
TO: All Freddie Mac Sellers and Servicers

September 4, 2008

SUBJECT: Reminder regarding Freddie Mac quality control requirements

These are unprecedented times in the mortgage market and accordingly, increased activity in the quality control area is to be expected. The purpose of this Industry Letter is to underscore for Freddie Mac Sellers and Servicers certain quality control requirements related to the time frame for submission of Mortgage files, completion of any prescribed remedial action and, when applicable, requests for appeals and remittance of repurchase funds.

This letter describes our current requirements and time frames, which are set forth in detail in the *Single-Family Seller/Servicer Guide* (Guide).

POSTFUNDING QUALITY CONTROL UNDERWRITING REVIEW

A Seller agrees to sell Mortgages in accordance with the terms of their Purchase Documents, as defined in the Glossary of the Guide.

Pursuant to Guide Section 46.1, Freddie Mac reserves the right to conduct a postfunding quality control underwriting review of any Mortgage we purchase. Freddie Mac underwrites each Mortgage selected for postfunding quality control review to verify that it meets our definition of investment quality and complies with our underwriting guidelines, policies and Seller warranties as described in the Purchase Documents, including compliance with applicable anti-predatory lending laws.

Consistent with its customary practices, Freddie Mac's sampling approach remains focused on loans entering foreclosure in the first two years, as well as loans with a history of chronic delinquencies that enter foreclosure in the years three through five. Freddie Mac generally does not sample loans entering foreclosure after five years from funding. While the percentage of loans sampled relative to foreclosures remains about the same, the overall sample volume has increased significantly and is expected to continue to increase.

Freddie Mac's process for verifying that Mortgages meet Freddie Mac's definition of investment quality and that they comply with Freddie Mac's underwriting requirements, policies and Seller representations and warranties, as described in the Purchase Documents has not changed.

Time lines

Sellers must comply with all time lines specified in the Guide for postfunding quality control review.

Mortgage file submission

Freddie Mac notifies a Seller/Servicer in writing to submit the designated Mortgage files to us. In accordance with Section 46.1(f), Freddie Mac must receive the requested Mortgage files within **15 days** of the date of the letter requesting the Mortgage files. The files should contain all applicable documents listed in the QC Checklist and be organized in a file folder that is properly labeled with the Freddie Mac loan number.

Notification of quality control findings, prescribed remedial action

Upon completion of our quality control review, Freddie Mac notifies the Seller/Servicer in writing of those Mortgages that were found deficient and may require repurchase or any other available remedy, including those identified in Section 46.1(g). If Freddie Mac prescribes a remedial action pursuant to Section 46.1(g), the Seller/Servicer must take such required remedial action within **30 days** from the date of the request issued by Freddie Mac or within such other time frame as specified by Freddie Mac.

Freddie Mac's decision to require remedial action is conclusive and applies to the Seller/Servicer as the holder of the representations and warranties to Freddie Mac, regardless of whether or not other originators are ultimately accountable to the Seller/Servicer for the remedy.

Appealing a repurchase request

If, as a result of quality control review, Freddie Mac requires that a Seller/Servicer repurchase a Mortgage, the Seller/Servicer may appeal that repurchase request in accordance with the requirements of Section 72.6. A written appeal must be submitted within **30 days** from the date of Freddie Mac's letter requiring repurchase or within such other time frame as specified by Freddie Mac. In addition to outlining the facts that demonstrate that the loan complies with Freddie Mac's requirements, the Seller/Servicer must submit to Freddie Mac all of the supporting information related to an appeal at one time in one consolidated package. Written notification of a Seller/Servicer's intention to submit a complete appeal package at some future date does not satisfy the 30-day appeal requirement.

Completing the repurchase, remitting repurchase funds

As stated in Section 72.3, the Seller/Servicer must remit the repurchase funds or comply with the repurchase appeal requirements in Section 72.6 within **30 days** of the date of Freddie Mac's repurchase letter.

If the Seller/Servicer does not submit a written appeal to Freddie Mac within 30 days or within such other time frame as specified by Freddie Mac, we assume that the Seller/Servicer does not contest the repurchase and that the repurchase funds are due to Freddie Mac.

If the Seller/Servicer submits a timely written appeal and Freddie Mac denies the appeal, the Seller or the Servicer must complete the repurchase of the Mortgage within **15 days** from the date of Freddie Mac's denial letter or within such other time frame as specified by Freddie Mac.

Review Guide Chapters

For a more detailed understanding of Freddie Mac's postfunding quality control review process and their contractual responsibilities, Seller/Service providers should consult Chapters 46-48 of the Guide.

CONCLUSION

If you have any questions about our postfunding quality control review process, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

A handwritten signature in black ink, appearing to read "Patricia J. McClung". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Patricia J. McClung
Vice President
Customer Outreach and Offerings Deployment