

S E C O N D A R Y . 0 8



Managing the Demands of a Changing Credit Environment

Response to Market Conditions

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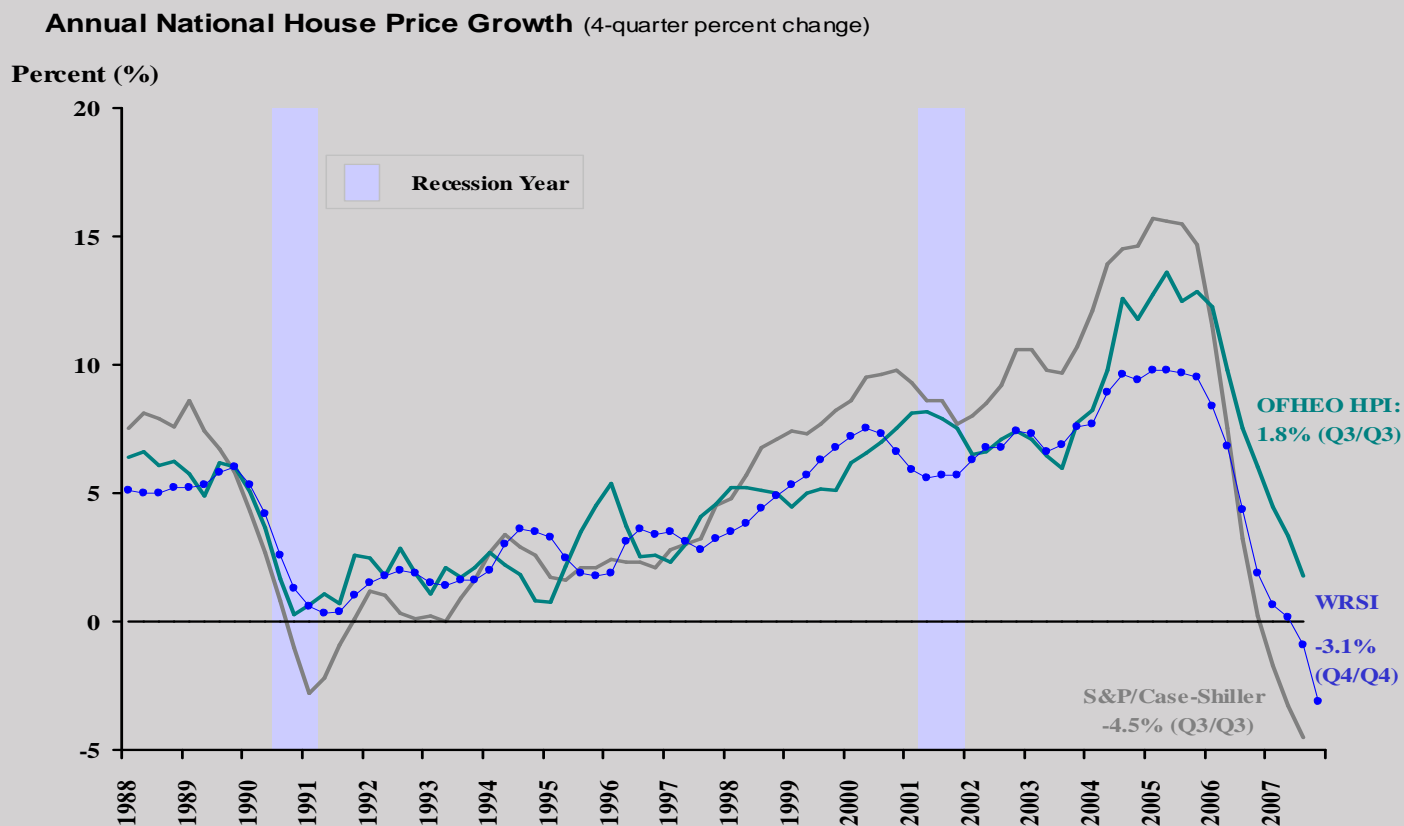


- State of the Market
- Key Trends
- Response to Credit Market Conditions
- Key Areas of Focus
- Key Messages

- Weak national economy; recession risk getting higher for 2008
- Mortgage credit markets deteriorated rapidly
- Home values have fallen sharply and continue to fall
- Unemployment rates are rising
- Counter-party risk has increased
- Fraud cases are up
- Regulation, legislation, litigation

House price appreciation showing unprecedented behavior, before any downturn in unemployment rate.

House prices expected to experience further declines through 2009.

