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September 21, 2010

**Via Email**

**Confidential Treatment Requested**

Gary J. Cohen, Esq.  
General Counsel  
Financial Crisis Inquiry Commission  
1717 Pennsylvania Avenue, N.W.  
Washington, D.C. 20006

**Re: Federal Home Loan Mortgage Corporation**

Dear Mr. Cohen:

On behalf of our client, the Federal Home Loan Mortgage Corporation ("Freddie Mac"), we are hereby responding to your September 14, 2010 Interrogatories to the Federal Housing Finance Authority ("FHFA"), and to your information requests made by email to Alfred Pollard on September 15, 2010.

As you know, this information and the attached materials are the result of a process whereby Freddie Mac has endeavored to provide to the FCIC responsive information within just several business days of receiving the FCIC's requests. Consequently, much of the requested information and materials has been assembled on an expedited basis. As such, it reflects preliminary information, and it has not been subjected to the rigorous review to which Freddie Mac typically subjects information prior to dissemination. While we believe that the information provided herewith is materially accurate, the FCIC should bear in mind the expedited nature of the production as it reviews the information and materials submitted herewith.

**September 14, 2010 Interrogatories**

With respect to the September 14, 2010 Interrogatories, during 2007, 2008, and 2009, repurchases of single-family mortgages by Freddie Mac's mortgage seller/servicers (without regard to year of original purchase) were approximately \$681 million, \$1.8 billion and \$4.1 billion of unpaid principal, respectively. *See* Fed. Home Loan Mortg. Corp. 2008 Form 10-K, at 163 (Mar. 11, 2009); Fed. Home Loan Mortg. Corp., 2009 Form 10-K, at 139 (Feb. 24, 2010). For the first six months of 2010, repurchases of single-family mortgages by Freddie Mac's mortgage seller/servicers (without regard to year of original purchase) were approximately \$2.7 billion. *See* Fed. Home Loan Mortg. Corp., Second Quarter 2010 Form 10-Q, at 65 (Aug. 9, 2010).

In addition, please find attached at Tab 1 a document providing the dollar amount of recoveries for repurchases completed to date for single family loans for Freddie Mac's

Boston  
Hartford  
Hong Kong  
London  
Los Angeles  
New York  
Orange County  
San Francisco  
Santa Monica  
Silicon Valley  
Tokyo  
**Washington**

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top ten seller/servicers (by UPB), by year, for 2007, 2008, and 2009, as well as the latest available data for 2010.

**September 15, 2010 Email Requests**

With respect to your September 15, 2010 email requests, we have outlined our responses below according to request.

1. For each of the four vintage years, what was the total dollar volume of single-family loans that Freddie Mac purchased (whether for portfolio or securitization)?

Response: Please see materials attached at Tab 2.

2. For each vintage year, what was the percent of the dollar value of loans (from the question 1 answer) that ever had a 90-day delinquency (i.e. three consecutively missed monthly payments)?

Response: Please see materials attached at Tab 2.

3. For each vintage year, what was the percent of the dollar value of loans (from the question 1 answer) that defaulted? Please give us your definition of "default" for this purpose.

Response: Please see materials attached at Tab 2.

4. For each vintage year, what was the percent of the dollar value of loans (from the question 1 answer) that went into foreclosure?

Response: Please see materials attached at Tab 2.

5. For each vintage year, what was the percent of the dollar value of loans that the quality control office under Mr. Romano's direction (150 employees?) sampled for violation of reps and warranties? For fraud? For other events which might have given rise to a put back right?

Response: Freddie Mac uses a process of delegated underwriting for the single-family mortgages we purchase or securitize. In this process, our contracts with seller/servicers establish mortgage underwriting standards and the seller/servicers represent and warrant to us that the mortgages sold to us meet these standards. Freddie Mac subsequently reviews a sample of these loans and, if we determine that any loan is not in compliance with our contractual standards, we may require the seller/servicer to repurchase that mortgage. In lieu of a repurchase, we may agree to allow a seller/servicer to indemnify us against loss in the event of a default. Please see materials at Tab 3 for responsive sampling data.

- 5a. For each vintage year, of the loans identified as sampled in Q5, what was the percent of the dollar value of those loans in which a violation of reps and warranties was found? Fraud was found? For other events which might have given rise to a put back right?

Response: Please see materials attached at Tab 3.

6. What is the total estimated annual cost of the quality control office under Mr. Romano's direction for 2009? For 2010 to date?

Response: It is difficult to provide a response to this question because of the number of components that make up Freddie Mac's quality control program. To provide the budget for Freddie Mac's Quality Control (QC) Department, for instance, would give an incomplete picture of the expenses associated with Freddie Mac's quality control program.

