

Housing Goals and Minority Lending

Barry Zigas
September 30, 2005

Agenda

- Overview of current goals status
- Review of ongoing special efforts
- Additional efforts needing decisions
 - Deferral option
 - Subprime
 - Chattel MH
 - 2006 mortgage limits
- HUD/OFHEO communications strategy

1

Year End Goals Outlook

		YTD Actuals			2005 Year End Projections							
					YTD Run Rates \$538 B		YTD Run Rates \$588 B		Aug. Monthly Rate \$538 B		Aug. Monthly Rate \$588 B	
		Goal	Score	Over/Short	Score	Over/Short	Score	Over/Short	Score	Over/Short	Score	Over/Short
Base Regulatory Goals	Affordable	52.0%	54.15%	45,900	52.9%	32,000	52.6%	21,000	51.9%	(5,000)	51.3%	(24,000)
	Special Affordable	22.0%	25.66%	78,300	24.8%	93,000	24.4%	88,000	24.1%	70,000	23.6%	60,000
	Underserved	37.0%	40.35%	74,400	39.3%	82,000	39.2%	82,000	38.9%	70,000	38.6%	62,000
PMM Sub Goals	Affordable	45.0%	42.32%	(17,600)	42.3%	(35,000)	42.3%	(38,000)	41.1%	(53,000)	40.9%	(59,000)
	Special Affordable	17.0%	15.16%	(12,000)	15.2%	(23,000)	15.2%	(26,000)	14.6%	(33,000)	14.5%	(37,000)
	Underserved	32.0%	30.76%	(8,300)	30.8%	(17,000)	30.8%	(19,000)	29.9%	(29,000)	29.8%	(33,000)
Minority Lending Goals	Total Minority	24.7%	23.66%	(6,100)	23.7%	(10,000)	23.7%	(11,000)	23.2%	(16,000)	23.1%	(18,000)
	Hispanic	11.6%	11.17%	(2,500)	11.2%	(5,000)	11.2%	(5,000)	10.7%	(10,000)	10.7%	(11,000)
	African American	5.4%	5.24%	(900)	5.3%	(2,000)	5.3%	(2,000)	5.2%	(3,000)	5.2%	(3,000)

- The impact of Single-Family volume increases is stronger on the base scores than the sub goals' scores because these reduce the weight from the multifamily component in the base goals.
- If SF volumes increase to \$588B, company would miss base regulatory goals at the following September – December run rates.
 - 46.0% Affordable
 - 13.7% Special Affordable
 - 31.2% Underserved

Potential Strategies for Attaining the Sub Goal(s)

1. CitiFinancial Portfolio

- \$20 Billion Total, \$5 Billion Purchase Money, 42000 PMM loans
 - Incremental loans: Special Affordable 5000 – 6000, Affordable 8500 - 9500

2. B of A Whole Loan Strategy

- Replace goals rich loans w/ loans out of our portfolio or defer delivery of non-affordable loans (only deliver the 38% that meet the Affordable sub goal criteria)
 - Incremental loans: Special Affordable 3500 – 4000, Affordable 5000 - 6000

3. CitiMortgage/Self Help

- Self Help received file Thursday for \$13 B from CitiMortgage's affordable housing portfolio

4. Other Subprime Portfolios

- Between now and year end, there are a number of smaller opportunities, but with significant costs
 - Incremental loans: Special Affordable 1000 – 2000, Affordable 3000 - 4000

5. Acquire Manufactured Housing Loans

- Real property \$1.4 B through Vanderbilt, 22800 loans
 - Incremental loans: Special Affordable 3000 - 4000, Affordable 4500 - 5000
- Chattel through Berkshire
 - Incremental loans: Special Affordable 5000 - 6000 per \$B, Affordable 6500 – 7500 per \$B

Potential PMM Incremental Loans: Special Affordable 17500 – 22000, Affordable 27500 - 32000

Summary of Options to Close Special Affordable PMM Shortfall

	SF Volume of \$538 B YTD Run Rate	SF Volume of \$588 B Aug Run Rate	SF Volume of \$538 B YTD Run Rate	SF Volume of \$588 B Aug Run Rate
Projected SAH PMM Shortfall	(23,000)	(37,000)	(23,000)	(37,000)
Transactions in Sept Numbers				
Investor Channel Won	1,361	1,361	1,361	1,361
Golden West Transaction	(776)	(776)	(776)	(776)
Est Shortfall to Date	(22,415)	(36,415)	(22,415)	(36,415)

Potential Impacts of Other Opportunities/Strategies

Initiative	Expected Delivery 50%		Expected Delivery 100%	
	Low Est	High Est	Low Est	High Est
Current Investment Opportunities				
Investor Channel Bid	828	828	1,656	1,656
Investor Channel Pipeline	2,500	2,750	5,000	5,500
Potential Remaining Shortfall	(15,259) to (33,087)			
Other Strategies				
Citi Financial Portfolio	2,500	3,000	5,000	6,000
B of A Whole Loan Strategy	1,750	2,000	3,500	4,000
Other Subprime Opportunities	500	1,000	1,000	2,000
MH Real Property	1,500	2,000	3,000	4,000
MH Chattel	2,500	3,000	5,000	6,000
Potential Remaining Shortfall	6,741 to (24,337)			

Business Deferral Option

- Defer between \$13.5-\$17.4 billion of projected 4Q non-goals loans
- 7 Lenders
 - Countrywide,
 - Citigroup
 - Bank of America
 - Wells Fargo
 - USAA
 - Navy Federal Credit Union
 - Pulte
- Estimated pick up:
 - 14,200-28,000 incremental PMM affordable loans
 - 10,600-14,800 incremental PMM special affordable loans
- Cost for roll over (estimate): \$30-\$38 million

5

Business Deferral Option

Pros:

- Delivers big pay off
 - Per loan cost of \$1,000-\$2,900 (est)
- Targeted to a limited number of lenders
- Can acquire deferred loans in 2006

Cons:

- Defers non-goals loans to 2006, increases gap for next year
- MBS Disclosures, potential impact on securities price and liquidity
- Lenders might not agree to participate
- Could lose loans to other investors

Lender Issues:

- Lack of sale treatment of 2005 assets
- Warehouse capacity
- Ability to identify and segregate goals/non-goals product
- Credit risk exposure