

**7th Annual National P&P Conference
Washington, DC
November 14-16, 2010**

Investor Update Session Summary

November 15, 2010

Moderator

Robert Klein, Safeguard Properties

Panel

Carl Wasson, US Department of Veterans Affairs
Deloise Browne-Milner, Freddie Mac
Rhoan Burnard, Freddie Mac

Marla Webb, President of the U.S. Veterans in Default Servicers, offered the session's opening remarks with an introduction and overview of this newly formed non-profit organization, which was created to engage and assist military veterans with various resources and provide them the opportunity to contribute to the mortgage servicing industry. Additional information regarding this organization can be found at www.usdsvets.com.

U.S. Department of Veterans Affairs

Carl Wasson shared an update of the current efforts and profile of objectives for the upcoming year to be undertaken by the U.S. Department of Veterans Affairs (VA), both of which are in alignment with the department's goals to avoid foreclosures and retain occupancy. As the VA maintains the lowest delinquency and foreclosure rates, the department continually strives to ensure that veterans have full access to modifications, an effort that includes close coordination with the national servicers. Mr. Wasson applauded the industry for its accomplishments and ongoing efforts to prevent foreclosures through home retention and alternative programs.

Even with these successes, the VA has realized a 40% increase in the number of foreclosures since October 2009, generating approximately 12,000 properties within its current inventory. This increase in activity; however, has been greatly assisted by the streamlining and standardization of processes provided by their VALERI system, which has also closely tracked loss mitigation and loan terminations. The VA has also introduced the VAHAMP program, which is the department's tailored adaptation of HAMP. In the summer of 2010, a program for an automatic conveyance to VA was introduced—a process that included and resulted in the monitoring of proper reporting, status, and oversight.

Objectives and enhancements in 2011 include, but are not limited to, updating modification guidelines, introducing a tier-ranking system with published regulations for the industry's reference and application, the further evaluation of and augmentation to VALERI, additional training within the industry, and on-site visits.

Freddie Mac

Like Mr. Wasson, Deloise Browne-Milner and Rhoan Burnard also returned to this year's conference to share a status of activities by and initiatives on the horizon at Freddie Mac. With this GSE reporting a 35%-40% increase in the rate of foreclosures, emphasis was placed on the expectations and guidelines related to property preservation, recognizing that these services are an important tool for loss mitigation. Recognizing that field services providers are Freddie Mac's "eyes and ears," it is expected that monthly inspection reports detail the following:

- Full property condition
- Accurate reporting of violations and citations with proper documentation
- Proper measures taken to preserve and protect vacant and abandoned homes
- Submission of comprehensive and reasonable bids with photographs for all requests for additional work needed

Emergency repairs are reimbursed with the proper documentation to support the action and if completion is done for a reasonable price. Also, overallowables can be reviewed via a direct e-mail contact.

To protect Freddie Mac from avoidable risks, inspections should be completed for properties with either a current or delinquent loan. This guideline requires additional consideration and discussion, as notification and attention is not brought to servicers and field services providers until a loan payment is either missed or late. Ongoing, regular interior inspections during pre-sale remain another area of discussion. Ms. Browne-Milner confirmed that once a property is found to be abandoned, the servicer has the right to secure the property with an inspection completed at that time.

In April 2010, Freddie Mac introduced an automated reimbursement system that is equipped with real-time reporting. A revised guide for pricing and amounts allowable for reimbursement is being reviewed (Exhibit 57). The implementation of new codes is being created as an effort to address and eliminate blight. This release will help to bring pricing to industry standards, as well as implement additional emergency allowables to help ensure the appropriate preservation of properties. Also, servicers are now able to allow their field services providers to submit request for approval directly to Freddie Mac, which will improve turnaround times.

Freddie Mac recently introduced a property preservation team, which is being led by Rhoan Burnard. Burnard offered clarification regarding the conditions that qualify a property as being distressed. These include significant loss of value due to damage(s); although a value for which has not yet been defined, \$10,000 - \$15,000 was given as an example/best practice threshold. In addition, properties may be distressed because of vacancy or abandonment, a definition for which should be determined by jurisdictional regulations; and the presence of code violations or the issuance of citations. Typically, distressed properties are identified following the 30th day of delinquency. When a distressed property is discovered, the servicer must report the condition within 3 business days by completing and submitting Form 105. Servicers are then expected to take necessary actions to prevent further damage to the property.