Mr. Romano oversees Freddie Mac's Credit and Counterparty Risk Management Division, which, with Freddie Mac's Single Family Credit Guarantee Division, plays an important role in managing Freddie Mac's credit risk. The Quality Control Department reviews both performing and nonperforming loans selected via a monthly sampling process, as well as those referred by QC partners, to determine if the loans purchased meet the terms of business under which they were delivered. The unit utilizes third party firms to assist in underwriting and reverification of borrower and property or appraisal information. This unit (and the function that it performs), however, is only one component of many that form Freddie Mac's quality control program.

Many other areas at Freddie Mac also play an important role in Freddie Mac's quality control program, including, for instance: the Quality Assurance staff, which operates independently from the QC department, performs a review of a sampling of loans originally reviewed by Freddie Mac QC underwriters; the Customer Credit Management Department, which manages credit terms; the External Operational Risk Management, which reviews customer operations; the Mortgage Credit Risk Analytics Unit, which develops credit risk analytics; the Single Family Mortgage Family Credit Risk Management Department; the Counterparty Credit Risk Management Department; and Freddie Mac's Fraud Investigation Unit.

Likewise, the requirements that Freddie Mac places on our seller/servicers also play an important part of our quality control program. For instance, we require our seller/servicers to maintain an effective quality control program which must be documented in writing, operate independently, and be capable of evaluating and monitoring the overall quality of mortgage production on a regular and timely basis. Further, we require seller/servicers to report to us adverse findings discovered during their quality control process.

Gary J. Cohen, Esq.  
September 21, 2010  
Page 4

7. What were the recoveries based on sampling done by that office for 2009? For 2010 to date?

Response: In 2009, Freddie Mac's aggregate unpaid principal balance of single-family mortgages repurchased by its seller/servicers (without regard to the year of original purchase) was approximately \$4.1 billion. *See* Fed. Home Loan Mortg. Corp., 2009 Form 10-K, at 139 (Feb. 24, 2010). During the six months ended June 30, 2010, Freddie Mac's aggregate unpaid principal balance of single-family mortgages repurchased by its seller/servicers (without regard to the year of original purchase) was approximately \$2.7 billion. *See* Fed. Home Loan Mortg. Corp., Second Quarter 2010 Form 10-Q, at 65 (Aug. 9, 2010). Due to the expedited nature of our response to the FCIC's requests, we have not provided herewith data on recoveries solely attributable to sampling.

8. Please describe Freddie Mac's methodology for determining which loans were to be sampled.

Response: Attached at Tab 4, and bates numbered FMAC-FCIC000074929-000074935, is an excerpt from Freddie Mac's Quality Control Policies and Procedures Manual, which describes the methodology for determining which loans are sampled as part of Freddie Mac's Quality Control process.

Freddie Mac considers this letter and the spreadsheets and documents responsive to your requests to contain confidential and/or proprietary information. To this end, we have labeled the spreadsheets and documents produced herewith as confidential. We respectfully request confidential treatment of these materials and would ask that the Commission provide us with prior notice and an opportunity to object before any public disclosure.

We appreciate your agreement to our continuing to produce responsive data on a rolling basis. In the interim, please feel free to contact me if you have any questions regarding this matter.

Sincerely,



Jordan D. Hershman

Enclosures

cc (w/ encl.): Alfred Pollard, Federal Housing Finance Authority  
Robert Kelner, Esq., Covington & Burling LLP

# **TAB 1**



# Repurchase Collections By Top Ten Seller/Service<sup>1</sup>

## Based on UPB of Repurchases Collected

Repurchases Collected - 2007		
Top Seller/Service <sup>1</sup>	# of Repurchases Collected	UPB of Repurchases Collected (in millions)
TAYLOR, BEAN & WHITAKER MORTGAGE CORP.	253	\$38.43
CHASE HOME FINANCE LLC	243	\$35.87
ABN AMRO MORTGAGE GROUP, INC.	297	\$34.51
WELLS FARGO BANK, N.A.	248	\$34.43
NATIONAL CITY MORTGAGE CO.	174	\$23.57
WASHINGTON MUTUAL BANK	105	\$19.48
LEHMAN BROTHERS HOLDINGS, INC.	64	\$14.96
CHASE MANHATTAN MORTGAGE CORPORATION	111	\$14.20
FIFTH THIRD BANK	144	\$12.27
COUNTRYWIDE HOME LOANS, INC.	72	\$10.40

Repurchases Collected - 2008		
Top Seller/Service <sup>1</sup>	# of Repurchases Collected	UPB of Repurchases Collected (in millions)
COUNTRYWIDE HOME LOANS, INC.	1,134	\$215.12
WELLS FARGO BANK, N.A.	867	\$162.21
LEHMAN BROTHERS HOLDINGS, INC.	537	\$133.35
TAYLOR, BEAN & WHITAKER MORTGAGE CORP.	709	\$122.50
BANK OF AMERICA, N.A.	576	\$118.25
CHASE HOME FINANCE LLC	461	\$92.37
WASHINGTON MUTUAL BANK	419	\$76.73
ABN AMRO MORTGAGE GROUP, INC.	453	\$64.06
GMAC MORTGAGE, LLC	263	\$56.23
SUNTRUST MORTGAGE, INC.	257	\$51.20

<sup>1</sup>The information supplied in these charts reflects loan numbers and UPB amounts associated with the seller/service<sup>1</sup> entity from whom Freddie Mac purchased indicated loans. It does not reflect, necessarily, the entity that ultimately repurchased the loan from Freddie Mac.

