Freddie Mac Executes First 2015 Sale of Seriously Delinquent Loans From Its Investment Portfolio

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MCLEAN, VA--(Marketwired - Mar 3, 2015) - Freddie Mac (OTCQB: FMCC) sold via auction 1,975 deeply delinquent non-performing loans (NPLs) from its mortgage investment portfolio on February 6, 2015. The loans have an aggregate unpaid principal balance (UPB) of $392 million. The transaction is expected to settle in mid-March.

These loans have been delinquent for approximately three years, on average. Given the deep delinquency status of the loans, the borrowers have likely been evaluated previously for or are already in various stages of loss mitigation, including modification or other alternatives to foreclosure, or are in foreclosure. Mortgages that were previously modified and subsequently became delinquent comprise 24.1% of the aggregate pool by loan count.

The loans were offered as three separate pools of mortgage loans, and investors had the flexibility to bid on one or more pools, or bid on the aggregate of all three pools as all-or-nothing. Pretium Mortgage Credit Partners I Loan Acquisition, LP was the winning bidder on Pool #1 and Pool #2, and Bayview Acquisition, LLC was the winning bidder on Pool #3. The cover bid prices (second highest bids) were low 90's percent of UPB for Pool #1, mid-70's percent of UPB for Pool #2 and mid-50's percent of UPB for Pool #3.

The three pools were:

Pool #1: 752 NPLs with an aggregate UPB of $136.2 million and a BPO LTV of 74%
Pool #2: 468 NPLs with an aggregate UPB of $102.4 million and a BPO LTV of 100%
Pool #3: 755 NPLs with an aggregate UPB of $153.1 million and a BPO LTV of 135%

The average loan size and note rate on the aggregate of the three pools were $198,400 and 5.39%, respectively. The aggregate weighted average loan-to-value (LTV) was 96.1% of the property value, based on Broker Price Opinions (BPO) of the underlying properties.

Freddie Mac, through its advisors, began marketing the transaction on January 21, 2015 to potential bidders, including minority and women owned businesses (MWOBs), non-profits, neighborhood advocacy funds and private investors active in the NPL market. Potential bidders were required to agree to meet Freddie Mac's bidder and servicer qualification requirements.

Requirements on winning bidders' servicers include:

- Servicer must be approved by and in good standing with Freddie Mac, Fannie Mae, Ginnie Mae, or FHA.
- All servicers must agree to service in accordance with applicable law.
- Servicers must prioritize loan modifications over short sales or deeds in lieu of foreclosure; and for loans that transition to REO (Real Estate Owned), encourage sales to owner occupants, second home buyers and non-profits.
- Servicers must inform borrowers of applicable alternatives to foreclosure for which they may be eligible.
- Servicers must honor completed modifications, and those in trial or applications in process at the time of sale, and continue to close in-process modifications unless they are able to offer terms more favorable to borrowers.
- Subsequent transfers of servicing are subject to a number of similar requirements to also encourage alternative to foreclosure resolutions by the subsequent servicer.

Advisors to Freddie Mac on the transaction were Bank of America Merrill Lynch, Credit Suisse and The Williams Capital Group, L.P.

Freddie Mac was established by Congress in 1970 to provide liquidity, stability and affordability to the nation's residential mortgage markets. Freddie Mac supports communities across the nation by providing mortgage capital to lenders. Today Freddie Mac is making home possible for one in four home borrowers and is one of the largest sources of financing for multifamily housing. Additional information is available at FreddieMac.com, Twitter @FreddieMac and Freddie Mac's blog FreddieMac.com/blog.

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