

INVESTOR DAY 2023

Quality Control & Operational Risk Management

Today's Speaker



Jeffrey Smith

Vice President, Quality Control & Operational Risk Management

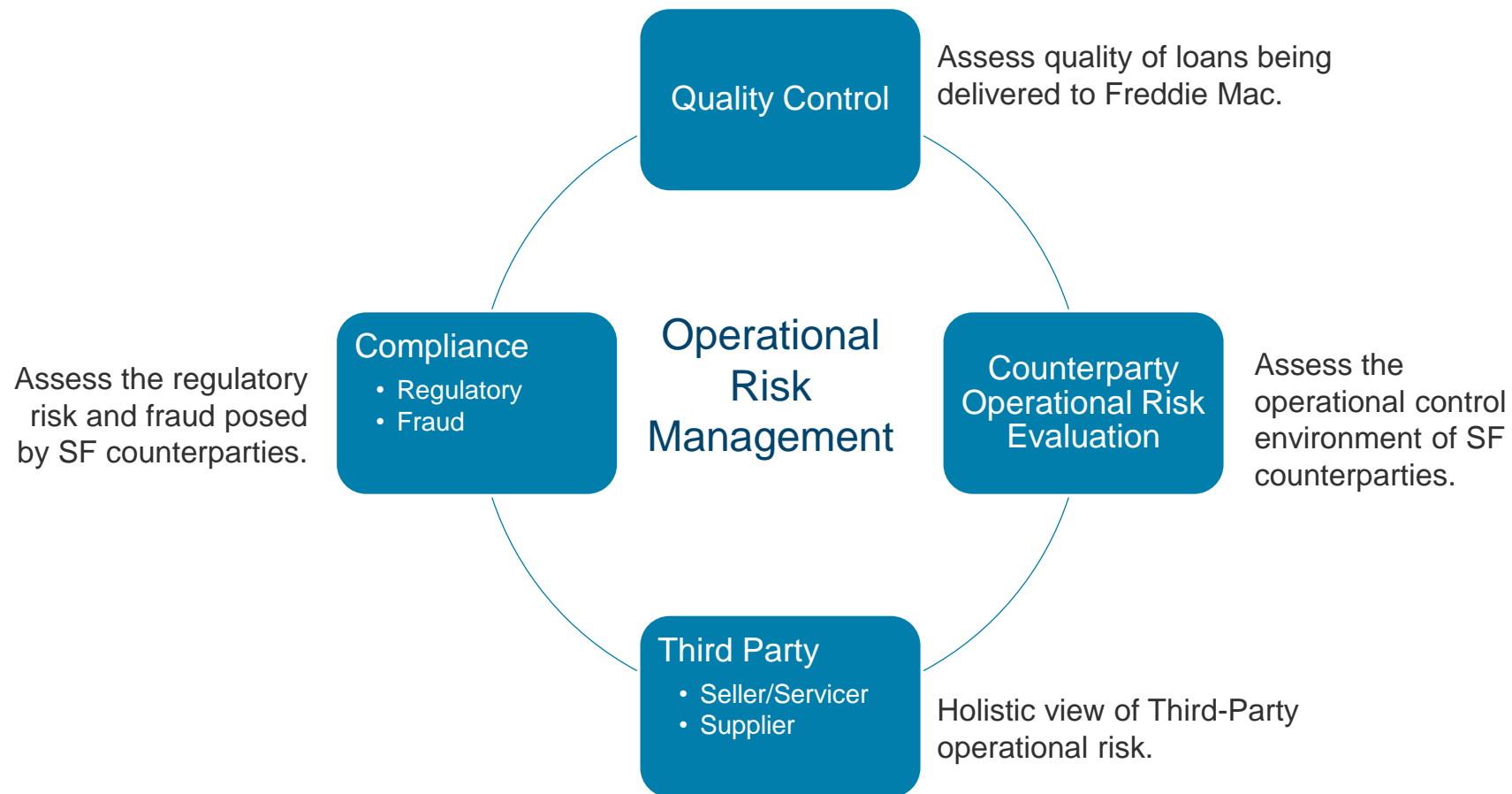
Jeff Smith is vice president of Single-Family quality control and operational risk management in the Freddie Mac Single-Family Acquisitions Division. He leads quality control (QC) activities associated with new loan purchases and our fraud program related to the division's business activities. He also oversees the Counterparty Operational Risk Evaluation (CORE) program and governance and serves as Acquisitions Division Risk Officer (DRO) for operational risk. Joining Freddie Mac in 2022, Mr. Smith has 35 years of experience in consumer financial services, including 25 years with Wells Fargo Home Mortgage, where he most recently served as executive vice president of mortgage servicing. Prior to that, he was their senior vice president of compliance and operational risk.