In addition, this information is the result of a process whereby Freddie Mac has endeavored to provide to the FCIC responsive information within just several business days of receiving the FCIC's requests. Consequently, this information has been assembled on an expedited basis. As such, it reflects preliminary information, and it has not been subjected to the rigorous review to which Freddie Mac typically subjects information prior to dissemination. While we believe that the information provided herewith is materially accurate, the FCIC should bear in mind the expedited nature of the production as it reviews this information.

**Confidential**



## Repurchase Collections By Top Ten Seller/Serviceers

### Based on UPB of Repurchases Collected

Repurchases Collected - 2009		
Top Seller/Serviceers	# of Repurchases Collected	UPB of Repurchases Collected (in millions)
COUNTRYWIDE HOME LOANS, INC.	4,665	\$1,001.24
WASHINGTON MUTUAL BANK	2,972	\$561.53
CHASE HOME FINANCE LLC	2,419	\$555.35
WELLS FARGO BANK, N.A.	2,438	\$546.34
BANK OF AMERICA, N.A.	5,854	\$289.57
TAYLOR, BEAN & WHITAKER MORTGAGE CORP.	1,297	\$256.43
GMAC MORTGAGE, LLC	972	\$216.03
SUNTRUST MORTGAGE, INC.	861	\$183.10
U.S. BANK N.A.	468	\$108.57
CITIMORTGAGE, INC.	517	\$101.33

Repurchases Collected - YTD2010 (as of 8/31/2010)		
Top Seller/Serviceers	# of Repurchases Collected	UPB of Repurchases Collected (in millions)
COUNTRYWIDE HOME LOANS, INC.	4,171	\$885.66
WELLS FARGO BANK, N.A.	3,085	\$675.77
CHASE HOME FINANCE LLC	2,304	\$505.56
GMAC MORTGAGE, LLC	1,140	\$236.91
BANK OF AMERICA, N.A.	906	\$186.34
CITIMORTGAGE, INC.	563	\$117.25
SUNTRUST MORTGAGE, INC.	532	\$112.28
U.S. BANK N.A.	466	\$103.61
PROVIDENT FUNDING ASSOCIATES, L.P.	267	\$55.89
FIFTH THIRD BANK	341	\$52.91

## **TAB 2**



## Loan Performance Summary by Funding Year<sup>1</sup>

Funding Year	Loans Acquired <sup>2</sup>	UPB at Funding (\$ billions) <sup>2</sup>	<u>Ever delinquent 3 or more months</u>		<u>Ever Started Foreclosure</u>		<u>REO &amp; Other Loss events<sup>3</sup></u>	
			Count	Percent	Count	Percent	Count	Percent
2005	2,288,703	\$396	159,242	7.0%	106,343	4.6%	46,910	2.0%
2006	1,924,532	\$358	224,879	11.7%	151,825	7.9%	74,203	3.9%
2007	2,549,088	\$467	333,128	13.1%	217,441	8.5%	94,588	3.7%
2008	1,886,286	\$366	110,459	5.9%	63,081	3.3%	19,952	1.1%

Source: Single Family Credit Datamart, July 2010 Loan All - Archive table.

<sup>1</sup> This information is the result of a process whereby Freddie Mac has endeavored to provide to the FCIC responsive information within just several business days of receiving the FCIC's requests. Consequently, this information has been assembled on an expedited basis. As such, it reflects preliminary information, and it has not been subjected to the rigorous review to which Freddie Mac typically subjects information prior to dissemination. While we believe that the information provided herewith is materially accurate, the FCIC should bear in mind the expedited nature of the production as it reviews this information.

<sup>2</sup> Loans Acquired and UPB at Funding include all Single Family new business purchases. For a portion of our Long-Term Stand-By transactions, we initially entered into a transaction to guarantee the credit risk of the loans not purchased by Freddie, but held in our customers' portfolios. Both the guarantee and purchase transactions are included in this report.

<sup>3</sup> For purposes of this response, REO and Other Loss events (including Short Sales, Third Party Sales, Write-offs) are considered "defaults."

