

# Industry Letter

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August 20, 2001

**SUBJECT:** Allegations of loan origination improprieties and fraud

**TO:** All Freddie Mac Sellers and Servicers

**Freddie  
Mac**

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As a company whose mission is providing homeownership opportunities for all Americans, Freddie Mac abhors any action that denies homebuyers fair treatment in the purchase of decent, safe and affordable housing. Freddie Mac is committed to working with mortgage originators, Servicers and others in the real estate community to help more families become successful long-term homeowners and realize the full benefits of homeownership.

Recently, we have become aware of serious allegations of loan origination improprieties and fraud in certain parts of the country. Over the past several months, there have been highly publicized allegations of improprieties in connection with loan originations in certain areas of the Pocono mountains of eastern Pennsylvania. These allegations have been made primarily in local newspapers and in various lawsuits, including a class action lawsuit filed on behalf of Borrowers in the United States District Court for the Middle of Pennsylvania. The lawsuit accuses certain local builders and lenders of “inducing customers” to purchase new construction houses “at prices well in excess of the houses’ actual fair market value.”

Freddie Mac takes these allegations seriously and is actively pursuing its own investigation. Our work in these situations moves ahead with great energy and commitment on our part. At this time, we are gathering data from multiple sources and taking time to fully and fairly analyze information pertinent to each area of concern. We are also working closely with law enforcement agencies in these areas.

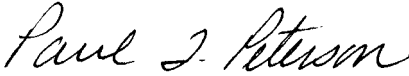
In light of these allegations, we urge you to continue exercising due diligence and to remain vigilant in establishing and maintaining lending practices that help the Borrowers you serve and the communities in which they live. We also encourage you to take advantage of resources to combat these problems, regardless of where you are originating loans.

Fraudulent mortgage originations have an adverse impact on individual Borrowers, neighborhoods and communities, raising costs for lenders and ultimately all homebuyers. Freddie Mac has always strongly supported ideas and efforts aimed at the prevention of fraud. As an example, we support the concept championed by the Mortgage Bankers Association and the National Association of Mortgage Brokers of an identification system to track the performance of mortgage originators and identify any irregularities. Freddie Mac has a number of resources available to assist you and your Borrowers in combating fraud—visit <http://www.freddie.mac.com/singlefamily/> for details.

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Freddie Mac is committed to our mission of providing homeownership opportunities for all Americans. We know that many organizations associated with the American housing finance system share our commitment. If you have information about any alleged mortgage origination improprieties or fraud, please contact the Freddie Mac Fraud Hotline at (800) 437-2838.

Sincerely,

A handwritten signature in black ink that reads "Paul T. Peterson". The signature is written in a cursive, flowing style.

Paul T. Peterson  
Executive Vice President  
Single-Family Group