



# POLICY > ON POINT

Performing Loans Repurchase  
Alternative Pilot

12/12/2024



# Session Housekeeping

**Muted Lines:** All lines have been muted upon entry and will remain on mute to prevent interference.

**Recording:** This session is being recorded and will be available on the Freddie Mac YouTube channel. If you have any objections, please disconnect now.

**Questions:** Please enter your questions directly into the Q&A box in the bottom right corner of your screen.



# Welcome!

# POLICY ON POINT

Performing Loans Repurchase Alternative Pilot

December 12, 2024



# Our Agenda

1. What is the Performing Loans Repurchase Alternative Pilot?
2. How does the Performing Loans Repurchase Alternative Pilot work?
3. How do we opt in to the Performing Loans Repurchase Alternative Pilot?
4. What are additional considerations to be aware of?

# Today's Speakers



**Gwen Saxby**

Single-Family Quality Control  
Underwriting Director



**Jarel Cohen**

Single-Family Quality Control  
Operations Change Management  
Senior Manager



# What is the Performing Loans Repurchase Alternative Pilot?



*And what led Freddie Mac to create it?*

# What is the Performing Loan (PL) Repurchase Alternative?



## What led to the creation of this pilot?

- We recognized industry feedback about the challenges of performing loan repurchases
- We designed a new repurchase alternative to address that feedback and incent high quality loan delivery
- Freddie Mac piloted this new alternative with a small group of Sellers beginning Q4 2023
- Now, based on those initial learnings, Freddie Mac is pleased to offer the pilot to all Sellers

## What is the overview of the pilot?

- Participants will no longer need to repurchase most performing loans with significant defects
- Instead, Sellers for whom Freddie Mac can generate a statistically significant sampling rate may have a quarterly fee based on loan quality
- The pilot is more efficient for both Sellers and Freddie Mac, and rewards high-quality delivery
- Pilot sellers retain all rights to appeal defect findings, and the representation and warranty (R&W) framework is unaffected



# How does the Performing Loans Repurchase Alternative Pilot work?



*And what are the program details?*





**This pilot will replace the repurchase of most performing loans with significant defects. Instead, depending on loan volume and quality, Sellers may be subject to a fee as a percentage of the total Unpaid Principal Balance sold to Freddie Mac**

## Pilot Overview

Potential fee eligibility is based on whether Freddie Mac can generate a statistically significant Not Acceptable Quality (NAQ) rate for the Seller; regardless, Sellers will not be required to repurchase most performing loans

- Larger Sellers will be subject to a fee each quarter
- Smaller Sellers will not be assessed a fee
- Freddie Mac's determination of whether we can generate a statistically significant sampling rate for a Seller can change
- Opting in requires certain participation timelines but Sellers who opt in may opt out later

## Pilot Operation

The pilot does not affect the standard Quality Control (QC) process; instead, it introduces a new alternative once a significant defect is identified. Non-participants continue other alternatives, including recourse and the new fee-only option

- Freddie Mac QC will sample loans and identify Significant Defects, just as we do today
- Sellers retain all appeal rights, regardless of eligibility
- QC repeats that process for all sampled loans
- For larger Sellers: Freddie Mac calculates the fee for the quarter at the conclusion of the performing loan base sample
- If the loans continue to perform per the R&W Framework, Freddie Mac will retain those loans; otherwise, Freddie Mac may request repurchase



# Fee Overview & Details

Depending on both the quality and volume of loans sold to Freddie Mac, pilot participants may be subject to a quarterly fee **using the formula  $Fee = [Fee Rate] \times [Fee-Eligible UPB]$**

- Fees are calculated once per quarter per Seller and have no bearing on the subsequent quarter
- Only the performing loan base sample determines a Seller's NAQ rate, however ALL sampled loans are potentially eligible for pilot benefits
- Sellers without statistically significant sample rates are not assessed a fee; statistically significant sampling determination is an internal Freddie Mac designation based on many factors (e.g., historic volume/NAQ rate)
- While a Seller's history is a good predictor of the future, Sellers can and do change categories

**Sellers can weigh expected program benefits against expected program fees. Example quarterly fees at different NAQ rates and UPB amounts are provided below for reference:**

Seller's NAQ Rate During the Applicable Quarter	Fee Rate (bps)	Fee Rate	Fee Examples at Different Fee-Eligible Quarterly UPB Amounts							
			\$10B	\$5B	\$1B	\$750M	\$500M	\$250M	\$100M	\$50M
0.0% ≤ 2.0%	0.00	0.000000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
> 2.0% ≤ 5.0%	0.25	0.000025	\$ 250K	\$ 125K	\$ 25K	\$ 18.75K	\$ 12.5K	\$ 6.25K	\$ 2.5K	\$ 1.25K
> 5.0% ≤ 8.0%	0.75	0.000075	\$ 750K	\$ 375K	\$ 75K	\$ 56.25K	\$ 37.5K	\$ 18.75K	\$ 7.5K	\$ 3.75K
> 8.0% ≤ 10.0%	1.00	0.000100	\$ 1M	\$ 500K	\$ 100K	\$ 75K	\$ 50K	\$ 25K	\$ 10K	\$ 5K
> 10.0%	1.50	0.000150	\$ 1.5M	\$ 750K	\$ 150K	\$ 112.5K	\$ 75K	\$ 37.5K	\$ 15K	\$ 7.5K



Most performing loans are eligible for this alternative, excepting the following exclusions:

