



Non-Performing Loan Sales Seminar



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April 29, 2015

Bidder Qualification and Auction Process

Qualification and Auction Goals



- Encourage broad participation
- Approve qualified bidders and servicers
- Limit access to confidential borrower information (NDAs also required)
- Execute via a well-controlled and transparent process
- Award pools based on economics

Auction Overview and Timeline

Description	Standard Offering Timeline	Extended Offering Timeline
	Ex: Current SPO	Ex: Current EXPO
Transaction Marketed to Broad Investor Group: - Private Investors: Large and Small - Non-Profits - Neighborhood Advocacy Groups	Transaction announcement – Offering Memorandum, Press Release Ex: April 28 th	Transaction announcement – Offering Memorandum, Press Release Ex: April 21 st
Pre-Access Qualifications Due; Including: - NDA - Attestations - Proof of Funds - Servicer Questionnaire	Typically ~1 week from Offering Ex: May 7 th	Typically 2-3 weeks from Offering Ex: May 12 th
Bids Due - Trade Award will typically be the following day.	~3.5 week after announcement Ex: May 20 th	~6 weeks after announcement Ex: June 2 nd
Trade Date - Execute Binding Trade Confirmation	Ex: May 21 st	Ex: June 3 rd
Non-Refundable Deposit Due	Ex: May 26 th	Ex: June 5 th
Post Award Due Diligence Period	Typically 6-8 weeks	Typically 6-8 weeks
Closing Date - Execute Mortgage Loan Purchase Agreement - Execute Interim Servicing Agreement	Typically 1.5 weeks from end of Due Diligence Period Ex: July 10 th	Typically 1.5 weeks from end of Due Diligence Period Ex: July 30 th

Bidder Pre- Access Requirements



To gain access to the secure data room, potential bidders must:

- **Sign the bidder non-disclosure agreement**
 - » Prior Bidders may be able to utilize prior NDA

- **Complete Bidder Qualification Statement (BQS)**
 - » 1st time bidders must include a certified copy of their Formation Documents and a W9

- **Show Proof of Funds (required for each transaction)**
 - » Liquid assets sufficient to cover the deposit amount.

- **Complete Servicer Questionnaire**

Approval to Bid Post Data Room Access



While potential bidders are in the data room, Freddie Mac will continue to conduct diligence:

- **A background check will be conducted on the bidding entity and its owners**

- **The identified servicer must be approved and in good standing with Freddie Mac, Fannie Mae, Ginnie Mae or FHA**
 - » Must also be HAMP SPA or HAMP Successor Servicer
 - » In addition, approval is contingent upon review of the Servicer Questionnaire

- **Each potential bidder will be notified of their approval status prior to bids due date**

What's in the Secure Data Room?

- **Detailed loan level data tape and a summary stratification report**
- **Servicing comments**
- **Independent Broker Price Opinions (BPOs) with a summary report**
- **Transaction documents**
 - » Binding Trade Confirmation
 - » Mortgage Loan Purchase and Sale Agreement, which incorporates
 - Specific Servicing Requirements to protect borrowers
 - Representations and Warranties provided on the loans to the Purchaser
 - » Interim Servicing Agreement
- **Collateral Exception Report**
 - » Shows current status of any documentation defects the custodian is working to cure (ex: missing endorsement or assignment)
 - » Collateral exceptions reported in the data room that do not cause a material breach may not be cured or removed from the trade.

Reviewing the Data Room and Bidding



- **Questions can be directed to any advisor or submitted directly to Freddie Mac by email**
 - » Answers will be provided to all potential bidders in the data room

- **Robust Representations and Warranties (R&Ws) are provided to investors**
 - » Any material breach will result in a cure, indemnification or removal of the loan
 - » R&Ws continue for 10 months following closing

- **Bids received after the deadline may not be considered**

- **Contingent requirements to any bid, including document edits, may nullify your bid**

You Won the Pool! Now What?

- **On the Trade Date, winning bidder(s) must**
 - » Sign the Binding Trade Confirmation, and provide an Officer's certificate re authority and incumbency
 - » Provide a certificate of good standing from the appropriate jurisdiction of formation

- **Deposit: 10% of purchase price is due within 2 days of Trade Date**
 - » Failure to receive the deposit may disqualify bidders from future transactions

- **Diligence period begins immediately (ends 1-2 weeks prior to Closing Date)**
 - » The Legacy Servicer will provide access to all loan files for review.

- **On the Closing Date**
 - » Purchase price balance is due
 - » Mortgage Loan Purchase and Sale Agreement must be signed with Freddie Mac
 - » An updated Officer's certificate must be provided attesting to continued good standing
 - » Interim Servicing Agreement must be signed with legacy servicer.