

Every Step of the Way

Creating. Realizing. Preserving.



Des Moines, IA
October, 2007

IHFA CONFERENCE: GSE UPDATE & AFFORDABLE LENDING TOOLS



We make home possible®

Presenter:
Anthony L. Stripling, REMD



GSE UPDATE: *FREDDIE MAC*

AGENDA...

- ✓ **GSE Update**
- ✓ **Mortgage Market**
- ✓ **Tools**



GSE UPDATE: *FREDDIE MAC*

Our Charter...

- ✓ Ensure the provision of **liquidity, stability, and affordability** of mortgage credit across the country...in good times and bad.
- ✓ Fulfillment through **intermediating mortgage assets, primarily through securitization** in the capital markets... but also through supporting demand through purchases of mortgages for our portfolio.



GSE UPDATE: *FREDDIE MAC*

Our Goals...

| Low- and Moderate-Income | Underserved | Special Affordable |
|--|---|---|
| Household income is less than or equal to the area median. | <ul style="list-style-type: none"> For metropolitan areas: Census tract income is less than or equal to 120% of the metropolitan median and a minority population of 30% or greater; or Census tract income is less than or equal to 90% of metropolitan median. For rural areas: Census tract income is less than or equal to 120% of the greater of the statewide rural median or the nationwide rural median and a minority population of 30% or greater; or Census tract income is less than or equal to 95% of the greater of the statewide rural median or the nationwide rural median. | <ul style="list-style-type: none"> Household income is less than or equal to 60% of area median or Household income is less than or equal to 80% of area median and in a census tract whose average median income is less than or equal to 80% of the area. |

| HOUSING GOALS | PREVIOUS REGULATION | | | | CURRENT REGULATION | | | | $\% = \frac{\text{\# of eligible dwelling units, serving the targeted group, financed by our MF \& SF mortgage purchases}}{\text{Total \# of eligible dwelling units financed by our MF \& SF mortgage purchases}}$ |
|--------------------|---------------------|------|------|------|--------------------|------|------------|------|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | |
| Low to Moderate | 50% | 50% | 50% | 50% | 52% | 53% | 55% | 56% | |
| Underserved | 31% | 31% | 31% | 31% | 37% | 38% | 38% | 39% | |
| Special Affordable | 20% | 20% | 20% | 20% | 22% | 23% | 25% | 27% | |

| PURCHASE SUBGOALS | PREVIOUS REGULATION | | | | CURRENT REGULATION | | | | $\% = \frac{\text{\# of eligible metropolitan-area SF owner-occupied purchase mortgages, serving the targeted group, financed by our purchases}}{\text{Total \# of eligible metropolitan-area SF owner-occupied purchase mortgages financed by our purchases}}$ |
|--------------------|--|------|------|------|--------------------|------|------------|------|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | |
| Low to Moderate | The old regulation did not have Purchase Subgoals. | | | | 45% | 46% | 47% | 47% | |
| Underserved | | | | | 32% | 33% | 33% | 34% | |
| Special Affordable | | | | | 17% | 17% | 18% | 18% | |



GSE UPDATE: *ECONOMIC OUTLOOK*

- ✓ Housing will be a "significant drag" on the economy into the next year, as "conditions in mortgage markets remain difficult." Ben Bernanke, Fed Chairman, 10/15/07
- ✓ High inventories of unsold homes are already taking a toll on the housing construction industry.
- ✓ September's decline in one-family housing starts to the slowest pace since March 1993.
- ✓ Interest Rates are projected to remain relatively flat over the next 12 months.
 - 30 Yr, Fixed – 6.6% ~
 - 1 Yr, ARM (Tres. Indexed) – 5.6% ~
- ✓ Home price appreciation across the country is projected to decrease by 3.%~



GSE UPDATE: *MAKING HOME POSSIBLE IN IOWA*

*Over the past decade, Freddie Mac has invested **\$30.2 billion** in home loans, helping **303,703 Iowa families** finance their homes.*

| | Freddie Mac Investment | Homeowners Served | Renters Served | Total Families Served |
|---------------|------------------------|-------------------|----------------|-----------------------|
| Past 10 years | \$30.2 billion | 295,984 | 7,719 | 303,703 |
| 2005 | \$3.3 billion | 28,334 | 1,316 | 29,650 |

In 2005 Freddie Mac:

- Enabled 3,969 homebuyers to purchase their first home.
- Financed loans for 16,683 low- and moderate-income Iowa families.
- Helped 596 Iowa families avoid foreclosure.
- Funded residential loans with an average mortgage of \$117,460.

