



Update on the Single-Family Credit Guarantee Business

Rick Padilla Director, Corporate Relations & Housing Outreach



The Changing Economy: The New Community Lending Environment

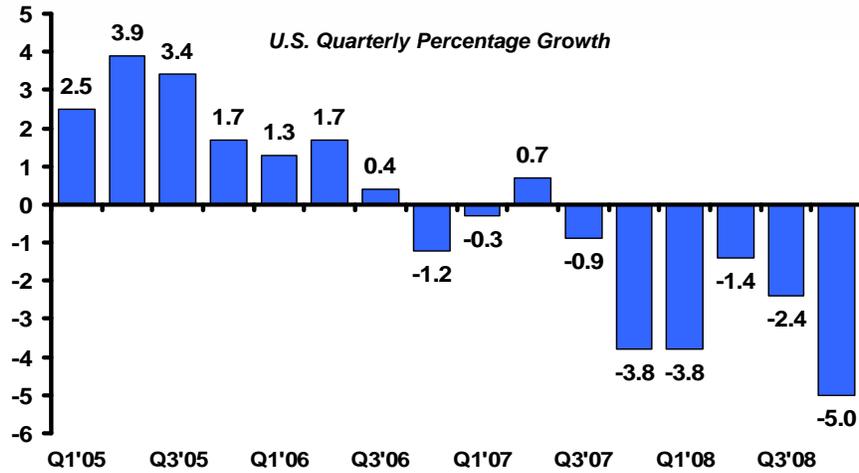
June 10, 2009



## The GSEs Are Helping to Stabilize an Unstable Mortgage Market

- The mortgage market continues to be plagued by falling house prices, rising loan delinquencies, a credit crunch, and a deep recession
- Freddie Mac and Fannie Mae are helping to offset these effects by:
  - Supporting most new home loans
  - Keeping mortgage rates low for homebuyers
  - Helping homeowners in financial difficulty avoid foreclosure
- Under conservatorship, the GSEs are able to focus on supporting mortgage markets

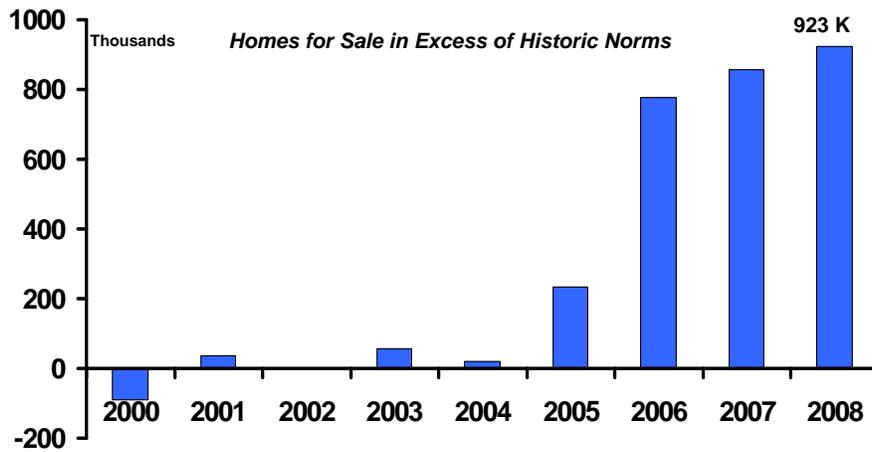
## House Prices Have Continued to Decline



Source -- Freddie Mac. Based on Freddie Mac's SF portfolio.

