



**Key Features:**

- We require Sellers and Servicers to conduct responsible business practices and promote fair lending
- We provide servicing tools for Servicers to identify and work with borrowers at risk of foreclosure
- We are striving to improve subprime servicing by creating standards and making processes more efficient

## Promoting Responsible Servicing Practices

### ***We Hold our Customers Responsible for Good Business Practices***

At Freddie Mac, our corporate mission drives us to serve borrowers in every segment of the mortgage market who have the desire and ability to own their homes. We are committed to supporting consumer education, promoting responsible lending and servicing practices, and helping borrowers sustain homeownership and avoid preventable losses.

We hold our customers accountable for good business and servicing practices and continue to refuse the business of Servicers who do not meet our standards.

### ***Protecting Consumers***

Freddie Mac is aggressively pursuing ways to protect consumers from predatory lending and irresponsible servicing practices.

- We require our Sellers and Servicers to employ business practices that promote fair lending and servicing practices. Sellers and Servicers may not discriminate in any manner relative to lending and servicing practices due to a borrower's race, religion, sex, special needs, familial status, age, or national origin.
- In determining borrower capacity to repay a mortgage, we require that Sellers and Servicers analyze a borrower's stable monthly income, monthly housing expense, reserves and other liquid assets and information on how the borrower has paid obligations in the past.
- We continually evaluate our servicing guide to make it clear that we want to pursue as many legitimate alternatives to foreclosure as possible.
- We deliver extensive training to Servicers all over the country on foreclosure alternatives and foreclosure management.
- We offer, in the "Buying and Owning a Home" pages of [www.FreddieMac.com](http://www.FreddieMac.com), consumer educational information in English and Spanish about foreclosure alternatives.
- We continually enhance our systems to enable our Servicers and ourselves to better manage our delinquent loans.
- We provide incentives to our Servicers for processing alternatives to foreclosure.
- We implemented Electronic Default Reporting to enable us to more effectively gather, control, and analyze our delinquency data.

*See reverse for additional details.*

- We created *Servicer Performance Profiles* to establish performance standards and provide quantitative feedback to our Servicers about the quality of their servicing. We reward top performers who provide excellent servicing, and penalize Servicers who do not perform to expected levels. We will ultimately retract the servicing rights of Servicers who do not meet our standards.
- We require all Servicers of Freddie Mac loans to report monthly borrower mortgage payments to all four credit repositories. As a result, the credit repositories will have on file not only information about borrowers who fail to make mortgage payments, but also information about borrowers who are making timely payments on their mortgages. This will permit borrowers to obtain lower-cost loans when their credit improves.

### ***Providing Servicing Technology for Consistent Decisions***

We provide Servicers with tools enabling them to identify borrowers most at risk of foreclosure, and to counsel these borrowers immediately and consistently to avoid preventable losses.

- **EarlyIndicator<sup>®</sup>** is the industry's premiere default scoring tool designed to help Servicers reduce credit losses, improve the efficiency of their delinquency management operations and help borrowers avoid foreclosure. EarlyIndicator was the first default scoring tool to be expanded to apply to subprime, FHA and VA mortgages. As more Servicers use EarlyIndicator, more borrower payment problems will be resolved quickly and efficiently and more delinquent borrowers will be able to avoid the accumulation of interest charges and penalties that could reduce the equity in their homes. Mitigating the risk of foreclosure is a goal for borrowers, Servicers, and investors.
- **Workout Prospector<sup>®</sup>** helps Servicers analyze and structure foreclosure alternatives with confidence, so that Servicers can help borrowers sustain long-term homeownership. Workout Prospector assists Servicers in determining the most viable foreclosure alternative, such as a loan modification, short payoff, or deed-in-lieu of foreclosure, for each individual borrower situation. Workout

Prospector is a consistent, objective, fact-based decision making tool which cuts time from the decision making process.

### ***To Learn More About Protecting Borrowers from Predatory Servicing Practices***

- Call (800) FREDDIE
- Visit our website at [www.FreddieMac.com/singlefamily/anti-predatory.html](http://www.FreddieMac.com/singlefamily/anti-predatory.html)
- Contact a Freddie Mac servicing representative