- Over the past five years, Freddie Mac funded \$121.5 million in mortgage revenue bonds, providing low-cost mortgages to Iowa families.
- Since 1988, Freddie Mac has invested \$72.8 million in low-income housing tax credits, creating 2,494 affordable homes for Iowa families.



GSE UPDATE: *MAKING HOME POSSIBLE IN IOWA*

Research suggests that Freddie Mac and Fannie Mae lower rates for conforming mortgage loans by between 0.25 and 0.50 percentage points. Even a 0.25 percentage point increase in interest rates can hit families hard in Iowa

Interest paid over the life of average sized loan at

6.75%

7.00%

Additional Cost to Borrowers in the absence of GSE Benefits

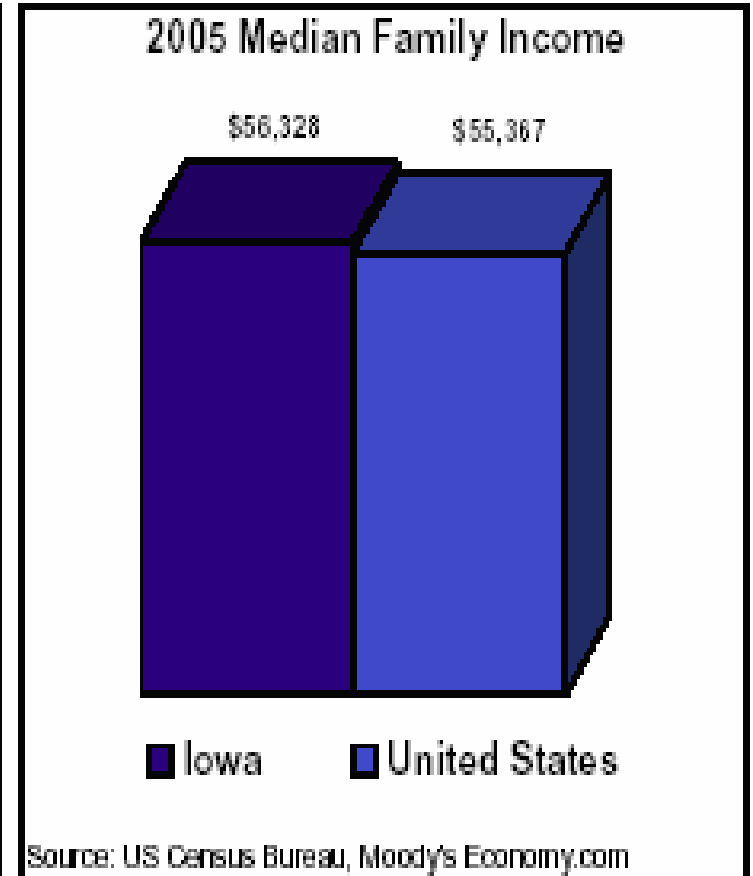
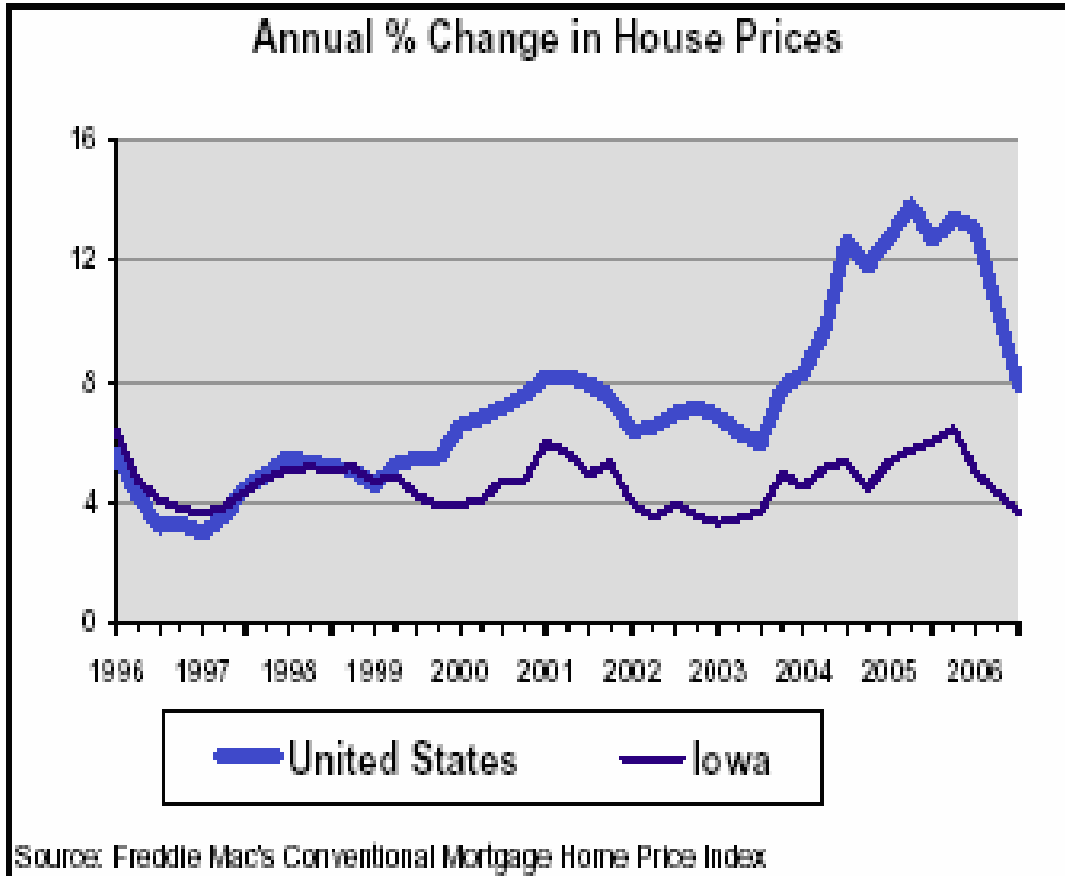
\$136,699

