

# INVESTOR DAY 2023

Single-Family Servicing and Loss Mitigation



## Benjamin Gottheim

Vice President, Servicing Policy

Ben and his team are responsible for creating policy regarding all aspects of mortgage servicing, including updates to the Freddie Mac Single-Family Seller/Servicer Guide and other terms of business. He has been with Freddie Mac for almost 12 years: 10 years in Servicing Policy, and his first two years managing a department responsible for foreclosure performance, timelines and compensatory fees. He earned his B.S. in management from Binghamton University (SUNY) with a double concentration in finance and MIS.

# Our Agenda

1. **Ongoing Servicing Oversight**
2. **COVID-19 Response & Servicing Performance**
3. **Reimagine Servicing<sup>®</sup>**
4. **Questions**





# Ongoing Servicing & Oversight

# Experienced Industry Leaders



Single-Family servicing leaders have an average of 25+ years of industry experience and championed resiliency during the housing crisis.



**Bill Maguire**



**Ben Gottheim**

Vice President  
Servicing Policy



**Sujatha Viswanathan**

Sr. Director  
Servicing Quality Assurance,  
Business Management &  
Communications



**Bill Lyons**

Sr. Director  
Servicing Capital



**Tricia McKitty**

Director  
Structured  
Transactions



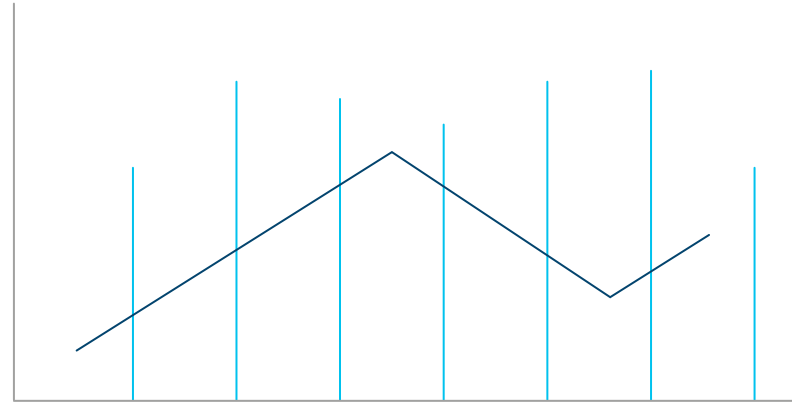
**Donna Spencer**

Vice President  
Servicer Relationship  
Management

# Our Teams Influence Positive Portfolio Outcomes



**Superior Servicer Portfolio Performance**



**Quality Servicing  
Risk Management  
Sustainable Homeownership**



Policy and program development



Servicer Success Scorecard and data analytics

Servicer Relationship Management



Quality Assurance and Operational Reviews

Regulatory and compliance oversight



Loss reduction

# What We Do...



Servicing Policy	Servicing Quality Assurance	Servicing Capital	Structured Transactions	Servicing Relationship Management
<p><b>Supporting effective credit management by managing servicing policies to:</b></p> <ul style="list-style-type: none"><li>• Minimize credit losses to Freddie Mac caused by borrower defaults.</li><li>• Maximize servicer efficiencies to reduce the cost of servicing.</li><li>• Create effective loss mitigation solutions, among other policies, that assist distressed borrowers in avoiding, or recovering from, default.</li></ul>	<p><b>The SQA and Business Mgmt. &amp; Communications team is responsible for maintaining and executing:</b></p> <ul style="list-style-type: none"><li>• Servicer loan file reviews</li><li>• Servicing remedy</li><li>• Technology reporting</li><li>• Business management</li><li>• Servicing communications</li></ul>	<p><b>Servicing Capital Markets (SCM) supports Freddie Mac and customer/client objectives through execution of transactions where Freddie Mac acts as a Principal to a servicing transaction enabling:</b></p> <ul style="list-style-type: none"><li>• Improved servicing performance</li><li>• Balance sheet management</li><li>• Counterparty credit risk management</li><li>• Terminations</li><li>• Contingent servicing capacity management</li></ul>	<p><b>The Structured Transactions Team helps a servicer to meet its financing and other capital market needs. Typically, the team is involved in the follow types of transactions:</b></p> <ul style="list-style-type: none"><li>• SCR financing</li><li>• Advance financing</li><li>• Standard/Non-standard Servicing Contract Rights transfer/sale</li><li>• Other – Any transactions with unusual arrangements or structures</li></ul>	<p><b>Well-rounded view of performance provides broad and in-depth analysis of servicing of performing and non-performing loans</b></p> <p><b>Supporting ongoing discussions with customers on performance strengths and challenges, as well as risk concentration and operational risk</b></p>

