



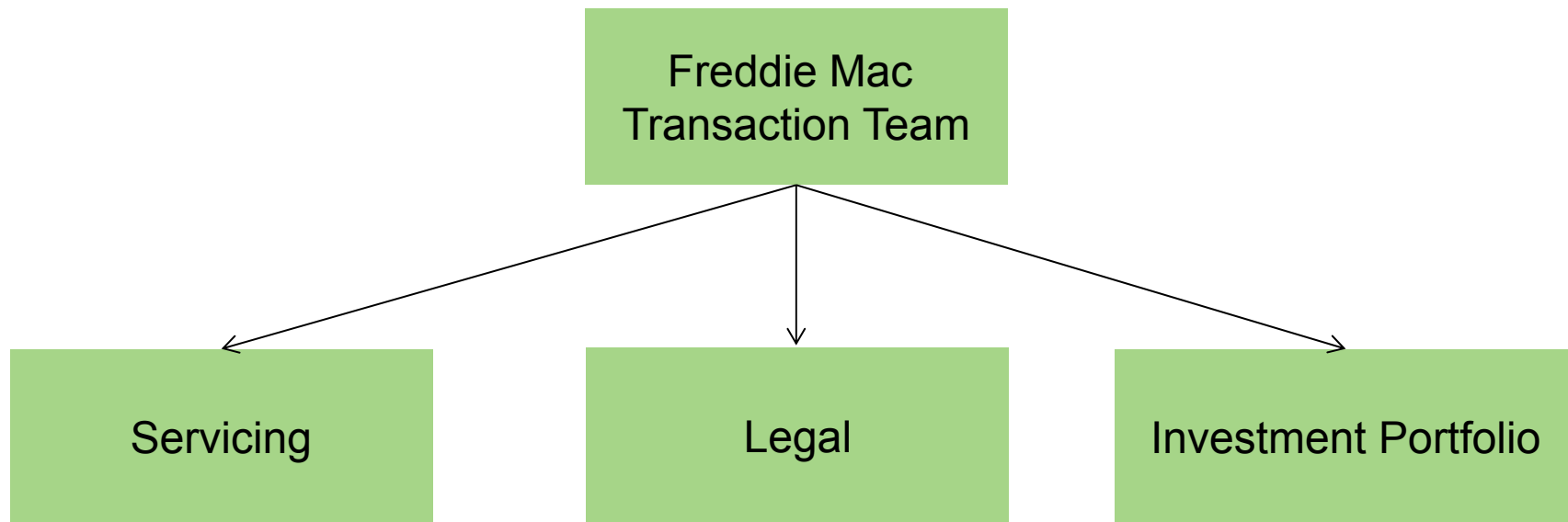
Non-Performing Loan Sales Seminar



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April 29, 2015

Overview of Freddie Mac's NPL Sales Program



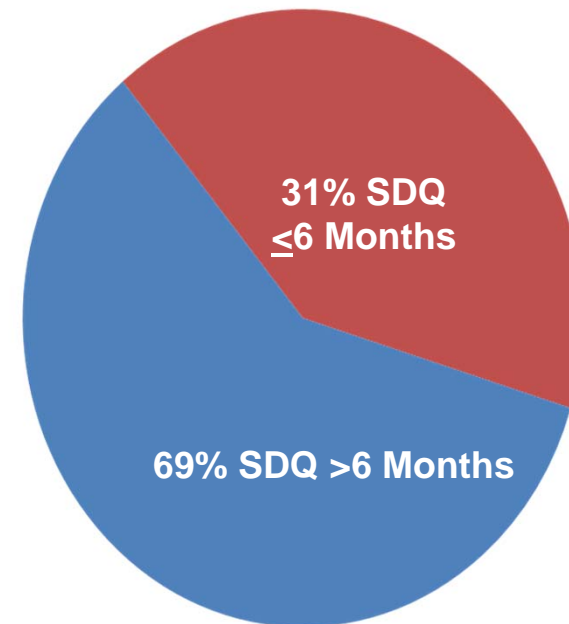
- **Servicing**: Legacy servicer interface, loan selection, data scrubbing, due diligence
- **Legal**: Draft legacy servicer and market facing transaction documents, transaction support
- **Investment Portfolio**: Pooling, valuation and analytics, market interface and transaction execution

NPL Sales are an Important Loss Mitigation Tool



- Freddie Mac guarantees ~\$1.7 trillion in residential mortgage loans
- 120+ days delinquent loans are bought out of Freddie Mac pass-throughs and are held in the core legacy portfolio
- A large share is re-performing as a result of Freddie Mac's resolution programs, executed through our legacy servicers
- However, a significant portion remains delinquent for an extended period for various reasons
 - » Judicial states
 - » Other factors
- NPL sales are an alternative strategy for deeply delinquent loans