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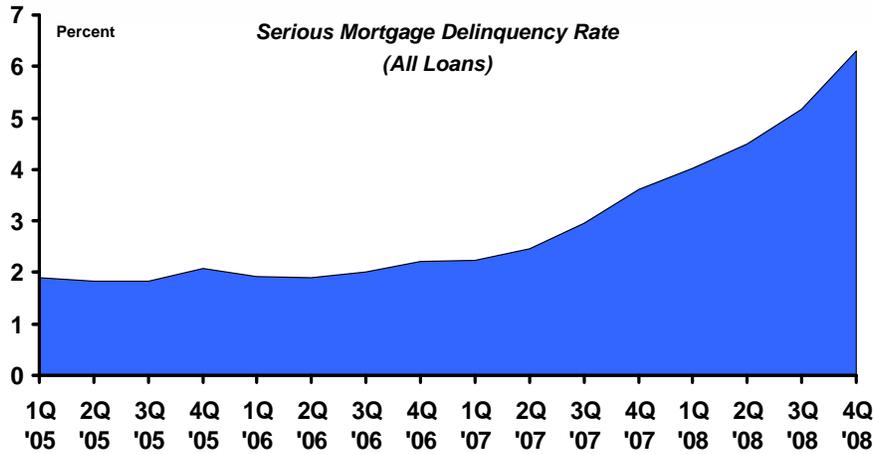
## A Large Inventory of Unsold Homes Has Slowed A Housing Recovery



Source -- U.S. Census Bureau. Reflects 4Q figures/year.

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## Mortgage Delinquencies Have Been Rising



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## Federal Policymakers Are Relying on GSEs to Support the Housing Market

- Placed Freddie and Fannie in conservatorship
  - Enable GSEs to continue supporting mortgage markets
  - Inject capital as needed (up to \$200 billion per GSE)
  - Provide a liquidity backstop
  
- Using GSEs to help implement the President's *Homeowner Affordability & Stability Plan*
  - Help reduce mortgage rates
  - Spur mortgage refinancing
  - Expand loan modifications
  
- Purchasing up to \$1.25 trillion in GSE MBS to further reduce mortgage rates and enhance market liquidity

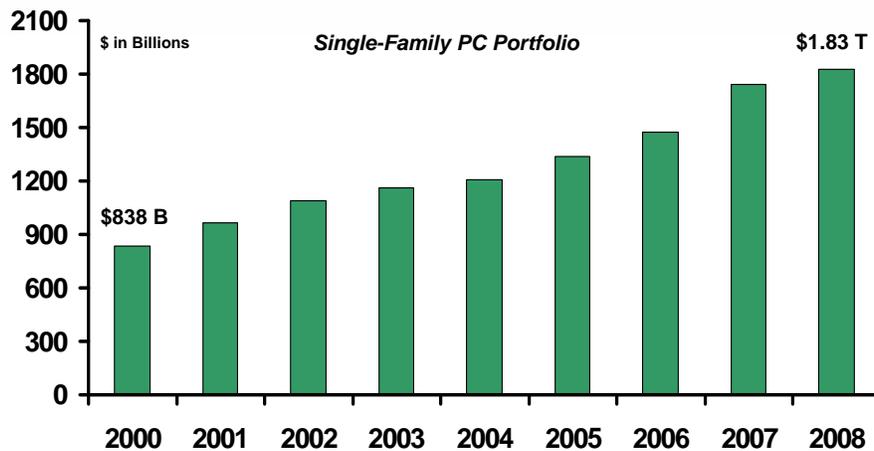
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## During A Time of Market Volatility, We Are Focused on Being A Reliable Partner

- Provide essential liquidity
- Promote responsible lending
- Sustain homeownership

