



eMortgage A Freddie Mac View

**Ted Adams
Director, Technology
Standards**

Value Proposition

- **Freddie Mac Or Other Investor**
 - Increased speed of funding with eNote
 - Improved data accuracy and quality
 - Reduced loan delivery cost (handling & storage)
 - Elimination of back-office processing (automated note certification)
 - Potential prevention of predatory lending (HUD-1 Smart Docs)
 - Improved fraud detection and examination

Value Proposition

- **Lenders and Other Industry Players**
 - Faster securitization: Warehouse line cost reduced for lender
 - Velocity lending: Elimination of note endorsements
 - Shorter duration gap and interest rate risk
 - Facilitates product bundling
 - Facilitates data storage and retrieval
 - Automates servicing loan setup

Why Now?

- Refinance slowdown is giving lenders a chance to retool and advance technology.
- Every lender Freddie Mac has interviewed regarding eMortgage is interested in utilizing some or all aspects of eMortgage.
- Offers the possibilities for greatly improve efficiency and flexibility of the current business models.
- eMortgage concept is gaining industry-wide momentum.
- Supporting industry infrastructure is being developed for eMortgage (MERS eRegistry, MISMO SMART Document standard, etc.).

Implementation Philosophy

Freddie Mac believes in the value of open standards.

The eMortgage solution belongs to our customers who can control:

- The vendor selection
- The functionality of the solution
- The investor(s) to which it connects
- The user experience of their internal and external customers as they interact with the solution.

Supporting Industry Standards

- Contributing to MISMO eMortgage standards initiatives including data and SMART Document.
- Participating in MERS development of national eNote Registry; signing member agreement.
- Incorporating uniform legal language in the eNote in conjunction with Fannie Mae.
- Supporting implementation of SPeRS deliverables.
- Refining Freddie Mac's eMortgage strategy based on industry feedback.

Fitting Together ...

How do we choose our ESIGN and UETA solutions? What should we be thinking about?

How do we know this is the real eNote?

How do we create and process eMortgage files? How is the business data defined?

 SPeRSSM

MERS
eRegistry



SISAC

How do we know which digital signatures to trust?



How do we plug all this into the County Recorder?

Implementation Plan

- Freddie Mac does *not* plan on developing and deploying a proprietary eMortgage system.
- Collaborate with technology vendors and our customers to create integrated solutions for streamline electronic document and data flow.
- Leverage the infrastructure of our new web-based selling system and best-in-class electronic document and electronic mortgage solutions.
- Incremental approach to deploying new processes to minimize disruption.

Where We Are Now

- Completing the internal infrastructure that lets us build out our eMortgage vision. Incorporates SMART Doc specifications for eNotes.
- Working with customers to detail and refine our eMortgage vision to best support their needs.
- Expanding our policies on eMortgage.
- Continuing to actively work with industry standards groups to further develop concepts.

Short Term Factors

- Many lenders have already invested heavily in imaging on the way to true eMortgage.
- We will most likely be dealing with a hybrid loan which may include a mix of:
 - Paper
 - Digital Images
 - SMART Documents
- We are considering SMART Documents a “leap frog” technology

Summary

- To enable Freddie Mac and our customers to reduce loan costs through the use of widely accepted electronic mortgage documents and data.
- To take thoughtful approach, inclusive of all parties, relevant to our mission, and makes good business sense.
- Facilitate the mortgage industry's adoption of eMortgage capability through leader in industry standards organizations.

More Information

Please contact us:

Ted Adams

Freddie Mac

703-388-7910

Ted_Adams@freddiemac.com

David Barkley

Freddie Mac

703-388-7980

David_Barkley@freddiemac.com