~200,000 Loans are 90+ Days Delinquent
(as of 12/31/2014)

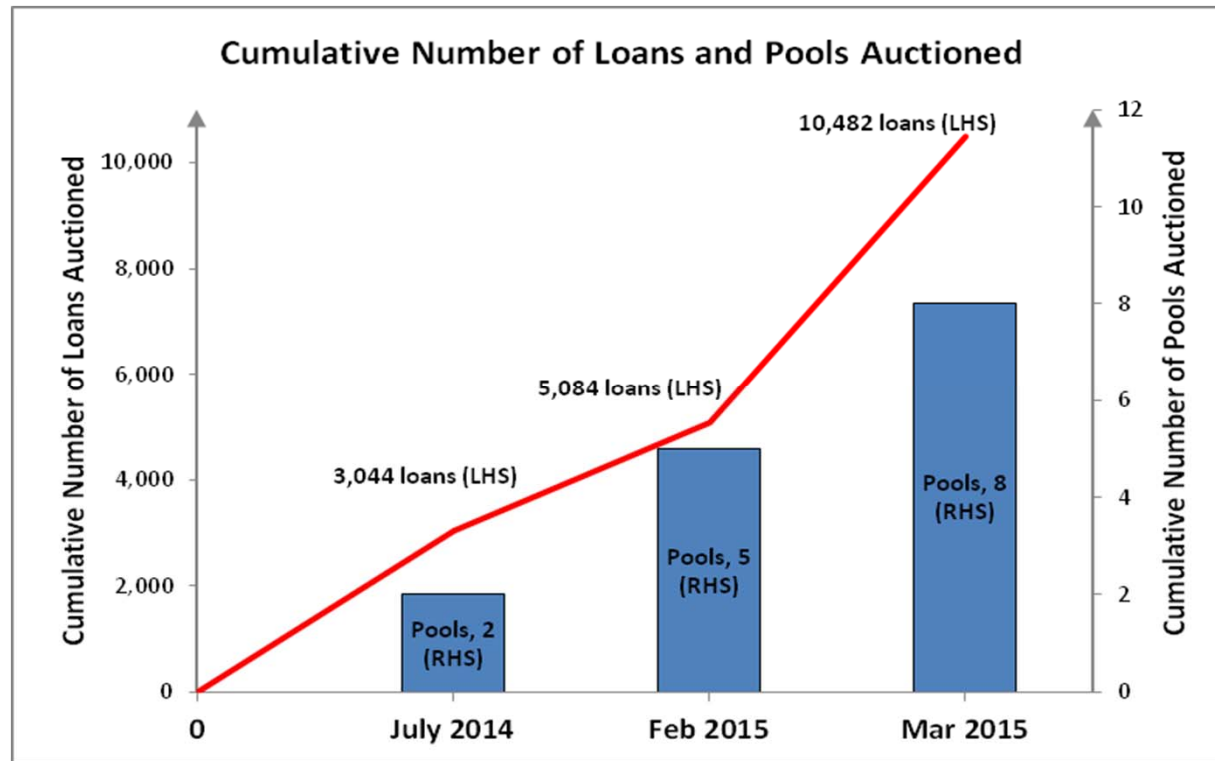


SDQ – Seriously delinquent; defined as 90+ days delinquent

NPLs Sold to Date are Deeply Delinquent



- We have sold approximately \$2 billion in NPLs since July 2014
- Over 10,000 loans sold
- Average delinquency is 3+ years



Program Objectives



- Reduce credit losses to the tax-payer via economically sensible transactions
- Reduce less liquid assets
- Consider borrower outcomes, neighborhood stability and the market
- Encourage broad participation
- Execute via a well-controlled and transparent process

Program Overview



- Competitive auction process

- Transactions marketed to broad investor group, including
 - » Private investors – large, small and MWOBs, and
 - » Non-profits and neighborhood advocacy funds

- All bidders must be pre-approved
 - » Servicers used by bidders must meet FHFA requirements

- Winning bidders are chosen on the basis of economics

Types of Pool Offerings

- **Standard Pool Offerings (SPOs)**
 - » Typically large geographically diverse pools
 - » May also be geographically concentrated

- **Extended Timeline Pool Offerings (EXPOs)**
 - » Smaller sized pools
 - » Geographically concentrated or diverse pools
 - » Extended timeline to encourage smaller investors that need more time to participate in auction

Outreach to Market Participants

- **NPL website - One stop shop for Freddie Mac NPL transactions**
 - » <http://www.freddiemac.com/npl>
 - » Get information about the program and requirements
 - » Learn how to participate
 - » See history of transactions, announcements and press releases

- **Currently, over 100 accounts receive our Offering Memorandums**
 - » Freddie Mac has engaged MWOB advisors to more effectively target participation by smaller investors
 - » These include potential MWOB investors, non-profits and neighborhood advocacy funds

Participation by Non-profits and MWOBs



■ **Principal capacity**

- » Address access and opportunity to participate in Freddie Mac auctions as bidder
- » For EXPO offerings, Freddie Mac has reduced net worth requirements and offers longer timelines to bid
- » Borrower protections, bid award process and post sale servicing requirements are the same for all investor types

■ **Potentially partner with NPL buyers and servicers to:**

- » Provide targeted sub-asset manager?
- » Facilitate borrower outreach and neighborhood stability efforts?
- » Borrower education?