# How We Monitor Performance



## Servicer Relationship Mgmt

Average 25+ years of industry experience

All have worked in servicing through the housing crisis

Well-rounded view of performance provides broad and in-depth analysis of servicing of performing and non-performing loans

Supporting ongoing discussions with customers on performance strengths, challenges, as well as risk concentration and operational risk



### Account Plans

- Focused on covered National, Regional and Community Servicers, Independent Mortgage Bankers, Specialty Servicers, Master Servicers, and Subservicers.
- Sets goals and objectives.
- Establishes agreed-upon action plans and milestones.



### Scorecard

- Performance Categories:
  - Default Mgmt
  - Investor Reporting
  - File Review Defect Rates
- Performance evaluation:
  - Specific to servicer segments (rank groups)
  - Uses synthetics & ranks
- **SHARP<sup>SM</sup>** – Servicer Honors and Rewards Program



### File Reviews, Rewards, and Remedies

- Identifies servicing performance gaps and trends. Resolve issues that prevent achievement of top performance.
- Encourages and rewards quality servicing.
- Provides consequences for poor data quality and servicing processes.



### CORE

- Works closely with Servicer Relationship Mgmt to ensure review scope addresses new/emerging risks.
- Identifies SF counterparty operational risk issues and monitors remediation.
- Provides assessment of Counterparty's compliance to Guide Requirements
- Conducts on-site due diligence of Servicers' preparedness for large MSR transfers.



# Who Are Our Servicers?



## Overview

**1424** active Servicers

**30** servicers added

**46** terminated (voluntary/involuntary/acquired)

Significant growth in subservicing with a few new players in the market

**\$2,944 B** UPB (as of December 2022)

**32%** Subservicing portfolio

Increasing concentration in non-banks

**30%** in 2014

**48%** in 2021

**55%** in 2022

# 2022 SHARP Award Winners

## We Recognize Superior Servicing

Our Servicer Honors and Rewards Program (SHARP)<sup>SM</sup> enables eligible servicing clients to receive rewards and recognition based on their Servicer Success Scorecard annual rank.



2022 Freddie Mac  
SHARP Award Winners

### GOLD

PENNYMAC

Guild  
mortgage

Specialized Loan  
 Servicing

### SILVER

CHASE

newrez

SWBC  
Mortgage

### BRONZE

PHH  
MORTGAGE

ONSLOW BAY FINANCIAL  
An Annuity Company

PODIUM  
MORTGAGE CAPITAL LLC



*The SHARP awards represent quality servicing, risk management and sustainable homeownership – and we're excited to recognize the success of our clients.”*

