



*The Catalyst for
Community Development Lending*

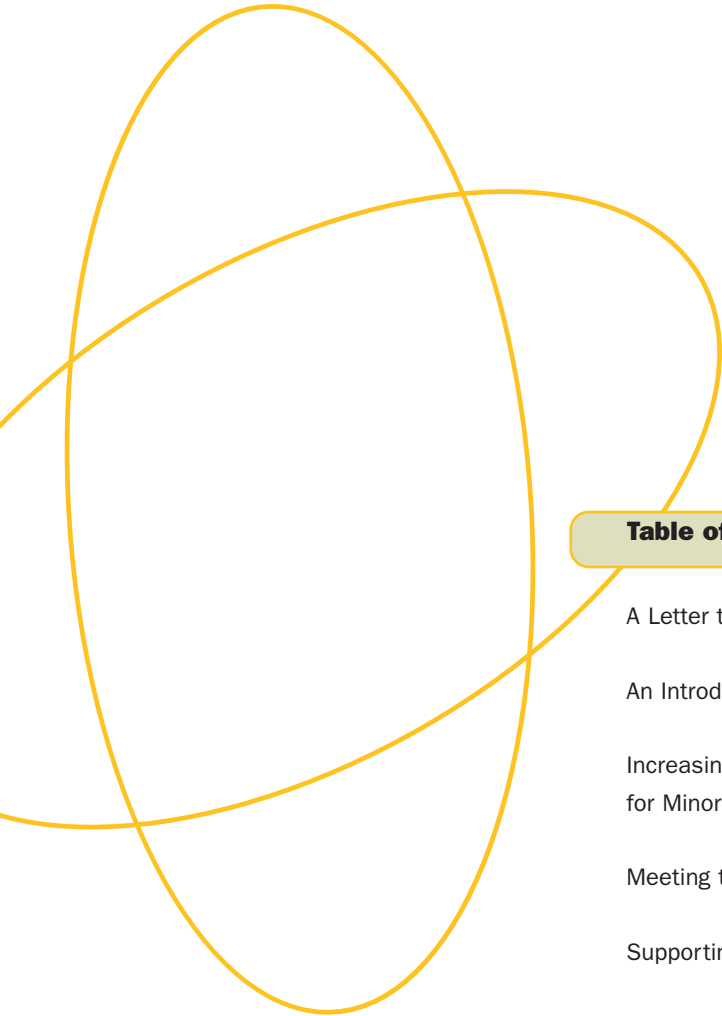


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A Letter to

Our Customers and Participants



Developing a sustainable affordable homeownership initiative takes more than public and private sector resources. To contribute meaningfully to community development lending, you need the right mixture of elements:

energetic leadership, strong relationships, innovative financing, a potent blend of approaches and vision.

It also takes know-how and years of hands-on experience to put these elements together to stimulate highly productive affordable homeownership initiatives in local communities across the country.

Freddie Mac's Community Development Lending team activates these initiatives every business day. Our people thrive on building relationships, on turning expertise into best practices and on crafting solutions for individual communities from real-life experiences. We like serving as the motivating force that brings national, regional and local organizations together and that keeps them together, working together toward a common goal. We see ourselves as catalysts for community development lending.

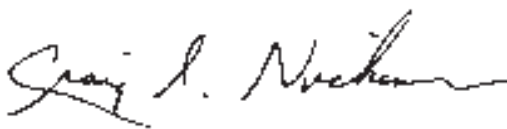
Building strong public-private collaborations and developing new ideas is at the heart of our community development lending business philosophy. Through our community development efforts, we reach out to underserved communities and low- and moderate-income and minority residents to increase their access to mortgage money and to help prepare them for the responsibilities of homeownership.

The pages that follow present the stories of exceptional initiatives and alliances—success stories chosen from the growing ranks of our industry-wide collaborations that are making a vigorous difference in local communities and neighborhoods across the country.

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Together, these stories help fuse the profile of Freddie Mac today—the catalyst for community development lending.

Sincerely,



Craig Nickerson

*Vice President for Community Development Lending
Freddie Mac*

An Introduction to Community Development Lending



“There are great opportunities ahead. Strong strategic partnerships will be crucial to harness the full power of information and technology to expand into new markets and meet the financing needs of an increasingly diverse nation of homebuyers.”

Leland C. Brendsel

Chairman and CEO, Freddie Mac

*The core of our approach as the catalyst for community development lending is to **establish public-private collaborations** that increase access to mortgage credit for underserved households, including low- and moderate-income and minority households, and eliminate barriers to homeownership in targeted underserved communities. Working to help local affordable housing providers be more productive, our Community Development Lending team designs creative solutions to meet the needs of specific populations in targeted market areas; explores the efficient use of public subsidies to make homeownership more affordable; and helps develop effective homebuyer education/counseling and debt management assistance programs.*

Our approach to community development lending incorporates four essential ingredients:

1

We value relationships!