Transparency of Transactions and Outcomes

- **Transaction Announcements**

- » Press release at transaction launch
- » Disclosure of transactions on dedicated NPL website

- **Post bid award disclosures include**

- » Auction winner
- » Cover price
- » Borrower outcomes in aggregated form

Freddie Mac vs. Market NPL Transactions

Collateral, Loan Selection and Pooling



Description	Freddie Mac	HUD	Bank Sellers
Collateral <ul style="list-style-type: none"> • CLTV • Loan balance • Geographical concentration • Credit Quality at Origination • DQ Status 	<ul style="list-style-type: none"> • Lower • Conforming balance • High share of judicial states (FL, NY, NJ) • Prime/Alt-A quality mortgages • Deeply delinquent 	<ul style="list-style-type: none"> • Higher • Lower loan balance • Likely high share of judicial states • Weaker credit at origination • Deeply delinquent 	<ul style="list-style-type: none"> • Generally higher • Broad range of loan balances and loan types • Mixed geographical composition • Broad range of credit qualities • Less delinquent
Loan Selection and Pooling <ul style="list-style-type: none"> • Owner of loan at time of sale • Determination of eligibility criteria • Loan selection • Pool creation 	<ul style="list-style-type: none"> • Freddie Mac • Freddie Mac • Freddie Mac • Freddie Mac 	<ul style="list-style-type: none"> • Bank/servicer • HUD/Servicer • Servicer (primarily) • HUD 	<ul style="list-style-type: none"> • Bank • Bank • Bank • Bank

Freddie Mac vs. Market NPL Transactions

Auction and Pool Offerings



Description	Freddie Mac	HUD	Bank Sellers
Number of Servicers per Offering	<ul style="list-style-type: none"> Typically one servicer 	<ul style="list-style-type: none"> Multiple servicers 	<ul style="list-style-type: none"> Typically one servicer
Size of Transaction Offerings	<p>Large and Small pool offerings</p> <ul style="list-style-type: none"> Large pools (SPOs) Small pools (EXPOs) to encourage participation by smaller investors 	<p>Large and Small pool offerings</p> <ul style="list-style-type: none"> Large National pools Smaller NSO pools to encourage participation by smaller investors 	<p>Large national pools are typical</p> <ul style="list-style-type: none"> No targeted programs to encourage smaller investors to participate
Advisor Engagement includes MWOBs or 8a Entities	<ul style="list-style-type: none"> Yes (MWOB) 	<ul style="list-style-type: none"> Yes (8a entities) 	<ul style="list-style-type: none"> No
Investor Outreach and Participation	<ul style="list-style-type: none"> Broad – over 100 accounts Broad participation 	<ul style="list-style-type: none"> Broad outreach Broad participation 	<ul style="list-style-type: none"> Targeted outreach Targeted participation

Freddie Mac vs. Market NPL Transactions

R&Ws, Transparency and Streamlined Process



Description	Freddie Mac	HUD	Bank Sellers
NPL Website for Information on Transactions	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • No
Press Release			
<ul style="list-style-type: none"> • Transaction announcement 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • No
<ul style="list-style-type: none"> • Post Pool Award 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • No
Disclosures			
<ul style="list-style-type: none"> • Auction Winner(s) 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • No
<ul style="list-style-type: none"> • Price 	<ul style="list-style-type: none"> • Yes (cover price) 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • No
<ul style="list-style-type: none"> • Borrower Outcomes 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • No
R&Ws to Investors			
<ul style="list-style-type: none"> • Versus typical NPL Sales 	<ul style="list-style-type: none"> • Best in class 	<ul style="list-style-type: none"> • Best in class 	<ul style="list-style-type: none"> • Typical
<ul style="list-style-type: none"> • Sunset Period 	<ul style="list-style-type: none"> • 10-months 	<ul style="list-style-type: none"> • 10-months 	<ul style="list-style-type: none"> • Typically 6-months
Settlement Process	<ul style="list-style-type: none"> • Streamlined 	<ul style="list-style-type: none"> • Less streamlined 	<ul style="list-style-type: none"> • Streamlined

R&W – Representations and Warranties