**Bill Maguire** | Vice President, Portfolio Management

**Freddie Mac**

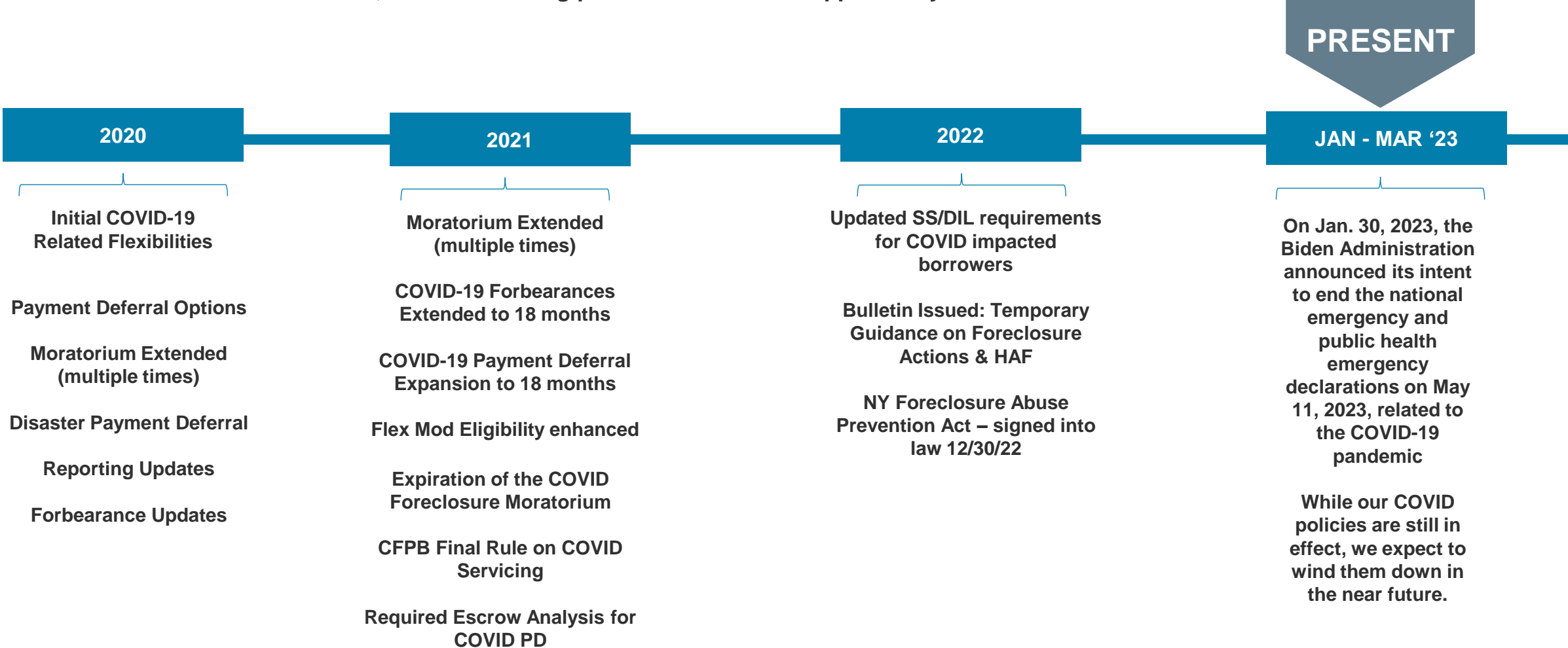


# COVID-19 Response & Servicing Performance

# Responsive Policies to Support the Industry



Since the start of the pandemic, Freddie Mac has made ongoing changes to support COVID-19 impacted borrowers. With the end of the CARES Act near, we are reviewing policies to determine applicability.



# Servicing Policy Updates 2022 to Date



To be responsive and support the dynamic servicing environment impacted by the pandemic, working together with Fannie Mae, FHFA and our Servicers, we developed and rolled out 9 new policies in 2022.

## 2022

- **2022-4**  
*This Bulletin announces updates to Total MI Reconciliations, Acknowledgement Agreement Inc. Provisions, Streamlined Short Sale and DIL, and more.*
- **03/17/2022 - Industry Letter**  
*Reporting Security Incidents and Business Continuity*
- **2022-8**  
*Temporary Guidance on Foreclosure Actions and Homeowner Assistance Fund (HAF)*
- **2202-9**  
*This Bulletin announces updates to submitting short sale through Resolve, reimbursement of attorney fees, increased appraisal fees, alternative signatures on tax returns and more.*
- **2022-12**  
*This Bulletin announces updates to Resolve, LIBOR note review, temporary adjustment to property preservations costs, reimbursement of attorney fees, BPO clarification and more.*
- **2022-17**  
*This Bulletin announces updates to fair lending elements, requirements for approving a partial release or granting easement and more.*
- **2022-19 – Seller/Servicer Financial Eligibility Requirements**  
*This Bulletin announces updates to Seller/Servicer financial eligibility requirements.*
- **2022-21**  
*This Bulletin announces updates to Resolve, custodial account reconciliation requirements, Acknowledgement Agreement Inc. Provision and more.*
- **2022-26**  
*This Bulletin announces updates to Resolve, HAMP termination, new letter agreements for custodial accounts, mortgage insurance on unseasoned loans and more.*

