Non-Performing Loan Sales Seminar
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

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