Our Agenda

- 1. SF Acquisitions Operational Risk Management**
- 2. Quality Control Holistic View**
- 3. CORE Review Process**
- 4. Third Party: Seller/Service Operational Risk Management Activities**

SF Acquisitions Operational Risk Management



Quality Control Holistic View



Freddie Mac Single-Family manages risk at every step of the loan manufacturing process from pre-funding, at funding and post-funding through a combination of technology (Loan Advisor Suite of applications), process automation and loan documentation reviews.



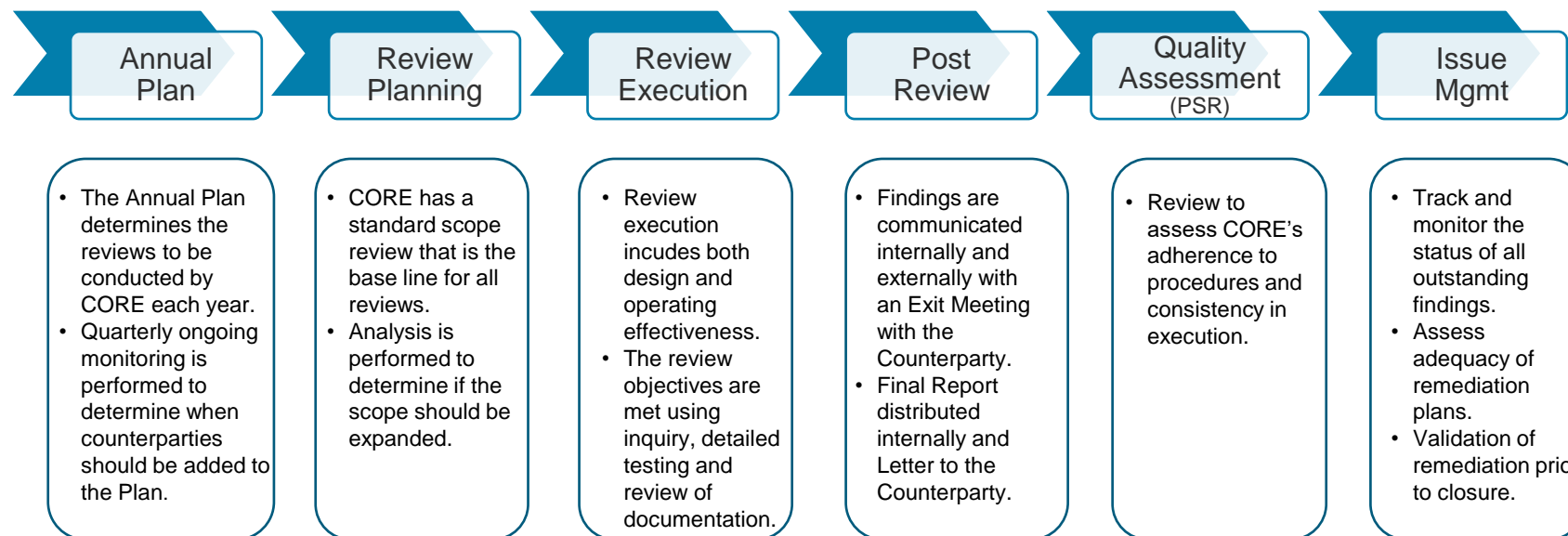
Post-Funding QC Loan File Review Process		
Sampling	<ul style="list-style-type: none"> • Random Sample • Targeted 	<ul style="list-style-type: none"> • Non-Performing • Responsible Lending Compliance
Loan File Request/Receipt	Loan file must be requested and received from Seller	
Reverification	Key information is reverified	
Review	<ul style="list-style-type: none"> • Loan file reviewed against Guide requirements and Seller contract, as well as to confirm accuracy of data delivered to Freddie Mac • Review may be full scope or only a component (e.g. collateral) 	
Decision	Based on the review, a decision is made by SF QC that the loan was either acceptable quality or not acceptable quality	
Remedy	<ul style="list-style-type: none"> • Repurchase request issued on not acceptable quality loans • Seller may appeal; if successful, repurchase request is rescinded • When Seller accepts repurchase alternative (recourse/indemnification) or repurchases a loan selected in the Random Sample, the defect will influence future sampling 	

CORE Review Process



Counterparty Operational Risk Evaluation (CORE) is responsible for conducting Single-Family counterparty reviews to assess the design and operating effectiveness of operational controls, as well as identifying potential risks to Freddie Mac.