## 2023

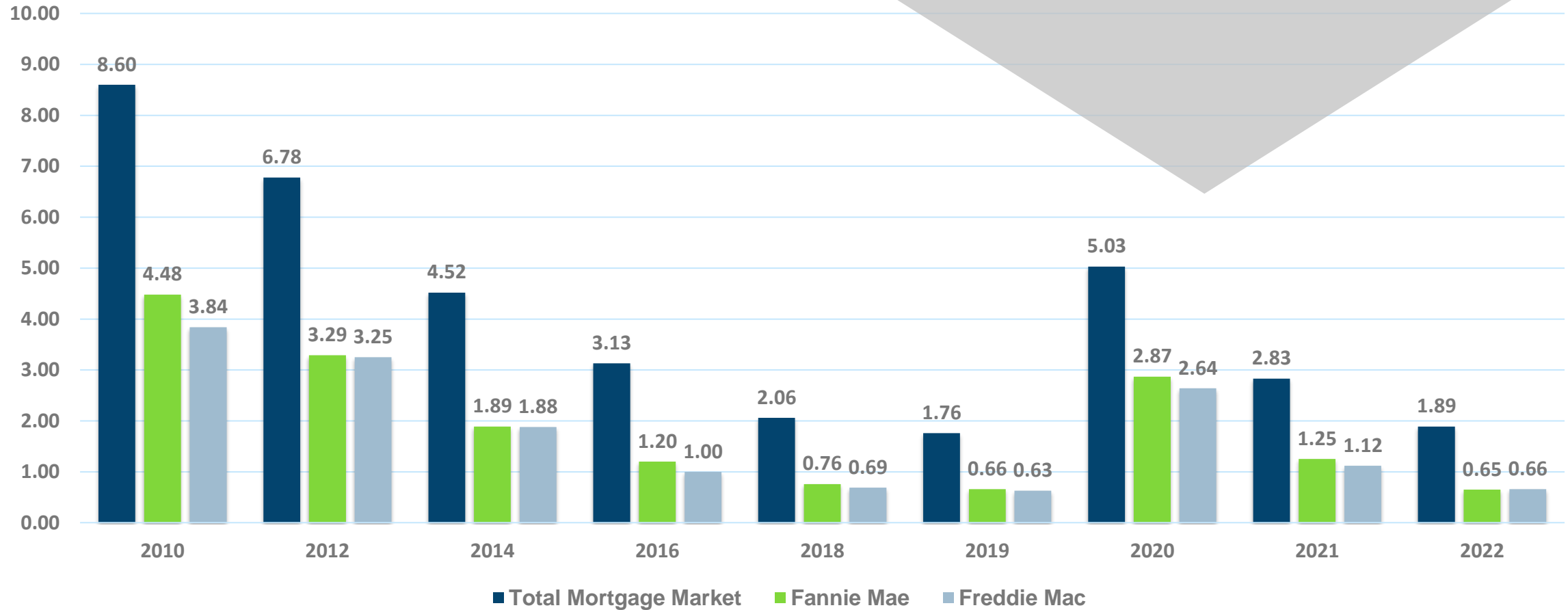
- **2023-2 – LIBOR Transition**  
*This bulletin announces the replacement index that Servicers must use after June 30, 2023, for Freddie Mac owned loans indexed to LIBOR.*
- **2023-4**  
*This bulletin announces a reminder for Resolve and updates related to property insurance, Seller/Servicer confidentiality, eMortgages and Loan Coverage Advisor.*
- **2023- 8**  
*This bulletin announces the updated terms for Standard Payment Deferral*
- **2023-10 (April 12<sup>th</sup>)**  
*This bulletin announces updates to requirements for Eligible Depositories for custodial accounts, clarification of terms related to Servicing Contract, Servicing Contract Rights, and Transfers of Servicing and updates fees for BPOs.*

# With an SDQ rate resting below pre-pandemic levels...



In 2022, the overall market is still recovering from its peak in 2020, due to the continued loss mitigation efforts.

