



Non-Performing Loan Sales Seminar



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April 29, 2015

Loan Servicing Criteria, Pooling, and Legacy Servicer Interface

Legacy Servicer Interactions During NPL Sale Life Cycle



- **Deal development**: Loan selection, legal documentation, data scrubbing, order BPOs and prepare data tape for potential bidders
- **Offering period**: Help address any bidder questions regarding data and collateral
- **Post-award due diligence**: Freddie Mac works closely with the legacy servicer and the winning bidder(s) throughout the due diligence period to resolve any identified issues
- **Post-closing**: Freddie Mac works with the legacy servicer on all post-closing loan issues, including resolution of R&W breaches

Loan Selection



- Freddie Mac owns the loans and controls the loan selection criteria and process
- Freddie Mac determines which loans are included in sale and works closely with the legacy servicer to prepare loan pool for sale
- Standard loan selection criteria include:
 - Loans that are approximately one year or more delinquent
 - No loans with remaining MI, Indemnification, or Recourse value
 - No FHA/VA loans
 - No contested litigation loans
 - No REO

Loan Scrubbing, BPOs and Custodial Report



- Loans are scrubbed to facilitate preparation of a detailed loan tape for the data room
 - Loan type, 1-4 family, key loan characteristics, modification status & terms, etc.

- Order BPOs on pre-scrubbed loan population
 - Takes 1- to 2-weeks

- Custodial reports
 - When the population is initially identified, the Legacy Servicer and their custodian undertakes detailed custodial document review to ensure files meet Freddie guide requirements
 - Legacy Servicer and custodian continue to work until final closing to remedy any deficiencies
 - Any loans with material deficiencies may be removed by Purchaser up to closing

Representations and Warranties (R&Ws)



- **Freddie Mac provides strong R&Ws to buyers of its NPLs. These include:**
 - Priority of liens (first lien)
 - No contested litigation
 - No high cost loans
 - Taxes paid

- **Freddie Mac receives R&Ws from the Legacy Servicer**
 - Back-to-back with R&Ws provided to investors
 - Aligns interests of Freddie Mac, the NPL buyer, and the Legacy Servicer

Loan Pooling



- Once aggregate pool is identified, population may be split into separate pools for offering based on:
 - Size
 - Geography
 - Loan characteristics

- Pooling decisions are made by Freddie Mac's transaction team

Legacy Servicer Interactions Post Bid Award



- Following bid award (trade date), Legacy Servicer will transfer all files and data to the NPL buyer (or designated custodian) for diligence
 - Freddie Mac coordinates with the legacy servicer to address all legacy servicer related items pre-settlement, including fall-out and R&W breaches

- 6-8 week period for purchaser to screen loans for final purchase at closing

- Upon closing, Legacy Servicer will be the Interim Servicer to the Purchaser until the Servicing Transfer Date
 - This is governed by a separate agreement between the Legacy Servicer and Purchaser

- Post settlement breaches of R&Ws are addressed by Freddie Mac working with the legacy servicer