# **TAB 3**

**QC Disposition of Sampled Loans by Funding Year<sup>1</sup>**  
Servicing through July 31, 2010  
Loans Sampled as of August 31, 2010 based on the July 31, 2010 Servicing Cycle  
QC Reviews Completed as of September 8, 2010

			PL			NPL (Foreclosures)			Other <sup>3</sup>			Total		
Funding Year	Loans Funded	Disposition	#	UPB(\$)	% UPB	#	UPB(\$)	% UPB	#	UPB(\$)	% UPB	#	UPB(\$)	% UPB
2005 UPB(\$)	2,170,810 \$373.919	Sampled <sup>2</sup>	23,272	\$3.704	1.0%	24,945	\$4.149	1.1%	3,664	\$0.679	0.2%	51,881	\$8.532	2.3%
		Reviewed	23,272	\$3.704	100.0%	23,739	\$3.929	94.7%	3,084	\$0.556	82.0%	50,095	\$8.189	96.0%
		Ineligible	2,442	\$0.383	10.3%	6,924	\$1.157	27.9%	1,127	\$0.195	28.8%	10,493	\$1.736	20.3%
		Remedy Issued	68	\$0.011	0.3%	3,992	\$0.671	16.2%	517	\$0.088	13.0%	4,577	\$0.770	9.0%
		Repurchase Received	62	\$0.009	0.3%	2,890	\$0.473	11.4%	364	\$0.058	8.6%	3,316	\$0.541	6.3%
2006 UPB(\$)	1,852,896 \$347.090	Sampled <sup>2</sup>	22,132	\$3.935	1.1%	62,323	\$12.996	3.7%	6,516	\$1.353	0.4%	90,971	\$18.285	5.3%
		Reviewed	22,132	\$3.935	100.0%	59,080	\$12.361	95.1%	4,483	\$0.903	66.8%	85,695	\$17.200	94.1%
		Ineligible	3,352	\$0.589	15.0%	17,013	\$3.650	28.1%	1,695	\$0.349	25.8%	22,060	\$4.588	25.1%
		Remedy Issued	140	\$0.024	0.6%	12,382	\$2.618	20.1%	1,194	\$0.258	19.0%	13,716	\$2.900	15.9%
		Repurchase Received	137	\$0.023	0.6%	8,903	\$1.887	14.5%	806	\$0.168	12.4%	9,846	\$2.079	11.4%
2007 UPB(\$)	2,200,571 \$431.221	Sampled <sup>2</sup>	21,756	\$4.092	0.9%	146,783	\$32.030	7.4%	34,540	\$7.876	1.8%	203,079	\$43.997	10.2%
		Reviewed	21,756	\$4.092	100.0%	130,869	\$28.800	89.9%	19,393	\$4.311	54.7%	172,018	\$37.203	84.6%
		Ineligible	4,053	\$0.745	18.2%	37,986	\$8.678	27.1%	5,812	\$1.311	16.6%	47,851	\$10.734	24.4%
		Remedy Issued	230	\$0.042	1.0%	31,859	\$7.175	22.4%	5,127	\$1.183	15.0%	37,216	\$8.400	19.1%
		Repurchase Received	227	\$0.041	1.0%	18,534	\$4.254	13.3%	2,620	\$0.576	7.3%	21,381	\$4.871	11.1%
2008 UPB(\$)	1,720,401 \$355.977	Sampled <sup>2</sup>	17,207	\$3.356	0.9%	50,799	\$11.501	3.2%	21,922	\$5.403	1.5%	89,928	\$20.260	5.7%
		Reviewed	17,207	\$3.356	100.0%	37,145	\$8.483	73.8%	10,107	\$2.401	44.4%	64,459	\$14.240	70.3%
		Ineligible	4,024	\$0.784	23.4%	12,814	\$3.068	26.7%	3,114	\$0.758	14.0%	19,952	\$4.611	22.8%
		Remedy Issued	228	\$0.047	1.4%	11,281	\$2.730	23.7%	2,556	\$0.628	11.6%	14,065	\$3.406	16.8%
		Repurchase Received	215	\$0.045	1.3%	5,242	\$1.308	11.4%	1,366	\$0.320	5.9%	6,823	\$1.673	8.3%
Total UPB(\$)	7,944,678 \$1,508.207	Sampled <sup>2</sup>	84,367	\$15.087	1.0%	284,850	\$60.676	4.0%	66,642	\$15.311	1.0%	435,859	\$91.074	6.0%
		Reviewed	84,367	\$15.087	100.0%	250,833	\$53.574	88.3%	37,067	\$8.172	53.4%	372,267	\$76.833	84.4%
		Ineligible	13,871	\$2.502	16.6%	74,737	\$16.553	27.3%	11,748	\$2.613	17.1%	100,356	\$21.669	23.8%
		Remedy Issued	666	\$0.124	0.8%	59,514	\$13.195	21.7%	9,394	\$2.157	14.1%	69,574	\$15.476	17.0%
		Repurchase Received	641	\$0.119	0.8%	35,569	\$7.924	13.1%	5,156	\$1.121	7.3%	41,366	\$9.164	10.1%