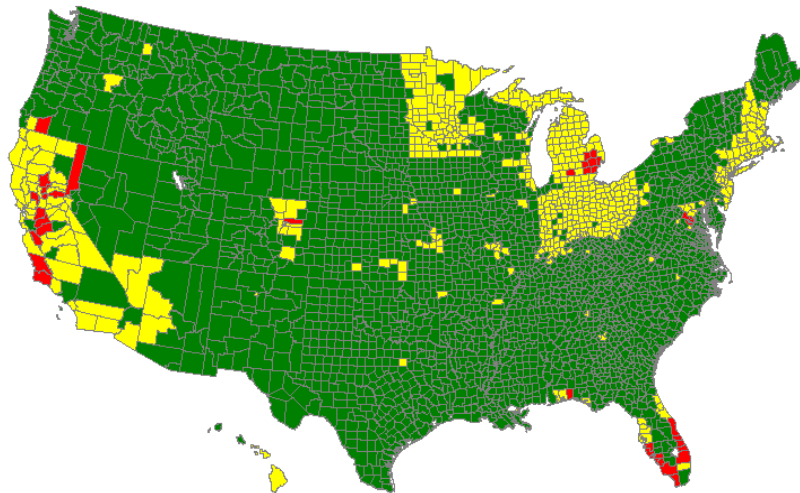


Sources: OFHEO, U.S. National S&P/Case-Shiller®, Standard WRSI (Latest Portfolio weighted WRSI was -4.3% (Q4/Q4))

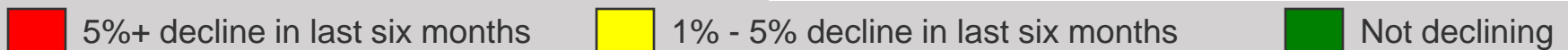
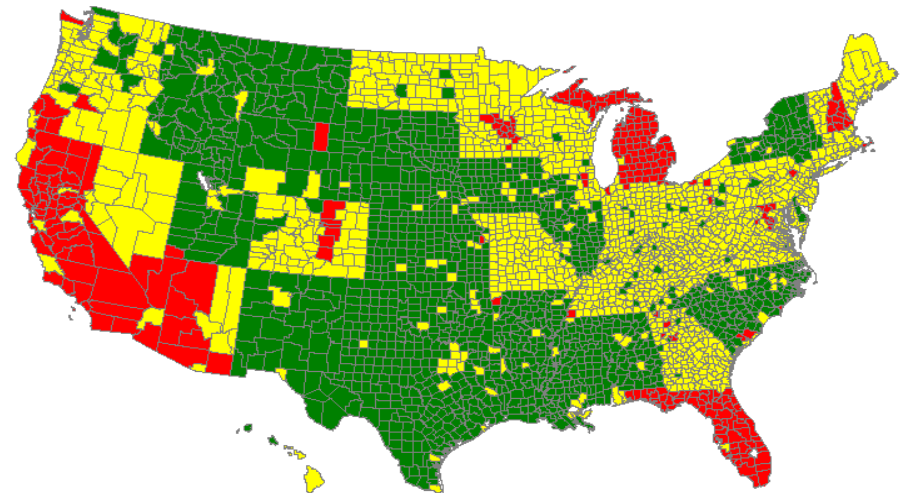
Housing market: Price declines not evenly distributed

Certain geographic areas show severe price declines in excess of 5% over the prior six months.

Declining Markets by County for 2006Q4



Declining Markets by County for 2007Q4



Old Face of Fraud



New Face of Fraud



- Investor/Builder Schemes
 - Investment property disguised as second homes
 - Condo conversions
 - Builder Bail-Outs
- Appraisal Fraud
- Loan Level Fraud
 - False stated income
 - Fabricated and altered paystubs and bank statements
- Foreclosure Rescue Schemes

~ Freddie Mac has taken actions to mitigate risk and improve performance ~

- Put in place provisions to address declining home values
- Implemented broader risk-based pricing
- Made prudent adjustments to high-risk products
- Heightened focus on non-performing loan quality control reviews and outstanding repurchases
- Taking several steps that will increase volume of loan modifications
- Increased scrutiny of MI's and tightened surveillance of servicer counterparties
- Continue to aggressively pursue fraud and those responsible for its perpetration

- Tightening of Guide and flow negotiated credit terms has been taking place over past 6+ months
- Next round of tightening actions was announced on February 21st, April 17th and 22nd with effective dates of June 1st and August 1st
- Bulk purchase credit parameters have been tightened over past several months with most recent move to eliminate LTV/TLTV's >95%

Volumes and performance trends require heightened focus on Quality Control and repurchase activity:

- Early Payment Defaults and Non-Performing loan volumes have increased
- Requests for loan files have increased accordingly and will continue to increase with rising foreclosures
- We will be working closely with our customers to resolve and collect outstanding repurchases

Maintain credit optionality

Carefully manage the credit risk of higher risk products

Address declining markets

Manage counter-party exposures

Manage non-performing loans and repurchases

- *Based the actions Freddie has taken to date, we have observed improvements in the first quarter of 2008 in the credit quality mix in loan applications and purchases*
- *We will continue to have a strong, consistent focus on credit risk management; improving the credit quality of what we buy; progressing an optimal risk/return profile*
- *We anticipate a continuing increase in file requests for quality control loan reviews and repurchase letters*
- *Managing the magnitude and volume of change will create challenges; working closely together is more important than ever*

Q & A