Freddie Mac CFO Discusses First Quarter 2025 Financial and Business Results

Remarks by

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As Prepared for Delivery

Introduction

Good morning and thank you for joining our call to review Freddie Mac's first quarter performance.

Let's start with the bottom line: Freddie Mac delivered a solid performance, earning $2.8 billion of net income in the first quarter, driving the company's net worth to $62 billion.

We helped 313,000 families across the nation buy, rent or refinance a home in the quarter, with 52 percent of our single-family loan purchases supporting first-time homebuyers and 92 percent of the eligible rental units financed affordable to middle-income renters who form the backbone of our communities.

Our commitment to our mission is unwavering and will only improve as we work with Director of U.S. Federal Housing Bill Pulte to streamline our operations by stripping away unnecessary bureaucracy and eliminating non-essential activities.

I'll talk a little more about that and what it means for Freddie Mac, before I conclude today's call, so let's get right to the financials.

Financials

As I noted, this morning we reported first quarter 2025 net income of $2.8 billion, an increase of $28 million, or 1 percent, year-over-year. This increase was primarily driven by higher net interest income from continued mortgage portfolio growth and lower funding costs partially offset by lower yields on short-term investments.

Our first quarter net interest income was $5.1 billion, up $343 million, or 7 percent year-over-year. The increase was primarily driven by continued mortgage portfolio growth in Single-Family and an increase in the volume of fully guaranteed securitizations in Multifamily.

Non-interest income for the first quarter was $750 million, a decline of $248 million, or 25 percent lower from the prior year quarter. This was primarily due to a decrease in net investment gains in Multifamily.

Non-interest expense declined $34 million, or 2 percent, year-over-year, primarily due to lower credit enhancement expenses driven by lower volume of cumulative credit risk transfer transactions.

Our provision for credit losses was $280 million for this quarter, primarily driven by a credit reserve build in Single-Family attributable to new acquisitions.

Single-Family Business Segment

Turning to our individual business segments, the Single-Family segment reported net income of $2.3 billion for the quarter, up $316 million, or 16 percent year-over-year.

Single-Family net revenues of $4.9 billion increased 10 percent from the prior year quarter. This increase was primarily driven by a 6 percent increase in our net interest income, which benefited from continued mortgage portfolio growth. Our Single-Family mortgage portfolio at the end of the quarter was $3.1 trillion, up 2 percent year-over-year.

Our provision for single-family credit losses was an expense of $228 million this quarter, primarily due to a credit reserve build for new acquisitions. The provision in the prior year quarter was $120 million, which was primarily attributable to new acquisitions and increasing mortgage interest rates.

Our current house price forecast assumes an increase of 4.2 percent over the next 12 months and 2.8 percent over the subsequent 12 months. This is a change from our forecast at the end of last quarter, which assumed 2.7 percent and 3.3 percent growth over the next 12 and subsequent 12 months, respectively.

The Single-Family allowance for credit losses coverage ratio at the end of this quarter was 21 basis points, unchanged from last quarter and up 1 basis point year-over-year.

New business activity totaled $78 billion this quarter, up from $62 billion in the first quarter of 2024. Both home purchase and refinance activity increased due to higher market coverage and conforming loan limits – as well as house price appreciation in recent quarters. Refinance activity accounted for 21 percent of our total new business activity this quarter, up from 15 percent in the same quarter last year as we saw mortgage rates come down throughout the quarter.

The 30-year mortgage rate at the end of the quarter was 6.65 percent, down from 6.85 percent at the end of the fourth quarter of 2024 and from 6.79 percent at the end of the first quarter 2024. First-time homebuyers represented 52 percent of our total new business activity, or 81,000 households, in the first quarter.

The average estimated guarantee fee charged on new business was 54 basis points, while the weighted average original loan-to-value on new purchases was 77 percent, and the weighted average original credit score was 756.

Credit characteristics of our Single-Family mortgage portfolio remained strong as well, with the weighted average current loan-to-value ratio at 52 percent and the weighted average current credit score at 754.

At the end of the quarter, 62 percent of our Single-Family mortgage portfolio had some form of credit enhancement.

The Single-Family serious delinquency rate remained low at 59 basis points, unchanged from the prior quarter and up 7 basis points from the prior year quarter. The year-over-year increase was primarily due to a higher serious delinquency rate for loans originated during and after 2022 as well as lingering impacts from hurricanes that occurred late in 2024. On a related note, in the first quarter, we helped approximately 25,000 families remain in their homes through loan workouts.

Multifamily Business Segment

Moving on to Multifamily, the segment reported net income of $533 million dollars, which is down $288 million – or 35 percent – from the prior year quarter. This decrease was primarily driven by lower non-interest income of $585 million, which decreased $427 million from prior the year quarter. It also was driven by lower revenues from held-for-sale loan purchases and securitization activities, impacts from interest-rate management activities, and less favorable fair value changes from prepayment rates.

Net interest income of $349 million was up 29 percent year-over-year, primarily driven by an increase in the volume of fully guaranteed securitizations.

The Multifamily provision for credit losses was an expense of $52 million this quarter versus $61 million in the prior year quarter.

Our Multifamily new business activity was $10 billion for the first quarter, up $1 billion from a year ago. Our Multifamily business provided financing for 89,000 multifamily rental units in the quarter, with 66 percent of eligible rental units affordable to low-income families.

Also in the first quarter, we securitized $16 billion of multifamily loans, $5 billion more than in the prior year quarter. Fully guaranteed securitizations represented 56 percent of total securitizations, up from 36 percent in the first quarter 2024. The average guarantee fee on our total guarantee portfolio increased 5 basis points year-over-year to 52 basis points.

Our Multifamily mortgage portfolio increased 5 percent year-over-year to $467 billion.

The Multifamily delinquency rate at end of the quarter was 46 basis points. This was up 12 basis points from 34 basis points at the end of March 2024 and up 6 basis points from the fourth quarter of 2024. The year-over-year increase in the delinquency rate was primarily driven by increased delinquencies in our floating rate loans, including small balance loans that are in their floating rate period. Ninety-eight percent of these delinquent loans had credit enhancement coverage at the end of the quarter. At the Multifamily mortgage portfolio level, our credit enhancement coverage was 93 percent.

Capital

On the capital front, our net worth increased to $62.4 billion dollars at the end of the quarter, representing a 24 percent increase year-over-year.

Conclusion

Let me conclude by noting that many of you are closely following the announcements and orders issued by Director Pulte and what those mean for Freddie Mac.

Briefly, Director Pulte has helped us streamline our business and harness the productivity of thousands of Freddie Mac employees now in the office full-time.

He has eliminated activities not central to Freddie Mac's mission, as well as requirements that may make it more expensive to finance a loan, but which might provide little tangible benefit to the majority of American renters and homebuyers. We support actions he has taken to drive fraud and waste out of the U.S. housing finance system.

We expect the savings associated with FHFA's new direction to reduce Freddie Mac's general and administrative expenses in 2025 and beyond. Furthermore, we believe that regulatory changes making it easier for us to responsibly acquire loans will increase our revenue and enable us to provide even greater liquidity to the single-family *and* multifamily market.

That should enable Freddie Mac to invest more in critical technology, increase our net worth, and lower the cost of originating a mortgage.

Taking a step back, the Director has challenged us to create a more affordable U.S. housing system. We are committed to rising to that challenge.