Funding Year	Loans Funded	Disposition	APL Compliance		
			#	UPB(\$)	% UPB
<b>2005</b> UPB(\$)	381,082 \$65.381	Sampled <sup>1</sup>	20,201	\$3.236	5.0%
		Reviewed	20,190	\$3.234	99.9%
		Ineligible	202	\$0.023	0.7%
		Remedy Issued	194	\$0.022	0.7%
		Repurchase Received	160	\$0.016	0.5%
<b>2006</b> UPB(\$)	301,970 \$54.850	Sampled <sup>1</sup>	16,957	\$2.707	4.9%
		Reviewed	16,929	\$2.701	99.8%
		Ineligible	249	\$0.025	0.9%
		Remedy Issued	233	\$0.022	0.8%
		Repurchase Received	203	\$0.018	0.7%
<b>2007</b> UPB(\$)	380,824 \$71.435	Sampled <sup>1</sup>	14,583	\$1.557	2.2%
		Reviewed	14,557	\$1.552	99.6%
		Ineligible	392	\$0.030	1.9%
		Remedy Issued	386	\$0.029	1.9%
		Repurchase Received	364	\$0.027	1.7%
<b>2008</b> UPB(\$)	335,208 \$70.287	Sampled <sup>1</sup>	12,721	\$1.386	2.0%
		Reviewed	12,717	\$1.385	100.0%
		Ineligible	239	\$0.019	1.4%
		Remedy Issued	238	\$0.019	1.4%
		Repurchase Received	226	\$0.018	1.3%
<b>Total</b> UPB (\$)	1,399,084 \$261.952	Sampled <sup>1</sup>	64,462	\$8.886	3.4%
		Reviewed	64,393	\$8.873	99.8%
		Ineligible	1,082	\$0.098	1.1%
		Remedy Issued	1,051	\$0.091	1.0%
		Repurchase Received	953	\$0.078	0.9%

<sup>1</sup>This information is the result of a process whereby Freddie Mac has endeavored to provide to the FCIC responsive information within just several business days of receiving the FCIC's requests. Consequently, this information has been assembled on an expedited basis. As such, it reflects preliminary information, and it has not been subjected to the rigorous review to which Freddie Mac typically subjects information prior to dissemination. While we believe that the information provided herewith is materially accurate, the FCIC should bear in mind the expedited nature of the production as it reviews this information.

<sup>2</sup>Sampled percentages are out of loans funded UPB, all other UPB percentages are out of sampled UPB.

<sup>3</sup>"Other" includes non-performing loans for which no foreclosure action has been initiated as of the July 31, 2010 servicing cycle as well as other ad-hoc samples.

**Notes:**

Loans funded for PL, NPL, and Other sample types exclude loans with full recourse, indemnification, or a government guarantee, and excludes certain structured transactions.

Loans funded for APL Compliance sample include loans funded from states sampled for compliance monitoring (GA, NY, AK, KY, NJ, IL, NM, MA, IN, ME, NV, OK, RI, TN, CO). Nevada is only included prior to September, 2007 due to a change in sampling methodology.

Remedies issued include all repurchases, make-whole balance and indemnification remedies, but repurchases received only includes repurchase remedies.

Cancelled reviews have been removed from the "Sampled" totals.

UPB amounts are based on the original UPB of the loan.