Our Community Development Lending team forms collaborative national, regional and local alliances and initiatives between Freddie Mac Seller/Service providers—our lender customers—and the following types of organizations:

- National and local nonprofit housing organizations
- State and local governments
- Community groups
- Faith-based organizations
- Real estate professionals
- Philanthropic organizations
- Homebuilders
- Mortgage insurers
- Property insurers
- Private real estate developers
- Manufactured housing dealers
- Mortgage originators

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We design new affordable lending products to reach underserved borrowers and communities!

These products offer solutions to the most common problems that low- and moderate-income borrowers face, such as:

- Lack of funds for the down payment
- Poor, nontraditional or no credit history
- Lack of funds to rehabilitate a home in need of repair
- Lack of knowledge about the responsibilities of buying, maintaining and staying in a home over the long term

For borrowers with little of their own savings, for example, we provide a range of Affordable Gold® products, such as **Affordable Gold 97***, a mortgage product that gives borrowers the opportunity to make a three percent down payment from personal cash and to use other sources to cover their closing costs. It also has flexible ratio and reserve requirements. For a borrower with good credit, for instance, our **Alt 97*** product permits the three percent down payment to come from sources other than the borrower. Affordable Gold products, along with our other low-down-payment offerings, provide unprecedented opportunities for homeownership for first-time homebuyers or others who have little savings to use toward the purchase of a home.

For households being assisted in the homebuying process by nonprofit housing groups, we provide **Community Gold**, a versatile loan product used to finance the purchase, purchase-and-rehabilitation, refinance and refinance-and-rehabilitation of 1- to 4-unit properties. Community Gold is available in communities participating in a Freddie Mac alliance or initiative. Where comprehensive pre- and post-purchase counseling is available, Community Gold offers low down payments from personal cash (2% or less), flexible total loan-to-value ratios when combined with subsidized secondary financing (up to 105% for purchase) and flexible credit and underwriting guidelines.

For affordable housing providers interested in facilitating property improvements as part of the home purchase, we provide **HOME WORKS!**, a flexible purchase-and-rehabilitation loan product that harnesses the resources and rehabilitation expertise of local housing agencies with Freddie Mac mortgage lending expertise. HOME WORKS! offers low down payments, flexible underwriting and high after-rehabilitation total loan-to-value ratios (up to 120% of after-rehabilitation value). In addition, the availability of the HOME WORKS! rehabilitation reserve eliminates the lender risks associated with property rehabilitation. Hence, lenders and local housing agencies are often interested in this purchase-and-rehabilitation product.

(Look to the back pocket of this brochure for a complete listing of our product and program information from your Freddie Mac business development manager.)

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We offer new ideas and creative ways to increase homeownership opportunities in your community!

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Our Community Development Lending team uses its mortgage credit expertise and affordable housing experience to craft highly effective new homeownership programs. To help people with credit problems become homeowners, for instance, we've created a new Lease-Purchase lending product. Through this program, we'll purchase mortgages originated to nonprofit organizations or public agencies on single-family, one-unit homes that are rented to potential homebuyers. After the tenants participate in comprehensive homeownership education and counseling sessions, demonstrate the ability to make timely rental payments and accumulate funds for down payments, they can become owners of the homes they have been renting by simply assuming the current mortgage. In this way, we can help families move into the home of their dreams now, even if they are not yet mortgage-ready.

To increase access to homeownership and demystify the homebuying process, we have aligned with retail and faith-based organizations. In **DeKalb County, Georgia**, for example, WalMart and the South DeKalb Mall are providing space for educational ATM-style kiosks featuring interactive computer-based information programs which direct potential homebuyers to homebuyer education classes, financial counseling assistance, down payment assistance from the county and mortgage loans from participating lenders. The kiosks are open seven days a week; the lenders have loan officers available on weekends.

In **Washington, D.C.**, we are working with the minority-owned, nonprofit HomeFree USA to promote the *Freedom Fund*, an innovative mortgage product, tailored to meet the needs of underserved homebuyers. The loan product features a very low down payment from the borrower's personal cash, flexible credit underwriting combined with HomeFree's intensive counseling, and two years of post-purchase support provided by HomeFree. Freddie Mac also provides support for HomeFree's "Buy in DC Campaign" and its faith-based "Debt Free Revival" program.

In **Sacramento, California**, we formed an alliance that includes an employer-based homeownership assistance program. Through this program, employers, such as the Sacramento School District and UC-Davis Medical Center, are working with the alliance to provide incentives, such as down payment assistance or credit counseling, to encourage employees to buy homes in neighborhoods close to their jobs.

We use our mortgage credit expertise and affordable housing experience to craft highly effective new homeownership programs.