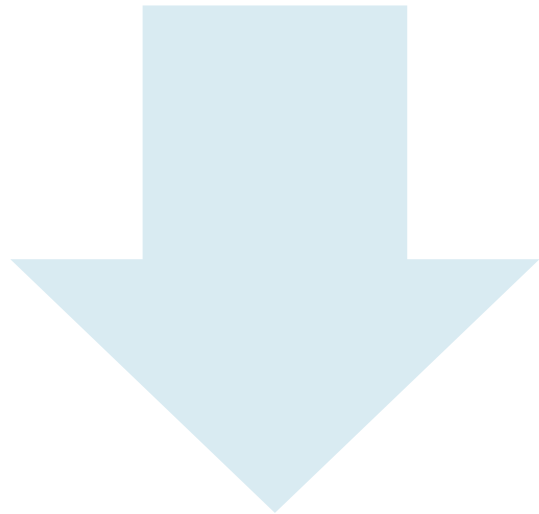
Throughout time, our SDQ has remained lower compared to the market.



# Supported by results from our team and servicers...



**2022**  
**SDQ rate**  
**1.12%**



**0.66% (EOY)**

## Initiatives to reduce the SDQ rate

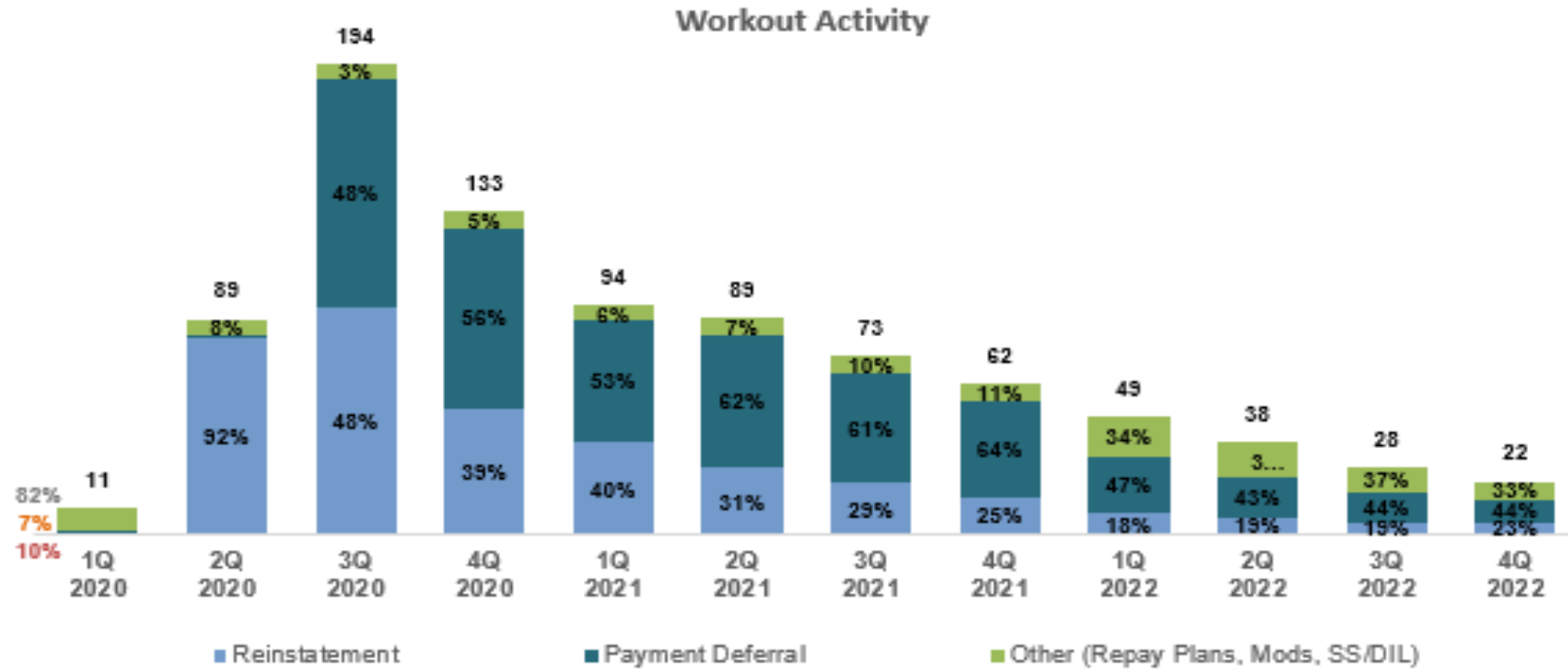
Issued **8** Servicing Bulletins & **1** Industry Letter

