

Industry Letter



October 1, 2004

Subject: Revisions to Freddie Mac's purchase requirements based on the enactment of antipredatory lending legislation in Massachusetts

TO: All Freddie Mac Sellers and Servicers

Freddie Mac continues to play a leadership role in combating predatory lending practices. We are therefore revising our requirements for the purchase of Mortgages secured by Mortgaged Premises located in Massachusetts in response to the Massachusetts Predatory Home Loan Practices Act and amendments to related laws (the "Massachusetts Act").

The following apply to Mortgages with Note Dates on or after November 7, 2004, that are secured by Mortgaged Premises located in Massachusetts:

- Mortgages secured by Mortgaged Premises in Massachusetts that are High Cost Home Mortgage Loans as defined by the Massachusetts Act are not eligible for delivery to Freddie Mac.
- The Seller must represent and warrant that it will not sell or assign to Freddie Mac High Cost Home Mortgage Loans as defined by the Massachusetts Act or any other ineligible Mortgages.

At this time, there are no changes to our delivery requirements.

Beginning on November 7, 2004, the Massachusetts Act prohibits a lender from knowingly making a home loan that pays off all or part of an existing home loan originated within the prior sixty months or other debt of the Borrower unless the refinance is in the Borrower's interest. We expect our Sellers to comply with the law and to exercise sound business judgment and best practices.

We strongly encourage our Sellers to become familiar with the requirements of antipredatory laws and regulations in each State in which they conduct business. Sellers should review their loan origination processes as well as their arrangements with third-party originators and make any changes necessary to ensure that they do not deliver high-cost home loans and other ineligible Mortgages to Freddie Mac. In accordance with provisions of Section 6.2(a) of the *Single-Family Seller/Servicer Guide* (Guide), Sellers must comply with all applicable laws, regulations and orders. In addition, they must retain appropriate documentation in their loan files to demonstrate that each Mortgage delivered to Freddie Mac complies with applicable laws, regulations and orders.

Without limiting any other remedies set forth in the Purchase Documents, Freddie Mac may notify a Seller in writing, at any time, that the Seller is ineligible to deliver, or is subject to a maximum purchase amount for, Mortgages secured by Mortgaged Premises in Massachusetts. Freddie Mac

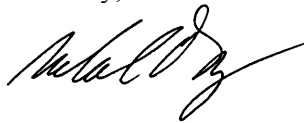
will conduct post-purchase reviews of Mortgages secured by Mortgaged Premises in Massachusetts. If a Mortgage does not comply with the Guide, or is determined to be in violation of any law or regulation, Freddie Mac will request that the Seller repurchase the Mortgage.

Conclusion

Although they are effective on the date indicated above, these new requirements will be incorporated into Chapter 22 and Exhibit 26 as Discretionary Provisions in a future Guide Bulletin. Until that time, Sellers must retain this Industry Letter for Freddie Mac's purchase requirements for Mortgages secured by Mortgaged Premises in Massachusetts.

Freddie Mac remains committed to combating predatory lending while continuing to provide low-cost, easily accessible mortgage financing. For questions about these changes to Freddie Mac's purchase requirements, please call (800) FREDDIE.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael C. May". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Michael C. May
Senior Vice President
Mortgage Sourcing, Operations & Funding