Expanding the Dream DeKalb

Freddie Mac, DeKalb County, Georgia government, Green Forest Community Development Corporation (CDC), National City Mortgage, two minority-owned lending institutions—City Trust Bank and Infinity Mortgage Corporation—and retail sector participants joined together in a unique suburban minority homeownership outreach initiative—“Expanding the Dream” DeKalb.” Walmart and the South DeKalb Mall are providing space for educational ATM-style kiosks featuring interactive computer-based information programs which direct potential homebuyers to homebuyer education classes, financial counseling assistance, down payment assistance from the county and mortgage loans from participating lenders. The kiosks are open seven days a week; the lenders have loan officers available on weekends; Freddie Mac’s credit education brochures and other homebuyer materials are available; mortgage loan applications are accepted and referred to participating lenders. The Green Forest CDC provides comprehensive homebuyer education and counseling. Freddie Mac’s Affordable Gold 97, Alt 97 and Community Gold loan products are available through participating lenders. Pictured in front of the kiosk, Dorothy Little receives a certificate for completing the Homebuyer Education Program from Green Forest CDC’s Chapman Walsh (left) and Freddie Mac’s CDL Business Development Manager Vaughn Irons.



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We carry out our new ideas through national, regional and local collaborations!

On the national level, we've created a wide array of collaborations, including alliances with highly regarded organizations, such as the Neighborhood Reinvestment Corporation, the Enterprise Foundation, the NAACP, the National Foundation for Consumer Credit and the Manufactured Housing Institute. These national organizations have many local affiliates throughout the country so they provide both national outreach and local impact. The alliances bring together a full range of housing professionals who join forces to offer the best in community development lending to low- and moderate-income and minority residents.

From San Diego, California to Boston, Massachusetts, we've launched over 25 public-private local initiatives in just the last year that serve people with specific housing needs, including:

- Minority borrowers, including African-American, Latino and Native American borrowers
- Buyers interested in renovating the home they purchase
- Borrowers with blemished or no credit records
- Public safety officers interested in buying a home in the community they serve
- Renters who previously believed homeownership was someone else's dream
- Rural households with limited access to mortgage credit
- Urban residents seeking new homes in older neighborhoods

These local initiatives have their roots planted firmly in the community. Freddie Mac contributes by offering a national perspective on how local organizations can leverage their existing resources and enhance their ability to fulfill the housing needs of more families and individuals. By encouraging local participants to do what they do best, the entire process is streamlined and the local housing providers can be more productive.

As you can see, Freddie Mac is committed to reaching out to underserved households and communities to increase opportunities for homeownership. We invite you to turn to the remaining chapters of this brochure—categorized by ways we can work to meet your specific needs—for a look at the depth and breadth of our most recent community development lending activities.

Increasing Homeownership Opportunities for Minority Families and Individuals



“The NAACP, through its Community Development Resource Centers, is pleased to be a part of Freddie Mac’s efforts to make the American dream of homeownership a reality for so many of our members and constituents.”

Kweisi Mfume

President and CEO, NAACP

Freddie Mac is deeply committed to developing **national and local alliances and initiatives to increase minority homeownership rates across the country.** *The homeownership rate among African-Americans and Hispanics currently stands at about 46 percent, 20 percentage points less than the national rate. We're committed to closing this gap by expanding community-based outreach, credit counseling and marketing efforts, and the availability of low-down-payment mortgage products with flexible underwriting guidelines.*

Our Community Development Lending team uses a multi-faceted approach to boost minority homeownership rates that includes working with minority-owned lenders, creating loan products geared to meet the needs of minority borrowers, reaching out to minority-based trade associations and preparing minority borrowers for the responsibilities of homeownership.

HomeFree USA

Through capacity building support from Freddie Mac and other housing organizations, HomeFree USA, a minority owned, nonprofit housing organization, has successfully counseled over 100 minority, low-and moderate-income families in the Washington, D.C. metropolitan area to become homeowners during the last two years.



One of the most prominent national initiatives we have launched is a **five-year alliance with the NAACP**, an initiative in which we work directly through the NAACP's regional Community Development Resource Centers (CDRCs) to increase minority homeownership. The initiative creatively leverages the strengths of the two national organizations: the NAACP's national community-based outreach ability and an unparalleled history of achievement in economic empowerment; and Freddie Mac's leadership in making homeownership more affordable and available.

As part of the initiative, Freddie Mac has committed to purchase up to \$500 million in mortgage loans from participating lenders. The initiative is being managed through the NAACP's local CDRCs to provide outreach and credit education to potential homebuyers, qualify borrowers for loans, originate mortgages and sell qualifying loans to Freddie Mac. The initiative is being launched in eight states where the CDRCs are located: Maryland, Virginia, North Carolina, South Carolina, Georgia, Florida, Texas and Indiana.