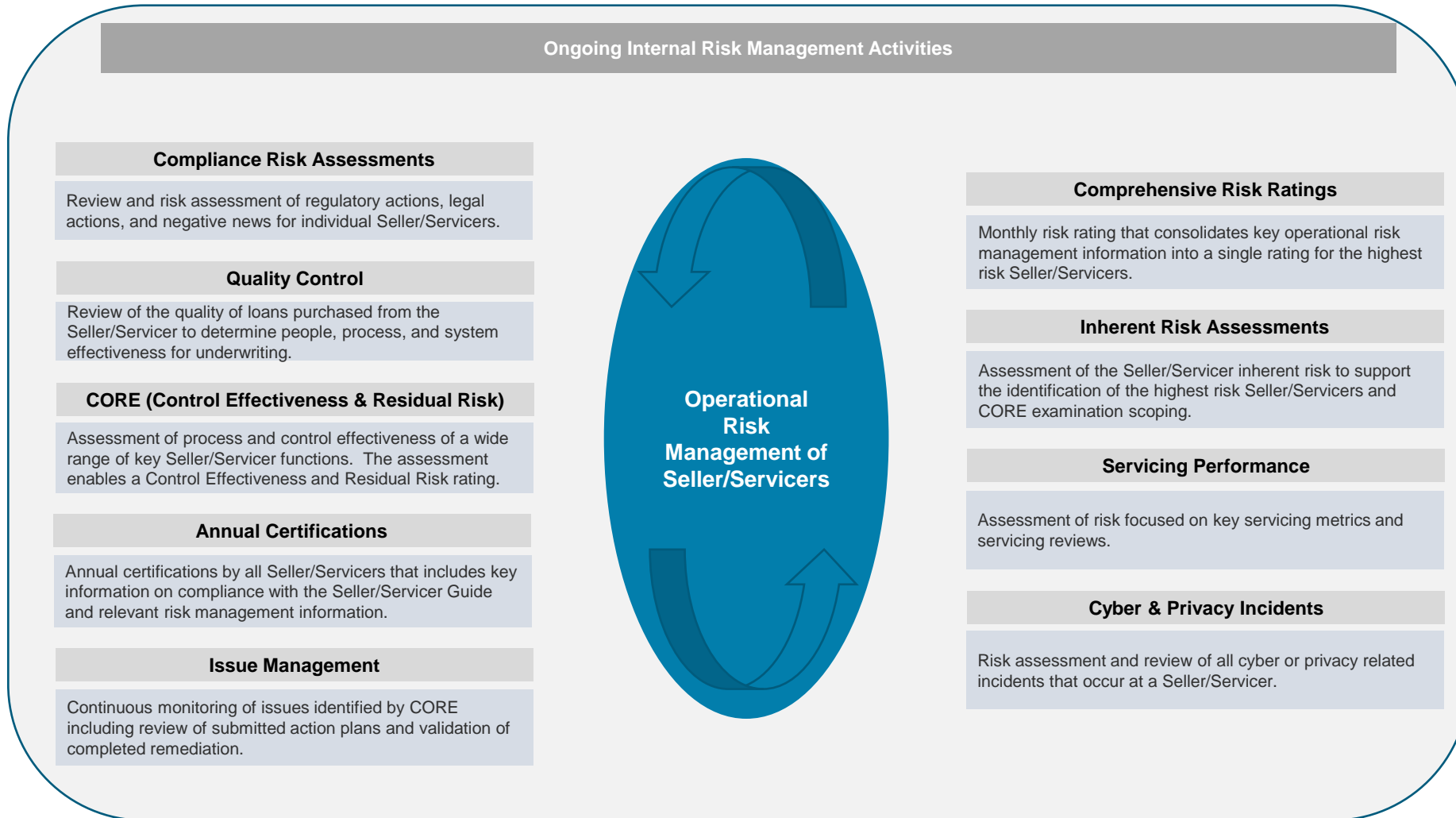
- Review are conducted on a cyclical schedule ensuring over a three-year period approximately 90% of exposure is reviewed.
- A standard full scope review give a consistent, holistic operational control environment view of the SF counterparty.