\$142,857

\$6,158



GSE UPDATE: *MAKING HOME POSSIBLE IN IOWA*





MORTGAGE MARKET: "SIZE OF THE PIE"

| SF Originations (1-4 Units) | Q4, 06 (Actual) | Q4, 07 (Projected) | Q4, 08 (Projected) |
|-----------------------------|-----------------|--------------------|--------------------|
| CONVENTIONAL* | \$720B | \$420B | \$535B |
| FHA & VA | \$19B | \$13B | \$17B |
| TOTAL | \$739B | \$433B | \$552B |



MORTGAGE MARKET: *WHY MORE MRB FOR FREDDIE MAC?*

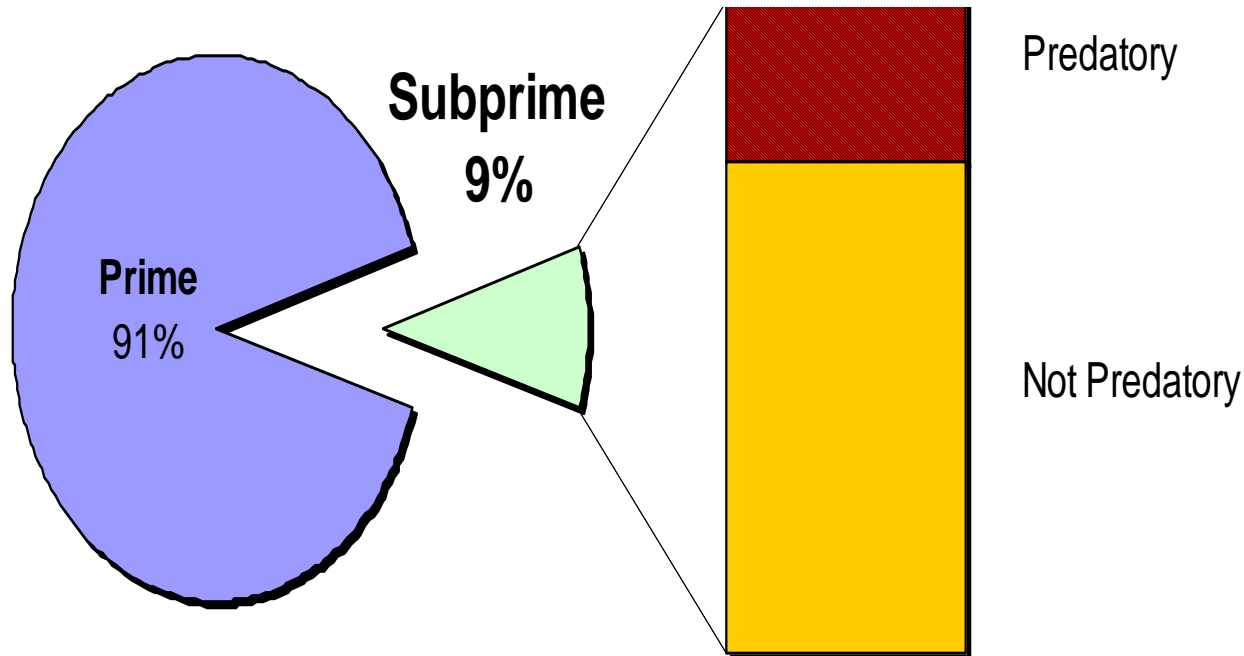
- ✓ *100% First Time Homebuyer*
- ✓ *Goal Rich*

