, Treasury gave participants the option to extend their individual TCLFP facilities to December 31, 2015. Certain participants elected to extend their TCLFP facilities to December 2015.

TDR Troubled debt restructuring A type of loan modification in which the changes to the contractual terms result in concessions to borrowers that are experiencing financial difficulties. Beginning in the third quarter of 2012, TDRs also include single-family loans discharged in Chapter 7 bankruptcy, regardless of the borrowers payment status.

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Total other comprehensive income (loss) Consists of the after-tax changes in: (a) the unrealized gains and losses on available-for-sale securities; (b) the effective portion of derivatives accounted for as cash flow hedge relationships; and (c) defined benefit plans.

Total mortgage portfolio Includes mortgage loans and mortgage-related securities held on our consolidated balance sheets as well as the balances of our non-consolidated issued and guaranteed single-class and multiclass securities, and other mortgage-related financial guarantees issued to third parties.

Treasury U.S. Department of the Treasury

ULDD Uniform Loan Delivery Dataset

UMDP Uniform Mortgage Data Program

UPB Unpaid principal balance

USDA U.S. Department of Agriculture

VA U.S. Department of Veterans Affairs

VIE Variable Interest Entity A VIE is an entity: (a) that has a total equity investment at risk that is not sufficient to finance its activities without additional subordinated financial support provided by another party; or (b) where the group of equity holders does not have: (i) the ability to make significant decisions about the entity s activities; (ii) the obligation to absorb the entity s expected losses; or (iii) the right to receive the entity s expected residual returns.

Warrant Refers to the warrant we issued to Treasury on September 7, 2008 pursuant to the Purchase Agreement. The warrant provides Treasury the ability to purchase, for a nominal price, shares of our common stock equal to 79.9% of the total number of shares of Freddie Mac common stock outstanding on a fully diluted basis on the date of exercise.

Workout, or loan workout A workout is either: (a) a home retention action, which is either a loan modification, repayment plan, or forbearance agreement; or (b) a foreclosure alternative, which is either a short sale or a deed in lieu of foreclosure.

XBRL eXtensible Business Reporting Language

Yield curve A graphical display of the relationship between yields and maturity dates for bonds of the same credit quality. The slope of the yield curve is an important factor in determining the level of net interest yield on a new mortgage asset, both initially and over time. For example, if a mortgage asset is purchased when the yield curve is inverted (i.e., short-term rates higher than long-term rates), our net interest yield on the asset will tend to be lower initially and then increase over time. Likewise, if a mortgage asset is purchased when the yield curve is steep (i.e., short-term rates lower than long-term rates), our net interest yield on the asset will tend to be higher initially and then decrease over time.

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EXHIBIT INDEX

Exhibit No.	Description
4.1	Federal Home Loan Mortgage Corporation Global Debt Facility Agreement, dated March 1, 2013
10.1	PC Master Trust Agreement, dated March 22, 2013
12.1	Statement re: computation of ratio of earnings to fixed charges and computation of ratio of earnings to combined fixed charges and preferred stock dividends
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)
31.2	Certification of Executive Vice President Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Executive Vice President Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document(1)
101.SCH	XBRL Taxonomy Extension Schema(1)
101.CAL	XBRL Taxonomy Extension Calculation(1)
101.LAB	XBRL Taxonomy Extension Labels(1)
101.PRE	XBRL Taxonomy Extension Presentation(1)
101.DEF	XBRL Taxonomy Extension Definition(1)

(1) The financial information contained in these XBRL documents is unaudited. The information in these exhibits shall not be deemed filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of Section 18, nor shall it be deemed incorporated by reference into any disclosure document relating to Freddie Mac, except to the extent, if any, expressly set forth by specific reference in such filing.

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