Hosted Servicer **9** webinars totaling **2,700+ attendees**

Held several advisory board meetings with **Top 15** Servicers

Helped homeowners with **77K** Forbearances, **61K** Payment Deferrals, and **44K** Flex modifications.

# Resulting in workouts for homeowners...



- Freddie Mac’s response (in alignment with Fannie Mae) to the crisis has remained swift and included the implementation of loss mitigation and servicing products designed to assist homeowners.
- Recent months have seen the volume of Flex Mod Trial Period Plans increase, while Payment Deferrals have begun to decrease.
- Workout Activity as decreased by 50% since January 2022, bringing us back to pre-pandemic levels.





Reimagine Servicing®  
**GO BEYOND**

**April 2023**

# We're Transforming the Servicing Lifecycle



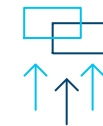
## Transforming the client experience

Creating an easier path to do business with us



## Improving efficiencies

Eliminating manual processes, improving data quality and making access to servicing data easily available



## Bringing innovation and speed to market

Developing and deploying solutions that meet our clients' needs and give them a competitive advantage



## Reducing costs

Providing a no-cost servicing and default tool

# Innovative Solutions Transforming Servicing



## Resolve® (Default Management)

### Risk Mitigation

Automation and rule-based eligibility decisions means better data quality and rep and warranty relief

### Speed to Market

Faster mortgage assistance provides a competitive advantage and benefits struggling homeowners

### Operational Efficiency

Direction Integration Simplifies workflow saves time and resources



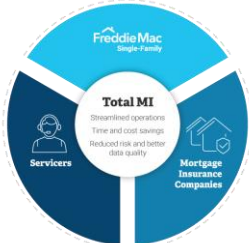
## PAID (Expense Reimbursement)

### Cashflow

Faster reimbursement supports servicer and their partners operations

### Operational Efficiency

Simplified workflow saves time and resources



## Total MI<sup>SM</sup> (Mortgage Insurance)

### Risk Mitigation

Reduced risk and controlled workflows make for more accurate and timely data exchange

### Transparency

Tools connect the tri-party stakeholders and provide a clear view into processes



## Investor Reporting

### Transparency

Iterative enhancements to simplify the Servicer's workflow

### Operational Efficiency

Simplified workflow and reporting saves time and resources

# Key Reimagine Servicing Updates



## Resolve (Default Management)

- Completed Resolve API integration and adoption with a total of 24 servicers to date.
- Mandate to adopt Workout Prospector/Bypass for Flex Mod and Payment Deferral submissions slated for 8/31.

## PAID (Expense Reimbursement)

- Servicers can now enter expense dates up to a year in advance to account for work not yet performed.
- “Expense ID” is now available in eBill files to improve reconciliation of reimbursement payments from PAID.

## Total MI Solutions

- 60% of claims volume now available for Servicer review due to Total MI Claims API adoption.
- Total MI Reconciliation fully adopted.
- 6 early adopters to begin testing Total MI Cancellations “single loan eligibility look-up” via UI in Q2-2023.

## Investor Reporting (LLR, Cash Manager, Servicing Transfer Manager)

- Plans to increase loan submission capacity from 100,00 loans to 300,000 in Servicing Transfer Manager.