| | Low- Mod | Under-served | Special Affordable |
|-------------------------------------|----------|--------------|--------------------|
| HUD Sub goals <small>(2007)</small> | 47% | 33% | 18% |
| Typical MRBs | 98% | 38% | 55% |



MORTGAGE MARKET: *SUB-PRIME IMPACT*

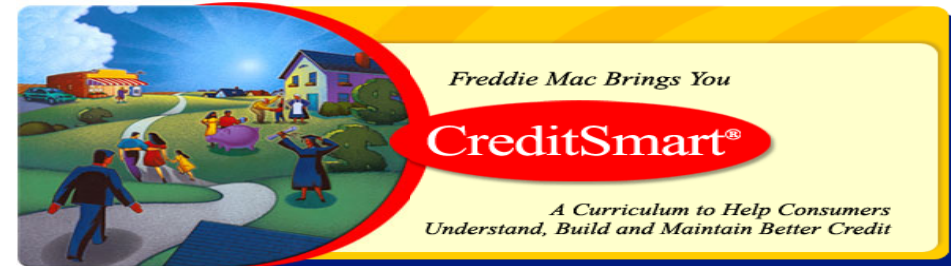
- ✓ Set out to send a message to the affordable housing industry that Freddie Mac was not part of the problem
- ✓ Predatory Lending remains a huge issue
- ✓ Predatory Lending, Subprime Lending and Foreclosure issues can be connected but not necessarily the same





TOOLS: *CREDIT SMART*

- Developed in conjunction with five traditionally black colleges and seven Hispanic organizations respectively.
- CreditSmart & CreditSmart Espanol is a consumer education and community-based outreach initiative.
- Designed to increase Consumers' financial literacy.
- Appropriate for:
 - College graduates
 - Young families
 - Middle-aged individuals
 - New High School graduates
 - Empty Nesters
 - Senior Citizens

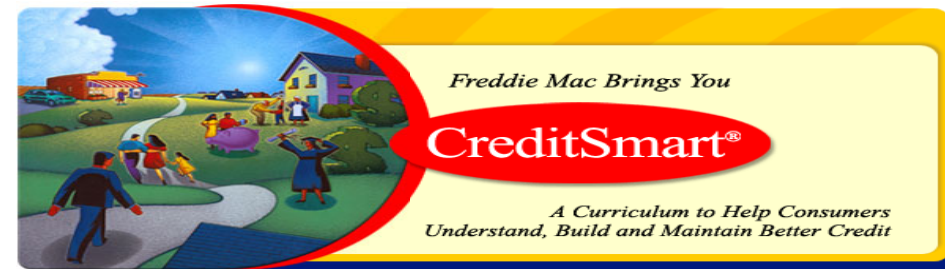




TOOLS: *CREDIT SMART*

- Curriculum features 11 complete credit education modules:

- Becoming A Homeowner
- Banking Services
- Managing Your Money
- Establishing & Maintaining Your Credit
- Understanding Credit Scoring
- Avoiding Credit Traps
- Planning For Your Future
- Thinking Like A Lender



- Your credit & Why It Is Important
- Goal Setting Understanding Credit Scoring
- Restoring Your Credit

COMING SOON...A 12TH MODULE!

- Foreclosure Avoidance

- CreditSmart® and CreditSmart® Espanol are signature products and Freddie Mac trademarked.
- How to get more information www.freddiemac.com/creditsmart



TOOLS: *GET THE FACTS!*

Get the Facts! is a dynamic outreach and education initiative developed to help dispel common misconceptions about buying and owning a home.

At the core of *Get the Facts!* is an interactive workshop designed to break down barriers of misinformation that keep people from exploring homeownership as a possibility.