Third Party: Seller/Service Operational Risk Management Activities



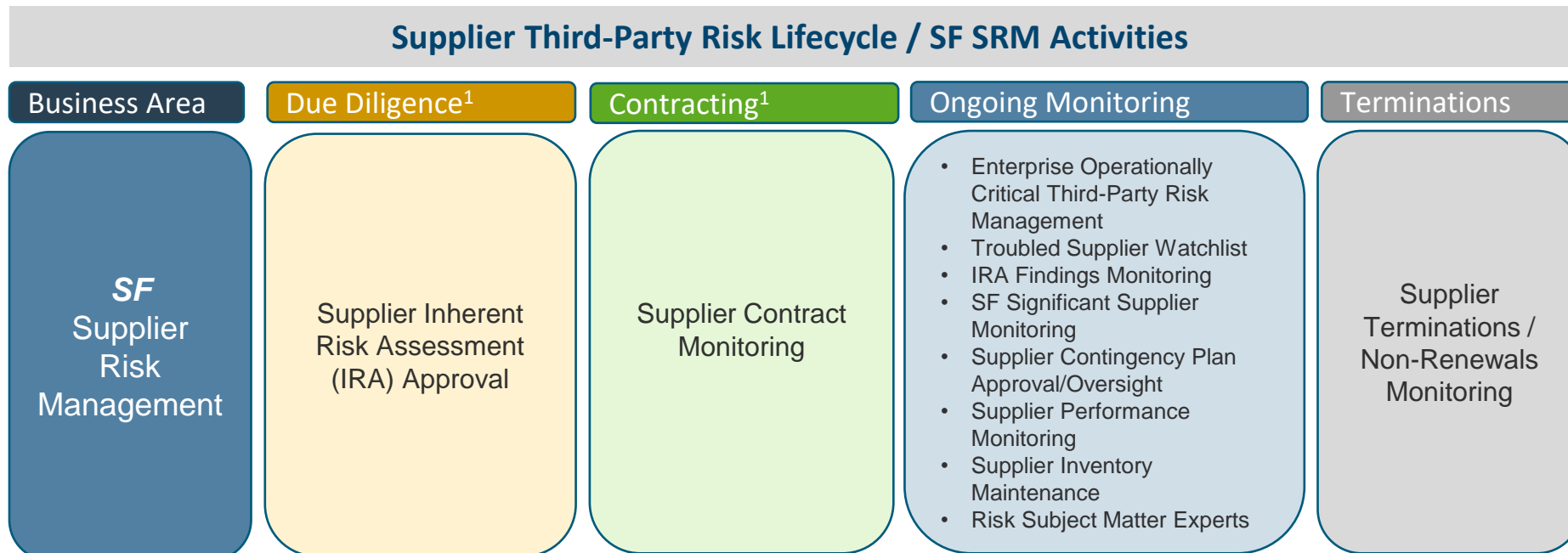
Single-Family has multiple risk management program established to monitor and manage the operational risk of approved Seller/Service. These program ensure risk is identified and effectively managed to protect Freddie Mac.



Third Party: SF Supplier Risk Management



- SF SRM is responsible for Risk oversight and execution of requirements from Federal Housing Finance Agency (FHFA), Freddie Mac’s Enterprise Third Party Office, and Freddie Mac’s Enterprise Supply Chain.
- SF SRM performs activities throughout the Supplier Third Party Lifecycle and serves as a central point to provide guidance to SFs Supplier Relationship Managers and oversight of SFs Supplier Engagements.
- SF SRM Administers the Enterprise Operational Critical Third-Party Program which mandates enhanced due diligence for critical Suppliers.



1-In partnership with Freddie Mac Enterprise Supply Chain

Single-Family Fraud Risk Program



Freddie Mac’s Single-Family Fraud Risk (SFFR) manages a broad spectrum of fraud-related matters and risks through two teams.

- One focuses on Detection and Compliance issues through Suspicious Activity Report filing, Key Risk Indicators, analytics, reporting, and training.
- The other conducts onsite Investigations and drives Resolution through internal referrals for repurchase and policy changes, external referrals to law enforcement and regulatory bodies. Their work includes evaluation for placement on our Exclusionary List which precludes further business with identified fraudsters.





Questions?



Thank You