



Credit Policy and Underwriting Update

MBA Residential Underwriting Conference San Antonio November 2006





Overview

- ❑ Expanding Opportunities
- ❑ Mortgages for Newly Constructed Homes
- ❑ QC Trends and Current Lending Market Concerns



Expanding Opportunities

- Home PossibleSM expansion
- A comprehensive 40-year fixed-rate mortgage line
- Loan Prospector enhancements
- Mortgages for Newly Constructed Homes



New Home PossibleSM Expansion

- Eliminated the \$500 minimum borrower contribution (1-unit only)
- No longer require pre-purchase homeownership education (1-unit only)
- Waived the Area Median Income limits in designated Hurricane Katrina and Rita impacted Areas until December 31, 2007
- Expanded our Home PossibleSM suite to include features from our Affordable Gold products
- Reduced required borrower contributions for 3-4 unit properties from 5% to 3%



40-Year Fixed-Rate Mortgages

- 40-year fully amortizing fixed-rate mortgage
 - Home PossibleSM Mortgages
 - Freddie Mac 100 Mortgages
 - Alt 97[®] Mortgages
 - A-minus Mortgages
 - And more planned for 2007



New Loan Prospector Enhancements

- Eliminated the Loan Prospector submission fee, for all conventional/conforming submissions that receive a Caution risk class on the first submission
- Expanded the Accept rate for loans for low- and moderate-income borrowers, and loans for borrowers in underserved areas



Mortgages for Newly Constructed Homes

Freddie Mac is modifying its offering for new construction in order to:

- ❑ Meet the needs of sellers and the marketplace
- ❑ Reduce complexity and allow sellers to more easily manage these types of mortgages
- ❑ Support the immediate need for borrowers affected by Hurricanes Katrina and Rita by simplifying and extending the lending timelines to rebuild



Mortgages for Newly Constructed Homes

Our revised product will:

- ❑ Simplify the timelines by allowing 18 months for the origination, processing, construction, and delivery
- ❑ Permit the 18 months to be customized by the seller to fit their process
- ❑ Allow mortgages that meet certain criteria to be delivered as refinance transactions

All the details to be announced later this month!



Quality Control Trends

- Validity of the value and marketability of the subject property.

- Integrity of the delivered data

- Proper identification of collateral (i.e. MH, condotels)



Current Lending Market Concerns

- ❑ Borrowers in financial trouble rely on appreciation, especially as housing prices slow.
- ❑ Ramifications of combining low- or no-doc features with features that provide for slow equity build-up or, in some cases, negative amortization in an environment of slowing house appreciation.
- ❑ Borrowers need to fully understand the terms of the mortgage and any other available product options.
- ❑ Lenders must provide sufficient information to borrowers on the terms, features, benefits, and risks of mortgage products so borrowers can make the best possible choice.