## QC Disposition of Foreclosures by Funding Year and Foreclosure Year<sup>1</sup>

Fundings from January 2005 - December 2008

Servicing through July 31, 2010

Loans Sampled as of August 31, 2010 based on the July 31, 2010 Servicing Cycle

QC Reviews Completed as of September 8, 2010

			Foreclosure Year												Grand Total		
			2005		2006		2007		2008		2009		2010				
Funding Year	Loans Funded	Disposition	#	%	#	%	#	%	#	%	#	%	#	%	#	%	UPB(\$B)
2005	2,170,810	Foreclosures	1,130	0.05%	6,630	0.31%	12,291	0.57%	20,198	0.93%	33,188	1.53%	22,140	1.02%	95,577	4.40%	\$17.305
UPB(\$B)	\$373.919	Sampled	973	86%	5,912	89%	8,008	65%	5,811	29%	2,852	9%	1,389	6%	24,945	26%	\$4.149
		Reviewed	973	86%	5,898	89%	7,905	64%	5,675	28%	2,665	8%	623	3%	23,739	25%	\$3.929
		Ineligible	373	33%	2,119	32%	2,485	20%	1,157	6%	688	2%	102	0%	6,924	7%	\$1.157
		Remedy Issued	201	18%	950	14%	1,509	12%	739	4%	520	2%	73	0%	3,992	4%	\$0.671
		Repurchase Received	189	17%	876	13%	1,305	11%	428	2%	83	0%	9	0%	2,890	3%	\$0.473
2006	1,852,896	Foreclosures			2,118	0.11%	16,773	0.91%	37,187	2.01%	56,586	3.05%	31,603	1.71%	144,267	7.79%	\$30.655
UPB(\$B)	\$347.090	Sampled			1,921	91%	15,962	95%	28,655	77%	12,398	22%	3,387	11%	62,323	43%	\$12.996
		Reviewed			1,914	90%	15,906	95%	28,493	77%	11,360	20%	1,407	4%	59,080	41%	\$12.361
		Ineligible			946	45%	5,901	35%	7,345	20%	2,604	5%	217	1%	17,013	12%	\$3.650
		Remedy Issued			595	28%	4,276	25%	5,195	14%	2,137	4%	179	1%	12,382	9%	\$2.618
		Repurchase Received			561	26%	3,823	23%	3,824	10%	669	1%	26	0%	8,903	6%	\$1.887
2007	2,200,571	Foreclosures					7,500	0.34%	54,724	2.49%	99,165	4.51%	53,035	2.41%	214,424	9.74%	\$48.093
UPB(\$B)	\$431.221	Sampled					7,272	97%	47,827	87%	70,118	71%	21,566	41%	146,783	68%	\$32.030
		Reviewed					7,263	97%	47,698	87%	66,160	67%	9,748	18%	130,869	61%	\$28.800
		Ineligible					3,371	45%	17,192	31%	15,741	16%	1,682	3%	37,986	18%	\$8.678
		Remedy Issued					2,503	33%	13,610	25%	14,147	14%	1,599	3%	31,859	15%	\$7.175
		Repurchase Received					2,208	29%	10,772	20%	5,374	5%	180	0%	18,534	9%	\$4.254
2008	1,720,401	Foreclosures							7,050	0.41%	29,835	1.73%	23,805	1.38%	60,690	3.53%	\$13.712
UPB(\$B)	\$355.977	Sampled							6,160	87%	25,839	87%	18,800	79%	50,799	84%	\$11.501
		Reviewed							6,144	87%	24,300	81%	6,701	28%	37,145	61%	\$8.483
		Ineligible							3,264	46%	8,377	28%	1,173	5%	12,814	21%	\$3.068
		Remedy Issued							2,898	41%	7,247	24%	1,136	5%	11,281	19%	\$2.730
		Repurchase Received							2,256	32%	2,865	10%	121	1%	5,242	9%	\$1.308
Total	7,944,678	Foreclosures	1,130		8,748		36,564		119,159		218,774		130,583		514,958	6.48%	\$109.766
UPB(\$B)	\$814.026	Sampled	973	86%	7,833	90%	31,242	85%	88,453	74%	111,207	51%	45,142	35%	284,850	55%	\$60.676
		Reviewed	973	86%	7,812	89%	31,074	85%	88,010	74%	104,485	48%	18,479	14%	250,833	49%	\$53.574
		Ineligible	373	33%	3,065	35%	11,757	32%	28,958	24%	27,410	13%	3,174	2%	74,737	15%	\$16.553
		Remedy Issued	201	18%	1,545	18%	8,288	23%	22,442	19%	24,051	11%	2,987	2%	59,514	12%	\$13.195
		Repurchase Received	189	17%	1,437	16%	7,336	20%	17,280	15%	8,991	4%	336	0%	35,569	7%	\$7.924

<sup>1</sup> This information is the result of a process whereby Freddie Mac has endeavored to provide to the FCIC responsive information within just several business days of receiving the FCIC's requests. Consequently, this information has been assembled on an expedited basis. As such, it reflects preliminary information, and it has not been subjected to the rigorous review to which Freddie Mac typically subjects information prior to dissemination. While we believe that the information provided herewith is materially accurate, the FCIC should bear in mind the expedited nature of the production as it reviews this information.

### Notes:

Loans funded excludes loans with full recourse, indemnification, or a government guarantee, and excludes certain structured transactions.

Sampled loans include all loans sampled for NPL review, including Expanded Audit NPL, as well as Expanded Audit PL reviews.

Remedies issued include all repurchases, make-whole balance and indemnification remedies.

Cancelled reviews have been removed from the "Sampled" totals.

UPB amounts are based on the original UPB of the loan.

# **TAB 4**

# Loan Sampling and Referrals

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## Section

# 2


### Contents

Topic	Page
Overview of Loan Sampling and Referrals	2
Performing Loan Samples	2
Nonperforming Loan Samples	4
Compliance Samples	5
Optional Samples	5
Servicing Referrals	7
Seller/Service Adverse Finding Referrals	7
Updating a Seller/Service Sampling Rate	7
Cancelling a Loan from a Sample	7

## Loan Sampling and Referrals

### Overview of Loan Sampling and Referrals

Freddie Mac's Quality Control (QC) department reviews loans selected in the monthly sampling process and those referred by QC partners. Sampled loans may fall into the categories shown below.