# Questions?



# Thank You

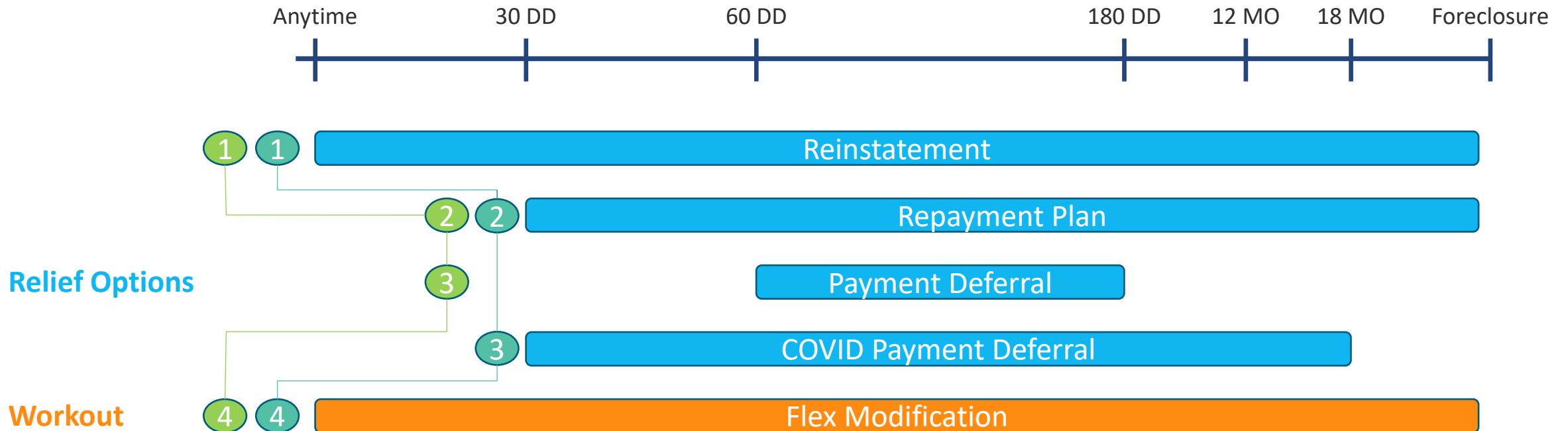


# Appendix

# Loss Mitigation Hierarchy



After forbearance, a borrower must be evaluated for a relief option or workout to bring the loan current. There are two evaluation hierarchy tracks – it depends if the hardship is related to COVID-19.



Standard COVID-19 Hardship



# Loss Mitigation Hierarchy (cont.)



- 1. Forbearance:** Relief option that provides a temporary reduction or suspension of payments to give Borrowers a period of time to improve their financial situation.
- 2. Repayment Plan:** Borrowers that have had a short-term hardship, and now can begin making payments again, but either do not want or do not require a payment deferral or loan modification.
- 3. Payment Deferral:** A relief option for Borrowers with a resolved hardship, who are between 60-180 days delinquent. Past due payments are deferred (non-interest bearing) and will be due and payable on the earlier of the Mortgage maturity date, refinance, payoff or transfer of the Mortgaged Premises.
  - COVID-19 Payment Deferral:** An option to defer up to 18 monthly delinquent payments to create a non-interest-bearing balance that will become due and payable at the earlier of the Mortgage maturity date, refinance, payoff or transfer of the Mortgaged Premises. The hardship must be related to COVID-19.
- 4. Flex Modification:** Permanently modifies the terms of the Mortgage in order to generate payment relief; the Flex Modification targets a 20% payment reduction by considering adjustments to term length, interest rate, and principal forbearance.
- 5. Standard Short Sale:** Borrowers that wish to gracefully exit the home by selling the property for less than the total amount necessary to satisfy the mortgage. Cash or note contribution may be required in some instances.
- 6. Standard Deed-in-Lieu:** Borrowers that wish to gracefully exit the home by voluntarily conveying clear and marketable title to the property to Freddie Mac in exchange for a discharge of debt.