This highly effective *Get the Facts!* workshop becomes the spark that ignites the courage in many families, African-American and Hispanic families in particular, to pursue homeownership when they otherwise would not.



TOOLS: *GET THE FACTS!*

Dispelling the Myths

Common Myths

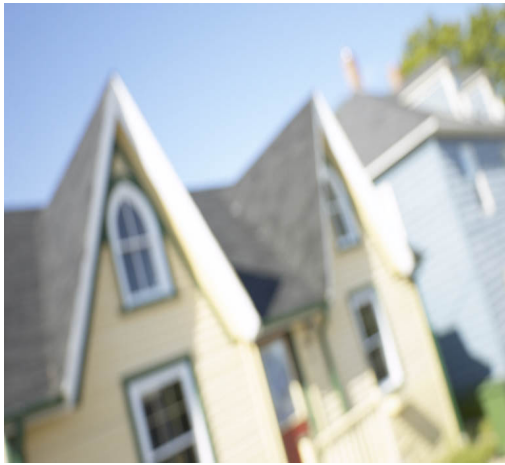
African-American **Hispanic**

| | | |
|--|------------|------------|
| I need a down payment as much as 20% in order to buy a home. | 38% | 40% |
| I need an almost perfect credit rating to qualify for a mortgage. | 49% | 51% |
| I must have the same job for at least 3 years to qualify for a mortgage. | 53% | 58% |
| I must be a US citizen to buy a home. | 54% | 51% |
| Buying a house is risky. I could lose my savings. | 43% | 47% |
| I must have a checking or savings account to buy a home. | 49% | 51% |
| Lenders share personal financial information with each other and the government. | 64% | 60% |



TOOLS: *Home Possible*[®] Mortgages

Benefit: No Minimum borrower contribution for a 1-unit property*



- ✓ Purchase/No Cash-out Refinance
- ✓ 1-4 unit property
- ✓ Owner-occupied Primary Residence
- ✓ Fixed Rate including the 40-year
- ✓ 5/1 (2/2/5), 7/1 and 10/1 ARMs (1-2 unit only)
- ✓ Limited Buydown
- ✓ Greater Flexibility under Neighborhood Solutions[®] and for borrower 3% Cash Option

- Loan Prospector First
- Flexible Credit terms
- Borrower contribution based on property type and LTV
- Low or moderate income or living in Underserved Area

*excluding Manufactured Homes



TOOLS: *Home Possible*[®] Mortgages

Home Possible 100 (NS)


- Purchase & No Cash-Out Refinance
- 15-, 20-, 30- & 40-yr fixed rate
- 5/1, 7/1, 10/1 Convertible and Non-Convertible ARMs
- A-minus (C33)
- Newly Constructed Homes (site built only)

Home Possible 97 (NS)

- Purchase & No Cash-Out Refinance
- 15-, 20-, 30- & 40-yr fixed rate
- 5/1, 7/1, 10/1 Convertible and Non-Convertible ARMs
 - 5/1 ARM not allowed on Manufactured Homes
- A-minus (C33)
- Newly Constructed Homes (site built only)



Home Possible[®] Mortgages

| Loan Amount \$250,000 100% LTV 30-year Term | Mortgage Insurance Comparison | |
|--|--|--|
| | Home Possible* Mortgage Insurance Coverage of 20% | Standard Mortgage Insurance Coverage of 35% |
| Monthly Mortgage Insurance Payment | \$122.92 | \$200.00 |
| Monthly Savings |  \$77.08 | |

| LTV Ratio | Home Possible Mortgage Insurance Coverage* | Standard Mortgage Insurance Coverage |
|----------------------------|--|--------------------------------------|
| Greater than 80% up to 85% | 6% | 12% |
| Greater than 85% up to 90% | 12% | 25% |
| Greater than 90% up to 95% | 16% | 30% |
| Greater than 95% up to 97% | 18% | 35%** |
| Greater than 97% | 20% | |

***Exception:** Manufactured Homes required coverage levels outlined in Guide Section H33.3(f).

**Alt 97 and Freddie Mac 100



TOOLS: *Loan Prospector*® Outreach

Loan Prospector® Outreach (LPO) is an online client assessment tool for housing counselors. It enables housing counselors to use the power of Freddie Mac's automated underwriting technology to objectively assess whether their clients are ready to apply for a mortgage. **LPO is the first technology of its kind!** You are able to conduct a reliable client assessment, offer information to shape pre-purchase counseling, and facilitate a client's transition to a lender.