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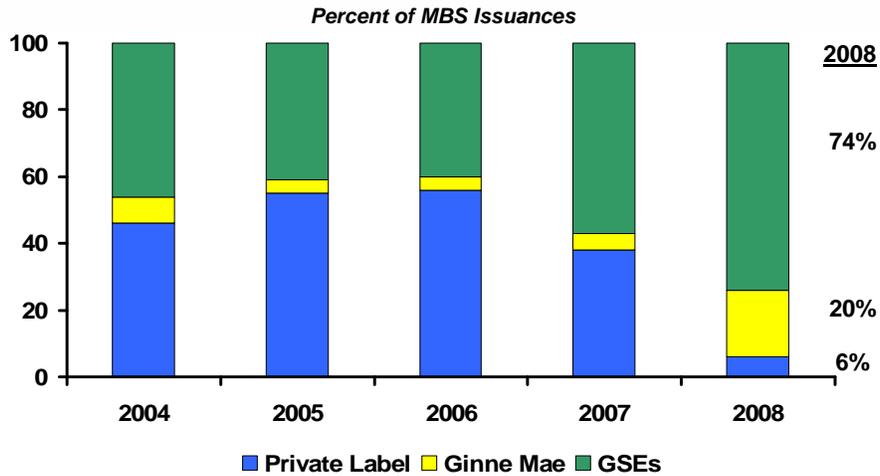
## We Provide Liquidity through Single Family Credit Guarantees



Source -- Freddie Mac annual reports and monthly volume summaries

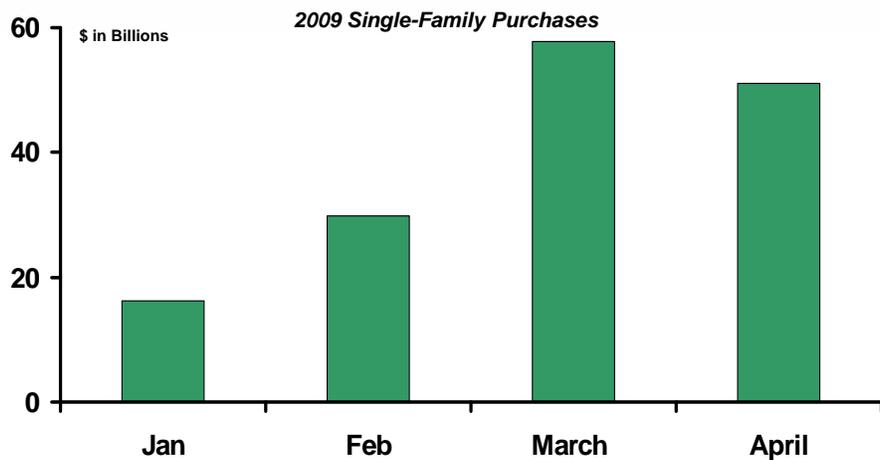
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## The GSEs Are A Consistent Source of Liquidity



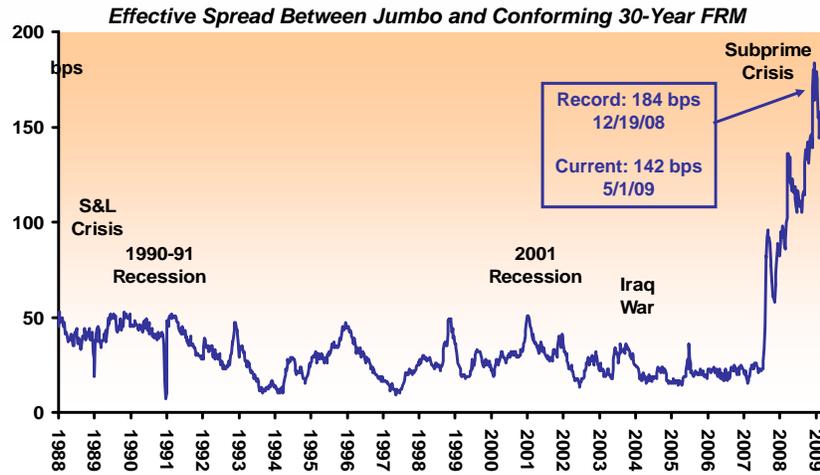
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## Refis Are Producing A Surge in Our Volumes



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## GSEs Are Keeping Conforming Rates Lower



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## New Super-Conforming Offering Will Further Expand Our Liquidity