Category	Description
Base	Samples generated by Credit Management Risk Analytics (CMRA).
Expanded	Samples generated by CMRA to target a particular issue identified by the sample name.
Optional	<p>Includes:</p> <ul style="list-style-type: none"><li>▪ Samples initiated by QC.</li><li>▪ Samples initiated by departments external to QC.</li><li>▪ Ad hoc samples for any reason.</li></ul> <p> Loan review requirements for optional samples may vary based on the purpose of the sample.</p>

Base and expanded samples are generated by CMRA for performing loans (PL), non-performing loans (NPL) and compliance (CPL).

Base and expanded sampled loans require a full QC review, unless otherwise indicated.


### Performing Loan Samples

The chart below identifies the sample name and description for samples generated for performing loans.

Sample Name	Description
Base	<p>Statistically random stratified sample of newly purchased loans selected in the month after funding. Strata are based on Seller volume and Seller family. Sample size per Seller is determined by past ineligible rate (the higher the rate, the more loans are sampled) and funding volume.</p> <p>Identified by Review Reasons:</p> <ul style="list-style-type: none"><li>▪ Base Sample</li><li>▪ Base Sample-Targeted</li></ul>



## Loan Sampling and Referrals

Sample Name	Description
Intensive	<p>High-risk Sellers determined by QC and Customer Credit Management (CCM) that require higher sampling rates.</p> <p>Identified by review reasons:</p> <ul style="list-style-type: none"> <li>▪ Customized Seller-Target</li> <li>▪ Customized Seller- Random</li> </ul>
High Risk New Seller	<p>High-risk new Sellers determined by QC and CCM that require higher sampling rates</p> <p>Identified by review reason:</p> <ul style="list-style-type: none"> <li>▪ ICR High Risk New Seller</li> </ul>
Calibrator	<p>The 30 loans with the worst calibrator scores.</p> <p>Identified by review reason:</p> <ul style="list-style-type: none"> <li>▪ Calibrator Score.</li> </ul> <p>Home Value Calibrator® (Calibrator) is Freddie Mac's automated quality control tool for appraisals or other submitted values. Calibrator measures the risk that an appraisal, or other submitted value, exceeds actual market value by at least 10%.</p> <p>Calibrator scores range from 300 to 900. Scores over 600 are considered good. Scores less than 500 are considered to have higher risk and require a more thorough evaluation.</p> <p> Calibrator loans require a review appraisal. Record the value on the Property Information screen in Quantum.</p>
Structured Deal	<p>Structured deals are randomly sampled. Higher risk loans within a structure sample may also be targeted for review.</p> <p>Identified by review reasons:</p> <ul style="list-style-type: none"> <li>▪ Structured - Base</li> <li>▪ Structured- Targeted</li> </ul>
Fraud	<p>Loans identified through an external vendor as having potential fraud or from a repository data fraud code. <u>Mortgage flags</u> identify the nature of the potential fraud. Identified by review reason: Fraud.</p>

## Loan Sampling and Referrals

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### Nonperforming Loan Samples

The chart below identifies the sample name and description for samples generated for nonperforming loans.

Sample Name	Description
EPD	Loans entering foreclosure within 1 year of funding. Generally sampled at 100% (after some exclusion for certain Sellers, and other standard exclusions).
2 <sup>nd</sup> Year FCL	Loans entering foreclosure during the second year after funding. Generally sampled at 100% (after some exclusion for certain Sellers, and other standard exclusions).
3 <sup>rd</sup> - 5 <sup>th</sup> Year FCL	Loans entering foreclosure in the 3 <sup>rd</sup> -5 <sup>th</sup> years after funding. Sampling is dependent on pay history, HVE variance, and the possibility of fraudulent address, or a high corelogic score.
60 Day in 1 <sup>st</sup> 3 Months (EPPD)	Loans at least 60 days delinquent within 3 months of funding.
NPL Deferred	Loans that have been previously reviewed by QC with repurchase deferred, generally due to attaining performing status before review completion. They are sampled again if/when they enter REO and should be an automatic repurchase.
Mass Mod	These loans would have been sampled under other NPL sample types; however, the loans were modified and reflect a satisfactory payment history since modification. QC reviews the original loan.
HAMP Mod	Home Affordable Modification Program loans, and sampled similarly to foreclosures except the modification date replaces the foreclosure date in determining when/if to sample. QC reviews the original loan.
Seriously Delinquent Not EPD	Loans that have been delinquent for a very long time, but haven't entered foreclosure. The current cutoff is 10 months of delinquency or 7 months delinquency in Florida.
Seriously Delinquent EPD	Loans 6 months' delinquent within one year of funding. Generally sampled at 100% (after some exclusion for certain Sellers, and other standard exclusions).

