



Bulk Sale Options – Frequently Asked Questions

Not sure whether you should take the next step toward improving the performance of your portfolio? Learn how Freddie Mac can help you enhance your portfolio in a changing market.

➤ ***We have lots of capital. What would we do with more capital freed up through a securitization?***

Whole loans require you to hold 4 percent capital, while Freddie Mac mortgage-backed securities only require 1.6 percent capital. You could take the capital freed up through a securitization and use it to support investments in additional earning assets, for acquisitions, expansion of your branch network, share repurchases – almost any asset or activity that can generate more revenue, income, and growth.

➤ ***We're not concerned about credit risk or the risk of default. We have a conservative lending policy.***

That's understandable; however, many lenders have built up considerable risk concentrations due to a lack of geographic or origination-year diversification. Even during stable market conditions, it is prudent for lenders to take steps to reduce their exposure to credit risk, and transferring that risk to Freddie Mac through a securitization is an extremely low-cost way to manage credit risk.

➤ ***We're not in any hurry. We can get a bid quickly if the market turns ugly.***

Be proactive. When things turn ugly, there is typically a rush to get deals done at the same time investors might be cautious about the market, creating a poor market for sellers. It's a good idea to discover now what condition your data is in, rather than scrambling to find data in a panic. Do the portfolio data exercise and take action now, on your terms, rather than being in a long line of sellers looking for a buyer later.

➤ ***We have really bad data. I can't divert the resources necessary to clean it up.***

Almost everyone has some challenges with their data. We will work with you to identify any deficiencies in your data, and suggest ways to fill any gaps. In addition, we have great relationships with third-party firms who can help you cleanse and organize your data in preparation for a secondary market transaction.

➤ ***My portfolio is too small for a sale. I should probably have a couple hundred million, right?***

Freddie Mac works with lenders of all sizes, and purchases a variety of loan products. Whether you're a community bank, credit union, or depository institution holding \$15 million or \$15 billion in mortgages, we'll help you reduce your risk exposure and enhance your profitability.

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My loans are ‘Held for Investment.’ I can’t touch them without tainting everything.

We have found that many lenders, after consulting with the appropriate regulatory, accounting, and legal counsel, have been able to do a securitization with Held for Investment loans without tainting the rest of their portfolio. You may have more flexibility than you thought, as long as you’re not moving loans around on a regular basis.

Many of my loans are low coupon, and my chief financial officer won’t let me take a loss.

Wall Street analysts view cleaning up your portfolio as a positive since a short-term loss generated by the sale of low coupon loans may allow you to enhance your long-term gains by reinvesting the sale proceeds in higher yield assets. Also, you may be able to offset a loss on underwater mortgage assets with an extraordinary gain elsewhere in your institution.

I have mostly ARMs, so I don’t have much risk.

While ARMs have less price volatility than fixed-rate mortgages, they still have plenty of interest-rate risk from prepayments, especially as the ARM approaches its interest rate adjustment date.

This is an unfamiliar process for me.

We understand that selling or securitizing mortgages may not be an everyday occurrence. You will have the complete support of your Freddie Mac account manager, as well as the resources of the Bulk Transactions desk. We will work at your pace, to achieve your goals. We would be happy to provide you with referrals of other lenders who have been through the process already.

I don’t want to know what’s in my portfolio.

What you don’t know can hurt you. We will work with you to analyze your loans and risk profile, and develop the best options to restructure your balance sheet, adjust loan-to-deposit or loan-to-share ratios, and manage your risk-based capital.

I have mortgages on my balance sheet but Freddie Mac will not buy these.

Freddie Mac purchases a variety of mortgage products so do not assume what we will and will not buy. Let us review what type of mortgages are on your balance sheet and our experts will be able to tell you which ones are eligible for purchase by Freddie Mac.

We just had a portfolio evaluation completed by someone else.

That means your data is probably clean and organized, and it would be simple to send it to us and get a second perspective on your risk and opportunities. Send us the same file you just used and we’ll get to work on it.

We sell our fixed product and hold our ARMs and are comfortable with the risk.

We’d like to take a look at your fixed rate loans to see if we can help you achieve your objectives. In addition, you may want to have us look at your ARMs at the same time. Many ARM lenders have a strategy of securitizing and selling their ARMs as a way to reduce the prepayment risk as the ARMs become seasoned.

Contact Freddie Mac today to discuss completing a bulk portfolio sale.