- Congress has modified GSE loan limits
  - \$417,000 conforming
  - \$729,750 super conforming in high-cost areas (2009 only; resets to \$625,000 in 2010)
- Executions
  - Cash
  - Guarantor
  - Super-conforming TBA eligible (up to 10 percent of loan pool)
- Loan Prospector and Selling System updates

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## We Are Promoting Responsible Lending Practices

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- Focus on the credit parameters of individual loans
  - Define appropriate credit characteristics
  - Apply three C's of underwriting
  - Factor in housing market conditions
  - Make credit policies durable
  
- Enhance the lender process to validate loan information
  - Inform the industry of the increasing errors we are seeing
  - Distribute tools to improve collateral accuracy and detect fraud
  - Ensure compliance with underwriting requirements and guidelines (e.g., new Home Valuation Code of Conduct)

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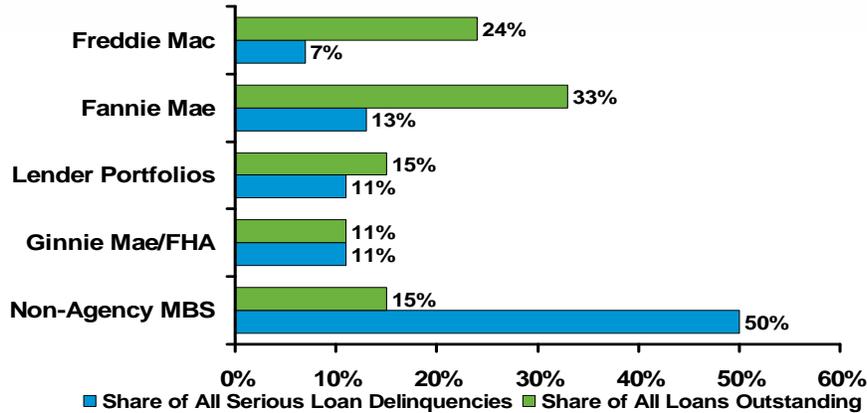
## We Are Also Working to Sustain Homeownership

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- In 2008, increased foreclosure alternatives by 69 percent to 88,000 loans
  
- Boosted in-house Servicing staff by 60 percent
  
- Increased financial incentives to Servicers
  
- Extended foreclosure timelines in 21 states to 300 days
  
- Implemented REO rental program

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## GSEs Support A Majority of Home Loans but Comprise A Small Share of All Delinquencies



Sources -- Fed Flow of Funds, Freddie Mac, Fannie Mae, MBA, First American. Data as of 4Q 2008. Delinquencies are 90+ days or in foreclosure. "Other" -- not reflected on the chart -- represents 3% of MDO and 8% of serious delinquencies. <sup>15</sup>

## We Are Implementing the President's *Making Home Affordable* Plan

- New product: *Freddie Mac Relief Refinance Mortgage* <sup>SM</sup>
- Who is it for?
  - Homeowners who are current and would benefit from refis, including those with underwater mortgages
  - Loans already owned or guaranteed by Freddie Mac
- Features
  - Simplified refis for loans up to 105 LTV
  - Rep-and-warrant relief (collateral only) for loans using HVE
  - No new or increased mortgage insurance
  - Minimal delivery fees

## Loan Modification Is Also Part of the President's Plan

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- Administration initiative: *Home Affordable Modification*
- Freddie Mac's Role
  - Help at-risk homeowners where lower mortgage payments could prevent foreclosure
  - Target loans already owned or guaranteed by Freddie Mac
- Features
  - More aggressive loan modification directive
  - Reduce borrower mortgage payments to as low as 31% DTI
  - Additional financial incentives for Servicers
  - Suspend foreclosure sales for those eligible for this program

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## The Net Effect of All Our Activities

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- Stabilize an unstable housing finance system
- Keep mortgage markets liquid for lenders
- Keep mortgage rates low for homebuyers
- Reduce foreclosures for homeowners

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We make home possible<sup>SM</sup>