- Any loan that violates a life of loan representation and warranty, including those set forth in Guide Section 1301.11
- Any loan that does not comply with requirements related to the Freddie Mac Exclusionary List
- Any loan with unacceptable appraisal practices relating to bias, unsupported or subjective terms, or discriminatory effects
- Any loan with severe property conditions issues (such as a property that is or should be classified as a Q6, C5 or C6)
- Any loan secured by a Condominium Unit that does not comply with requirements related to Ineligible Projects or in a Condominium Project with a Not Eligible status
- Any Cooperative Share Loan that does not comply with the requirements related to an ineligible Cooperative Project
- Any loan sold to Freddie Mac with recourse that is still subject to the recourse obligation

**This pilot applies to origination defects. Servicing defects and nonperforming loans will follow the traditional repurchase path.**

Participation in this pilot does not alter the representation and warranty framework set forth in Guide Section 1301.11. If non-excluded loans with significant defects continue to have an acceptable payment history, they will not be subject to repurchase. If those loans fail to meet those payment history requirements, Freddie Mac may request repurchase depending on the severity of the delinquency. Repurchase does not affect NAQ or fee calculations



# How do we opt in to the Performing Loans Repurchase Alternative Pilot?



*And are there any timing restrictions?*



# How to Opt in to Participate in the Pilot

- Unless otherwise notified, Sellers must opt in by **December 20, 2024**, to guarantee participation for loans with Q1 2025.
- Most Sellers will opt in by sending an email to [PL\\_RA\\_Pilot\\_Opt\\_In@freddiemac.com](mailto:PL_RA_Pilot_Opt_In@freddiemac.com), the emails must include information provided in the opt-in template below.
- Freddie Mac will communicate next steps upon receipt of the opt-in request.
- Certain Sellers may have received other instructions via their Freddie Mac representative; if so, please follow those instructions.

## Seller Email Opt-in Template

To: PL\_RA\_Pilot\_Opt\_In@freddiemac.com

Subject Line: Participation in PL Repurchase Alternative Pilot- [Seller Name]

I am writing to request my company's participation in the Performing Loan Repurchase Alternative Pilot (the "Pilot"). I agree with and understand the terms of the Pilot as described below under "Sample Term of Business," and the accuracy of the key contact information provided below:

- Seller/Servicer Legal Name (please include the full name): [Seller Name]
- Freddie Mac Seller/Servicer Family or Branch ID: [Family/Branch ID]
- Legal Name of Seller Individual Authorized to Accept Contract Terms: [Name]
- Email Address of Seller Individual Authorized to Accept Contract Terms: [Email Address]

I understand that Freddie Mac will provide the terms of the Pilot to the email address provided above, and that these terms will be deemed a "Purchase Document" as defined in the Single-Family Seller/Servicer Guide.

[Sender Name]

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# Participation Deadlines

- To participate for Q1 2025 Settlement dates, Sellers must submit the required information to by 12/20/24, unless otherwise noted.
- For Sellers that choose to participate later, opt-in is quarterly and must occur no later than 15 days prior that quarter.
- Once a Seller opts in, participation is for the remainder of that year and for a minimum of **two (2) quarters**.
- The pilot has no end date; a Seller will remain in the program unless that Seller opts out by certain deadlines.

**Below are a few scenarios to help illustrate opt-in/opt-out timing:**

Pilot Eligible Settlement Dates	Opt-in Deadline	Opt-out Eligible Settlement Dates	Opt-out Deadline
Q1 2025 (on or after January 1, 2025)	December 20, 2024	Q1 2026 (on or after January 1, 2026)	November 17, 2025
Q2 2025 (on or after April 1, 2025)	March 15, 2025	Q1 2026 (on or after January 1, 2026)	November 17, 2025
Q3 2025 (on or after July 1, 2025)	June 15, 2025	Q1 2026 (on or after January 1, 2026)	November 17, 2025
Q4 2025 (on or after October 1, 2025)	September 15, 2025	Q1 2027 (on or after January 1, 2027)	November 16, 2026
Q1 2026 (on or after January 1, 2026)	December 15, 2025	Q1 2027 (on or after January 1, 2027)	November 16, 2026



# Other Key Considerations and Questions



# Other Key Program Considerations



## Transfer of Service and Correspondent Loans

- In general, NAQ rate and fee responsibility are tied to the Seller that sold the loan to Freddie Mac.
- Whether or not a loan is eligible for this pilot remedy depends on the Seller that holds the Selling R&W.
- Sellers can check key loan information, such as R&W holder, through Loan Coverage Advisor<sup>®</sup>.

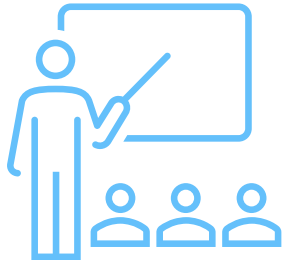
## Other Repurchase Alternatives

- This pilot replaces existing repurchase alternatives for participating Sellers.
- Sellers that choose not to participate will have access to other repurchase alternatives on qualifying loans with significant defects (including recent changes, such as a reduced Recourse fee and a new Fee-only alternative).
- Program participation is governed by Freddie Mac Settlement Date timing; loans sold to Freddie Mac prior pilot effective date are subject to existing remedies even if QC on those loans is completed after pilot effective date.





# Questions?



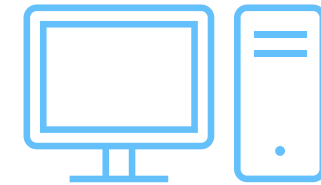
## Freddie Mac Learning Center

[sf.freddiemac.com/tools-learning/freddie-mac-learning/overview](https://sf.freddiemac.com/tools-learning/freddie-mac-learning/overview)



## Customer Contact Support Center

1-800-FREDDIE



## Online Resources

Single-Family website  
[sf.freddiemac.com](https://sf.freddiemac.com)

Single-Family Seller/Service Guide  
[guide.freddiemac.com](https://guide.freddiemac.com)



Thank you