How Do We Measure Up?

This year, we’re fully engaged in measuring customer satisfaction through a variety of methods. We’d like to thank those of you who have participated so far in our online, post-transaction surveys. As the name indicates, the survey is designed to gauge your satisfaction with flow transactions with us after they occur. The goal of this ongoing survey is to assess how well we’re performing as a business partner and how we can better serve your business needs. All responses are kept strictly anonymous and confidential.

Coming up later this year, we’ll be soliciting input from each of our correspondent lender companies via a more comprehensive survey that will give you the opportunity to rate us on all aspects of our relationship with you, as well as factors such as reputation/brand and products. We plan to share the results of that survey with you at the All-Hands Conference in September. Your feedback is invaluable and helps us establish priorities for improving our relationship with you.

Paper Loss is Your Gain

Effective immediately, as part of our larger initiative mentioned earlier this year to reduce paper, you’re no longer required to store paper copies of the following key documents, as long as you can produce legible hard copies of those documents on request in accordance with the Guide:

- Security Instrument (and any modifications to the security instrument)
- Note (and any allonges, riders and modifications to the note)
- Assignment of Security Instrument (and any intervening assignments)
- Legal notices regarding the property

We’ll be modifying Guide sections 34.3 and 34.4 in the future to reflect this change.

As before, if you maintain any files containing an original security instrument, note, or assignment of security instrument, you must continue to maintain these files in a fire-resistant storage area. In addition for original documents, the Freddie Mac loan number assigned to the mortgage (or any replacement number subsequently issued by Freddie Mac) and a cross-reference to any electronic file must be clearly identified on the top right-hand corner of the face of each paper document you maintain.

Environmental Change for Forwards

In response to your input, we’re making changes regarding the submission of environmental reports for Forward Commitment new construction deals only. The revisions are anticipated to save borrowers expense, facilitate the delivery of full underwriting packages at the construction phase, and clarify conversion requirements.

Effective immediately, we’re eliminating the current requirement in the Affordable Forward Commitment External Guidelines for an environmental report to be submitted in conformance with Freddie Mac Guide
requirements (Chapter 13) at full underwriting of the construction phase of any new construction Forward in cases where the borrower can provide Freddie Mac with both of the following:

- A recent environmental report (within 12 months of the Freddie Mac Forward Commitment) prepared by a professional environmental consultant and completed in accordance with the ASTM standard (E1527-00 or E1527-05)
- A certification that there are no known environmental issues or that identified issues will be resolved in accordance with our Guide requirements

The borrower certification for the environmental issues must be delivered to Freddie Mac prior to our issuance of the Forward Commitment. We may require additional environmental information if the borrower’s report is inadequate or if issues are left unresolved.

We are also clarifying our conversion requirements such that an environmental report per Guide chapter 13 must be delivered with the Permanent Phase Mortgage Underwriting package prior to conversion. Any form of report “updates” will no longer be accepted.

Note that these changes will not have an impact on Forward Commitment rehab deals. Look for these changes in a future Guide update. For additional information on this revision, please contact Richard Meyer, director, Physical Risk, at (703) 714-2902.

June Guide Changes

Radon Testing Requirements
In response to your feedback regarding the protocols implemented in the February 2006 Guide Bulletin, we announced changes to our radon gas testing requirements in last month’s Developments. The changes are intended to help streamline the assessment process, while appropriately managing risk issues. We’re incorporating these changes into section 13.14 of the Guide in the Environmental Requirements Chapter with the June Bulletin.

Initial long-term testing is no longer required in any radon zone. We have also clarified our testing protocol to specify that the minimum initial radon screening include the greater of a minimum of 10 percent of the ground floor units, or one unit per building. Any elevated radon test results must be followed with long-term testing.

UCC Searches for Seniors Housing Operators
We’ve expanded the list of parties included in the search criteria for Uniform Commercial Code (UCC) financing statements of a seniors housing property. When a seniors housing property has an operator/master tenant, you must search for any filings against the operator in its corresponding jurisdiction, in addition to searches for the borrower and manager. This change will be effective on June 7, with the publication of the June Bulletin.