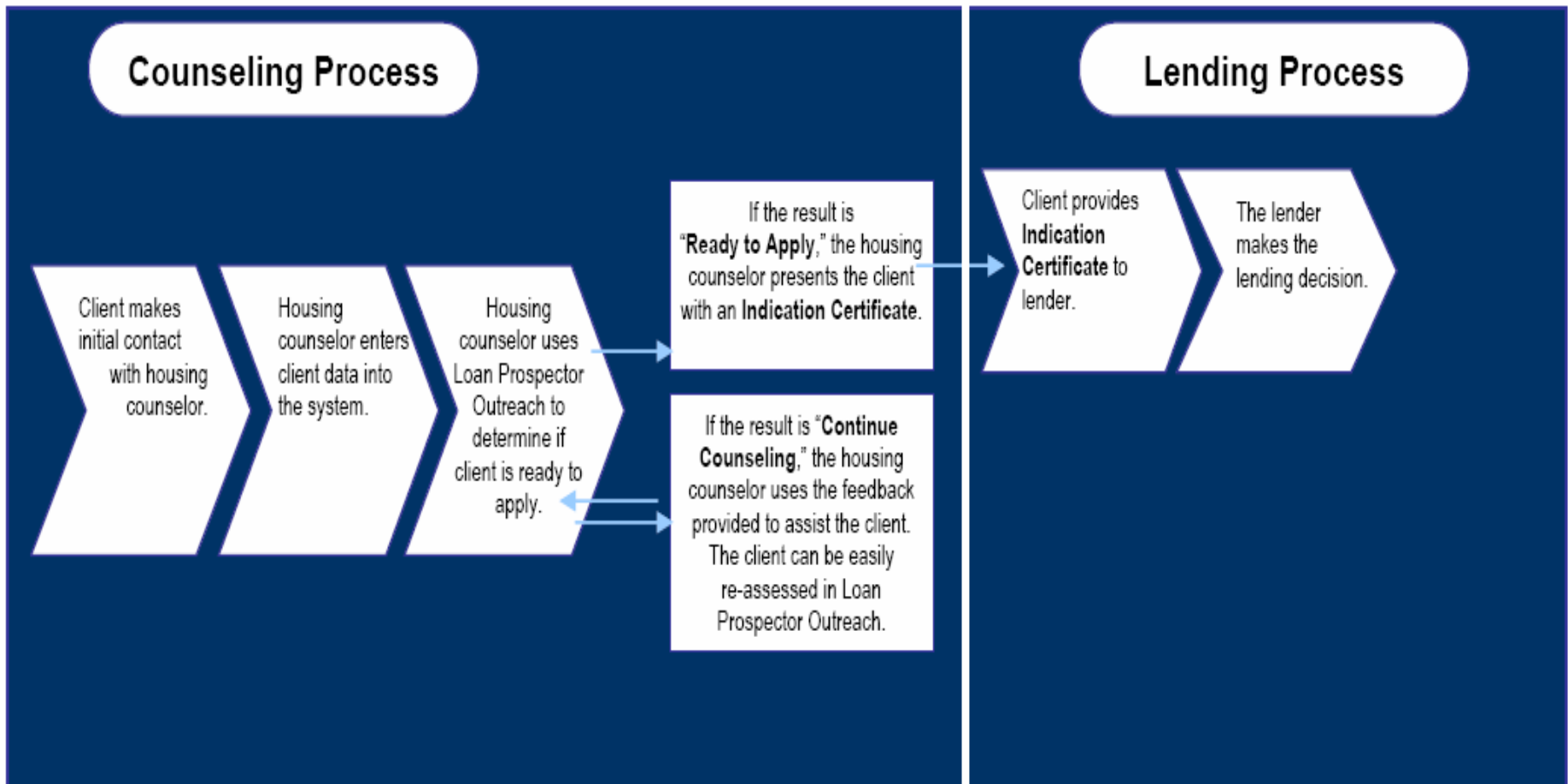
How does **LPO** change how targeted loans are originated?

- 1) **Automated prescreening** technology built just for nonprofits.
- 2) **Removes the subjectivity** from the counselor's assessment.
- 3) **Considers Prime Market Offering** under Home Possible.
- 4) **Leverages value of counseling** and education at pre-purchase stage.
- 5) **Mitigates HMDA and pipeline capacity** concerns related from some Lenders.