## Loan Sampling and Referrals

### Compliance Samples



Sample Name	Description
Anti-Predatory Lending	<p>Loans from states with anti-predatory lending laws are selected for inclusion if they have a high likelihood of failing the anti-predatory lending test.</p> <ul style="list-style-type: none"><li>▪ Dual reviews are loans that are included in both the performing loan base sample or nonperforming loan base sample and the anti-predatory lending sample. Identified by review reason: Compliance and Performing Loan Review (CPL/PL) or Compliance and Nonperforming Loan Review (CPL/NPL).</li><li>▪ Compliance only reviews are loans that appear only in the anti-predatory lending sample. Identified by review reason: Compliance Loan Review (CPL).</li></ul>
HOEPA/High Rate	Loans with extremely high note rates. Identified by review reason: Compliance – HOEPA/FM High Rate.

### Optional Samples

The chart below identifies the sample name and description for samples generated for QC, departments external to QC and other ad hoc samples.

Sample Name	Description
Long Term Standby	<p>CMRA creates the sample for Long Term Standby loans (LTSB).</p> <p>Long Term Standby (LTSB) is a negotiated offering in which Freddie Mac receives a monthly guarantee fee from a lender in exchange for Freddie Mac's guarantee of the mortgage credit risk. These loans are not sold to Freddie Mac; the lender maintains ownership of loan unless the loan defaults.</p> <p><u>Mortgage flags</u> identify these loans. SCC D75, Long Term Standby – Capital Market Execution, may also identify these loans.</p>
Condotel	Potential PL or NPL condotels. Identified by review reason: Condotel Sample.

## Loan Sampling and Referrals

Sample Name	Description
T-Deals	<p>CMRA creates the sample for Non-performing T-deal loans.</p> <p>T-Deals are unique, individually negotiated transactions where Freddie Mac guarantees some or all classes of private label mortgage pass-through securities. The process varies considerably to accommodate the deal specifics, structures, collateral, and customer requirements. Freddie Mac may purchase some or all of the issued classes.</p> <p> Historically, this path has been used to purchase assets that are not eligible for purchase via traditional execution paths.</p>
NPL Multiple Borrower	<p>The Loan Processing Manager creates this sample for Borrowers that appear to have multiple owner-occupied loans with Freddie Mac. Loans should be reviewed concurrently, if possible.</p> <p>Identified by review reason: Multiple Borrower.</p>
2- to 4- Unit	<p>The Loan Processing Manager creates this sample for:</p> <ul style="list-style-type: none"> <li>2-unit properties purchased as owner-occupied without a FICO score and unverifiable occupancy; and</li> <li>3- to 4-unit properties purchased as owner-occupied and occupancy cannot be verified.</li> </ul> <p>Identified by review reason: Property Type.</p> <p> 2- to 4- Unit Sample does not include loans where the Seller's contract states that they do not have to warrant that the property is owner-occupied at the time of occupancy.</p>
Double –Sold Loans	<p>The Loan Processing Manager creates this sample for loans that may have been sold to FHLMC twice. Identified by review reason: Double Sold or Resold Loan.</p> <p>CMRA provides a quarterly report that identifies potentially double sold loans.</p> <p>The Underwriting Manager or Loan Processing Manager must record their decision and justification to exclude loans from the sample on Exhibit R-9, <i>Potential Double Sold Loans Report</i>.</p> <p>The SE underwriting group must aggregate the results of loans identified on the Potential Double Sold Loans report for all underwriting groups and distribute them quarterly via Exhibit R-10, <i>Double Sold Loan Findings Report</i> to QC Directors and CMRA.</p>

## **Loan Sampling and Referrals**

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### **Servicing Referrals**

Central Processing manages requests by servicing to review loans with suspected investment quality or eligibility issues. Identified by review reason: Requested by Loan Servicing or Requested by REO.

If loans are referred due to concerns about the collateral value, the Underwriter must:

- Order a Collateral Risk Solutions (CRS) valuation.
- Update the Servicing Referral database with the applicable CRS mortgage flag.
- Order a review appraisal if necessary.

### **Seller/Servicer Adverse Findings Referrals**

Central Processing manages review requests when a Seller/Servicer notifies Freddie Mac that their quality control department discovered findings that affect the investment quality or eligibility of a loan. Identified by review reason: S/S Adverse Finding.

### **Updating a Seller/Servicer Sampling Rate**

The sampling rate may be updated to reflect changes to Freddie Mac's risk exposure with a Seller/Servicer. QC Directors, Underwriting Managers, and Loan Processing Managers are authorized to submit sample rate change requests through the Seller Sample Rate Change Application. A QC Director must approve all sample rate change requests by QC.

### **Cancelling a Loan from a Sample**

Loans may be cancelled because of errors, change in Seller/Servicer status, or the loan was prepaid. The Central Processing Director must approve and cancel a loan from a sample.

### **Voluntary Repurchase Requests**

QC will review request from Seller/Servicers to voluntarily repurchase non-investment quality or ineligible loans.

QC is not authorized to approve the voluntary repurchase of acceptable loans. Refer requests from Seller/Servicers to voluntarily repurchase loans to [repurchase@freddiemac.com](mailto:repurchase@freddiemac.com).