If you have questions about these upcoming Guide changes, please call James Hurley in our Customer Management and Market Launch Department at (703) 714-2787.

Katrina Update: Continuing Our Commitment

We continue to demonstrate our commitment to providing affordable rental housing in New Orleans following Hurricane Katrina by funding or moving towards funding more than $100 million in mortgages on multifamily properties in that area.

Recently, working together with Reilly Mortgage Group, we provided a flexible financing structure through our credit enhancement of $12.6

River View Villas, New Orleans, LA
million in variable-rate, tax-exempt bonds. Proceeds from these bonds helped finance a 336-unit New Orleans property, the River View Villas.

“Katrina hit just a few days before the credit enhancement was scheduled to close. All parties agreed to postpone the closing. The property sustained an estimated $1.5 million in damages from the storm. We followed through on our commitments relating to this transaction despite these and other tremendous challenges. Our credit enhancement enabled the New Orleans-based borrower to increase its liquidity, while facilitating the exit of its equity partner,” said Mike McRoberts, vice president and Southeast Region managing director.

“Freddie Mac expedited a pre-stabilized closing by obtaining various credit enhancements, such as debt service escrow and a letter of credit, to make the closing possible for the borrower. The transaction closed as a result of the creative structuring by Freddie Mac, which enabled the borrower to avoid any negative financial consequences,” said Phil Morse, vice president, Reilly Mortgage Group.

“After Hurricane Katrina we have strived to maintain a business-as-usual attitude to continue with transactions that support rental housing in the area,” said Mike May, senior vice president of Multifamily Sourcing. “We are also working daily with all of our impacted borrowers and their insurance companies to help them rebuild their properties and get much-needed rental housing back on the market.”

Staff Announcements

Patricia Camacho has joined Freddie Mac as a senior investment analyst in the Western Region. Prior to joining us, she was regional chief underwriter/senior underwriter for a major multifamily lender. Patricia has more than 20 years experience in mortgage financing.

Jennifer Lam has joined Freddie Mac as an administrative coordinator, supporting both the Customer Management and Market Launch and Conventional Products and Seniors Housing groups. Jennifer brings extensive administrative support and strong technical skills to her new position.

Jonathan Milton has joined Freddie Mac as an asset performance analyst within the Portfolio Services group. Jon is responsible for monitoring the annual performance of a portfolio of loans, including financial and physical risk evaluation and watchlist management. Jon brings underwriting and property management experience to this position.

Nashwa Moussa has joined Structured and Affordable Sourcing as director, Small Loans Execution. She will be responsible for sourcing small loan transactions and negotiating flow contracts with depositaries for the origination of this product. She will also assume a lead role in developing the capability to purchase and process small loans on a delegated basis for securitization. Nashwa has seventeen years of commercial real estate/multifamily finance experience.

Peter Giles has been promoted from senior investment analyst to director, Credit Facilities, in our Structured and Affordable Sourcing department. He will coordinate all origination, products, and processes involved in negotiating and closing credit facilities and large portfolio transactions. He will continue to operate from our Central Region office allowing greater access to all our regional offices and correspondent lender network.

Cindy Knox is transferring from her role as an administrative coordinator in our Central Region to a new position in Freddie Mac’s Single-Family Contracting area. The Multifamily contact person in her place is Asha Watson at (312) 407-7461.
Dave Fetter, Central Region director, has left Freddie Mac. The Freddie Mac person to contact in his place is Richard Martinez at (312) 407-7460.

Mariela Naimi, tax credit associate in Housing Equity Transactions, has left Freddie Mac. The Freddie Mac person to contact in her place is Margaret Sacks at (703) 714-2769.

Chuck Patenaude, investment analyst in Structured and Affordable Sourcing, has left Freddie Mac. The Freddie Mac person to contact in his place is Nashwa Moussa at (703) 714-3051.