TOOLS: *Loan Prospector*® Outreach

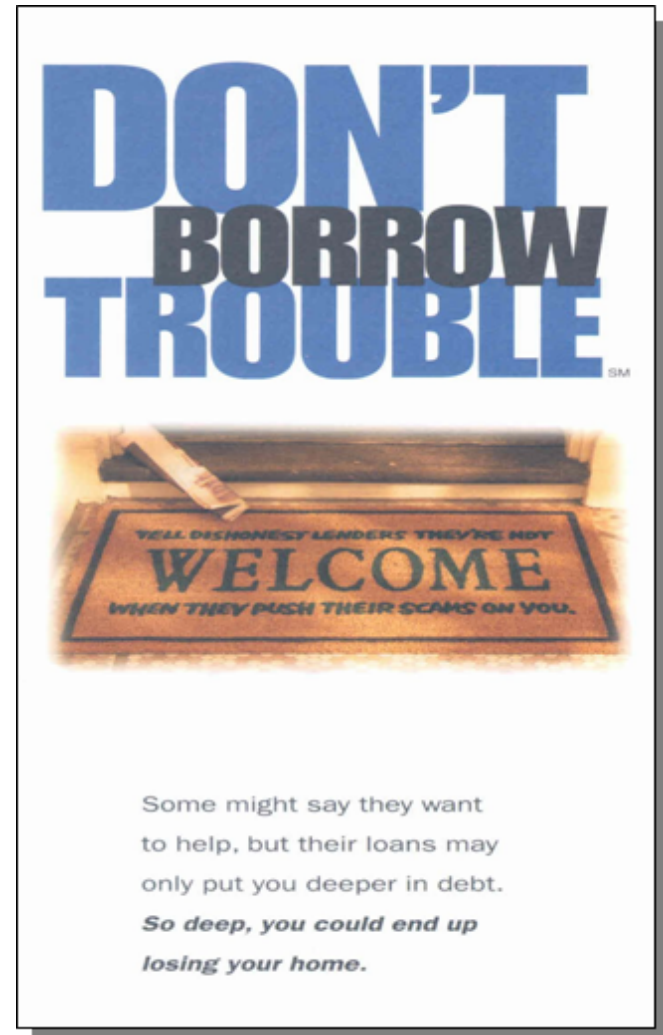
The Loan Prospector Outreach Process





TOOLS: *DON'T BORROW TROUBLE* CAMPAIGN

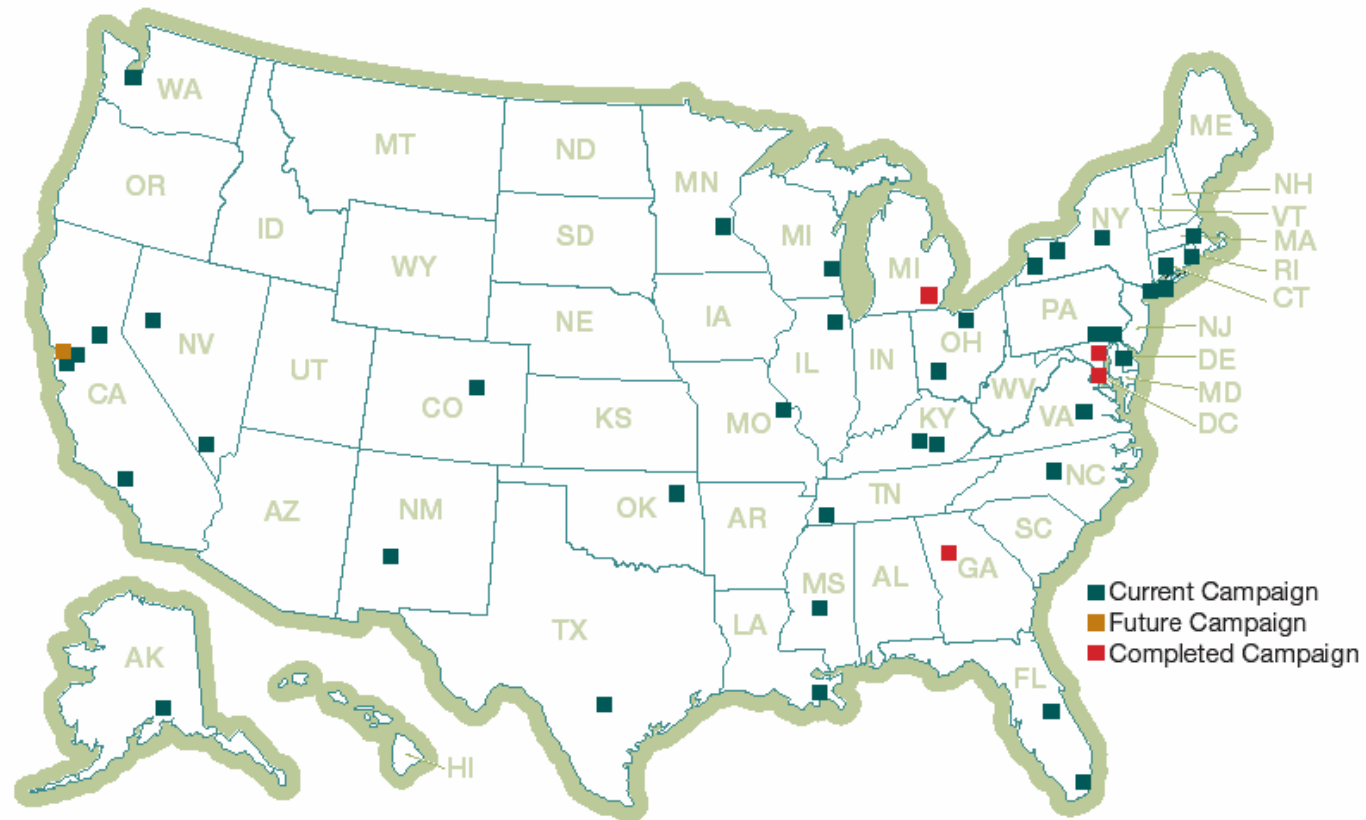
- **Don't Borrow TroubleSM**
 - A two-pronged program combining a public education campaign with comprehensive counseling services to help families avoid scams and resolve financial difficulties
 - First comprehensive consumer awareness/ foreclosure prevention campaign of its kind.
 - Pioneered in Boston by Mayor Thomas Menino and Massachusetts Community & Banking Council; expanded nationally by Freddie Mac





