Small Balance Loans
2017 Kickoff Customer Update

January 18, 2017
Our Appreciation for a GREAT YEAR!

THANK YOU!

ARBOR

Capital One

CBRE

Community Preservation Corporation

HUNT

GREYSTONE

PennyMac

Pinnacle Financial Partners

READYCAP Commercial, LLC

red capital group

SABAL
Today’s Discussion

2016 Recognition

Pricing Grid

New Competitive Prepayment Option

Affordable Housing Process Update

Program and Process Changes
Thank you for another great year.....

- Purchased over **1,500** SBL loans for **$3.7 Billion**
- Uncapped purchase volume of **$2.5 billion**
- Carry into 2017 is over 850 loans for more than **$2 Billion**
- All SBL Seller/Servicers increased their volume
- 6 SBL Sellers funded over 100 loans with Freddie Mac
- Significant Mission Business
  - Over **20,000** units affordable to very low-income families
  - Over **15,000** units affordable to low-income families in properties with 50 units or less
SBL Star Showcase

Our Congratulations to…

Arbor Realty Trust - Top SBL Seller 2016
Greystone - Most Volume in Top Markets in 2016
CBRE - Most Improved Seller 2016
Sabal - Turnaround Company of the Year
Welcome New SBL Team Members

Underwriting

Catherine Evans
Senior Director, SBL Underwriting
Chicago, IL

Megan Felch
Underwriting Associate
Central Region – Dallas

Daniel Kang
Underwriting Associate
Northeast Region – New York, NY

Michael Gray
Underwriting Analyst
Northeast Region – New York, NY

…and announcing the promotion of Ben Schweitzer to Director!

Production

Russ Dines
Senior Producer
Pacific Northwest/West Region
Seattle, WA

Claudell Ellis
Production Analyst
Southeast/East Region
McLean, VA
Pricing Grid Update

- Tighter Grid designed for fewer discounts
  - New Grid posted on 1/17/17
  - More focus on grid pricing in 2017
  - Regional Discounts Available, but more limited

- Discounts for incentives, affordable housing and other adjustments will be posted

- New 5 year fixed/hybrid top market pre-payment option
  - New Option (3,1,0,0,0)
  - +20 bps
  - Reduction of partial IO = -4 bps/year of IO
Affordable Housing

- Must pre-screen with the Region
  - Must meet program requirements – see term sheet
    - Eligible/Ineligible properties, borrowers
    - Must be 50 units or less*
      - Pre-screen requires completed regulatory agreement questionnaire AND regulatory agreement along with any/all subsidy agreements
  - Not an automatic approval – the subsidy levels and terms must be evaluated prior to approval
  - There is a minimum 10 bps additional premium applied to the rate

* Deals over 50 units require consultation with Targeted Affordable Housing
New Reporting Requirements (PMT)

Effective Immediately…

- Input loan level data more timely – *delays cost deals*
- Report *applications issued*
- Include brokerage firm
- Calculate and report VLI and LI units
  » Important to measure performance
  » Consideration of property affordability useful in some loan pricing requests
Process Requirements

- Very Small Market Loans Must Be Pre-Screened with the Region
- Please/Must tell Freddie Mac when you turn down a deal due to borrower, property or other material credit issue

Under consideration:

*Issue is declining underwriting package quality, late delivery and failure to rate lock.*

- Refundable application fee for all top market deals with fee payable for failure to rate-lock
- 5 bps charge for late delivery and/or incomplete packages
- Additional fees for credit exceptions not vetted prior to underwriting package delivery
UNDERWRITING & CREDIT

- Dedicated Seller underwriting staff… THANK YOU
- Quality of packages
  - Incomplete packages or insufficient support
- “Cash-execution” securitization and B-piece buyer impact
  - No credit box change
  - Improve transparency and source data
    - Zoning
- Commercial Lease Abstract and Estoppel requirement
- Turn-times
  - Small & Very Small Markets vs. Standard & Top Markets
- Public Borrower Principal public searches required before full underwriting package submission (since 11/01/16)

- Utilize Public Record Search Job Aid (on SBL website)

  Duplicate tables as necessary to include all applicable parties.

<table>
<thead>
<tr>
<th>Individual Borrower</th>
<th>CLEAR</th>
<th>ADVERSE FINDING(S)</th>
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<tbody>
<tr>
<td>[Enter Full Legal Name]</td>
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<tr>
<td>Federal (includes Bankruptcy)</td>
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<tr>
<td>County/State of primary residence</td>
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<tr>
<td>If a refinance, County/State of Mortgaged Property if different from above</td>
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- Avoid execution delays, save money and increase transparency

  » Contact Molly Jo Battenfield (molly_jo_battenfield@freddiemac.com) for per search cost analysis
Legal, Document and Guide Changes

- **SBL Single Counsel**
  - We finished the year with 12 strong SBL Single Counsel firms
  - Anticipate calls in Q1 seeking constructive feedback on these firms

- **Loan Documents**
  - Remember, for new loans:
    - mid-year rent roll reporting is in effect
    - priority repairs no longer have a specified completion date
  - Expect new form notes this month that include the new prepayment option

- **Guide/Seismic Insurance**
  - As of the December *Guide* update, SBL Sellers may not waive seismic insurance requirements
Training

Expect webinar trainings in 2017 on various SBL legal topics

Send suggested topics to Freddie_Mac_Legal_SBL@FreddieMac.com
Questions?