TOOLS: ***DON'T BORROW TROUBLE CAMPAIGN***

- *Don't Borrow Trouble* has been expanded to 48 locations.
- An estimated 120,000 consumers nationwide have contacted DBT campaigns for assistance.





TOOLS: *FORECLOSURE AVOIDANCE...BEST PRACTICES*

- ✓ **Educate** consumers early in delinquency
- ✓ **Advocate** housing counseling agencies
- ✓ **Warn** about predatory loans/foreclosure scams
- ✓ **Test** borrower contact vehicles using pilot programs
- ✓ **Compensate** collectors for referrals to loss mitigation
- ✓ **Create** department just for incoming calls from non profits
- ✓ **Cross train** collections and loss mitigation units
- ✓ **Conduct** homeowner seminars to educate about workout options
- ✓ **Collaborate** with foreclosure attorneys to help borrowers avoid foreclosure



GSE UPDATE: *FORECLOSURE AVOIDANCE...RESOURCES*

- **Freddie Mac - Avoiding Foreclosure for Borrowers**
http://www.freddiemac.com/avoiding_foreclosure
- **Freddie Mac - Avoiding Foreclosure Promotional Materials**
http://www.freddiemac.com/service/msp/avoid_foreclosurekit.html
- **Freddie Mac - Servicers' Foreclosure Attorney Best Practices**
https://www.freddiemac.com/slearnctr/npl_qr/bp_avoid_fcl.pdf
- **Freddie Mac's Anti-Predatory Lending Campaign**
<http://www.dontborrowtrouble.com/>
- **Freddie Mac's CreditSmart® Curriculum**
<http://www.freddiemac.com/creditsmart/>
- **Freddie Mac's Affordable Best Practices for Housing Counselors**
http://www.freddiemac.com/learn/counselor/pdfs/bp_hc.pdf
- **Freddie Mac's Alternatives to Foreclosure for Housing Counselors Class**
<http://www.freddiemac.com/dlink/html/LearningCenter/ClassDescription.jsp?crsNum=ATFHC1>
- **Freddie Mac's The Learning Center for Community Outreach**
<http://www.freddiemac.com/learn/community>



SUMMARY

- ✓ **The mortgage market is challenged, but the stabilizing forces are developing...**
- ✓ **Freddie Mac Tool enhance homeownership BEFORE, DURING and AFTER the decisioning process...**
- ✓ **Home Possible is the nucleus of our targeted lending effort...**