In structuring its largest commitment ever to increase minority homeownership, Freddie Mac and the NAACP have worked to create an alliance that will address a broad array of homebuyer needs. In addition to the mortgage commitments, Freddie Mac is providing the CDRCs with considerable capacity building

and marketing assistance and the latest underwriting technology tools. Never before has the disparity between homeownership rates in the African-American community and the nation been approached from so many levels as this alliance.

Our Community Development Lending team also worked with the Consumer Credit Counseling Service (CCCS) of Los Angeles on a campaign directed to the Hispanic community of Los Angeles County. Its goal was to raise awareness about the importance of maintaining good credit as a means of achieving key goals in life, such as buying a home, starting a business or sending children to college. Media advertising and special promotional materials, in both Spanish and English, directed individuals to free consumer credit workshops and nominal-fee debt management programs conducted by CCCS. Freddie Mac, along with Bank of America, Sears, La Canasta, La Curacao, Deardens and other local stakeholders, provided substantial financial contributions to ensure the success of the high-profile media and outreach campaign.

Consumer Credit Counseling Service of Los Angeles

The goal of the Hispanic credit education campaign was to raise awareness about the importance of maintaining good credit as a means of achieving key goals in life, such as buying a home, starting a business or sending children to college. Among the officials attending the campaign kickoff event were (below) Matt Callahan, Freddie Mac CDL business development manager (left) and U.S. Representative Esteban Torres (D-CA).



Freddie Mac's Approach to Increasing Minority Homeownership

Homeownership rates for minority families and individuals in the United States continue to lag behind homeownership rates for non-minorities. To help close the gap, Freddie Mac is committed to increasing opportunities for minority homeownership through a seven-pronged community development lending approach:

- Developing national alliances and initiatives with key organizations
- Fostering stronger ties to minority-owned lenders
- Creating loan products geared to meet the needs of minority families and individuals
- Focusing efforts geographically
- Providing comprehensive counseling to potential minority homebuyers
- Demystifying the homebuying process
- Reaching out to minority-based trade groups

Meeting the Needs of Cities



“Freddie Mac’s creativity and willingness to go in and make loans available has made it possible for the city of Dallas to help thousands of families in our community.”

Ronald Kirk

Mayor of Dallas

*Our Community Development Lending team is joining forces with local nonprofit organizations and local housing agencies **to build healthy, vital neighborhoods** by making homeownership more affordable and accessible. By offering our expertise in the design and implementation of affordable homeownership products and programs, we are investing in cities, meeting their needs and helping their local housing institutions build capacity to produce greater results.*

As catalyst, our team brings together the right mixture of resources to expand homebuyer markets and homeownership opportunities city by city, neighborhood by neighborhood. We create a reinforced infrastructure in which an experienced and growing network of participants can directly address current housing conditions. Community development lending participants pool and leverage resources to meet local housing needs effectively, consistently and in a way that is appropriate for each city. Because we recognize that each city is different, we work with local government housing agencies, nonprofit community-based organizations and Freddie Mac Seller/Serviceers to package the right financial, technical, service and organizational resources for each city's needs.

Late last year, Freddie Mac launched a new approach, the **Alliance Community**. The Alliance Community represents a significant, sustained multi-year commitment from Freddie Mac designed to measurably increase homeownership rates in targeted cities throughout the United States. In October 1998, we designated Milwaukee, Wisconsin as the first Alliance Community. Since that time, Freddie Mac has designated six additional locations as Alliance Communities.

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To be designated as a Freddie Mac Alliance Community, local homeownership efforts must reflect the following characteristics:

- Strong local government leadership committed to elevating homeownership opportunity
- A capable, experienced lead housing agency
- An established local network of effective affordable housing providers, lenders and government agencies
- Community and government awareness that increased homeownership revitalizes neighborhoods and creates economic independence for families
- A commitment to a comprehensive approach to meeting specific housing needs where Freddie Mac assistance and affordable mortgage loan products can make a difference

In Cincinnati, for example, Freddie Mac launched a \$125 million initiative with the Cincinnati Homeownership Partnership, the city government, nonprofit agencies and lenders, to increase Cincinnati's homeownership rate above the current 38 percent. Freddie Mac has made available a wide range of products and services to its alliance partners. One product will provide capital for the purchase and rehabilitation of 2-4 unit homes. Other products and services include low-down-payment mortgages and the purchase and rehabilitation of existing single-family homes and financial support for a state-of-the-art homeownership center and homebuyer counseling. In an effort to broaden the income diversity in Cincinnati neighborhoods, the products and programs are designed for both low- and moderate-income buyers and higher-income buyers.

In another Alliance Community, **Sacramento**, the Sacramento Housing and Redevelopment Agency (SHRA) and Freddie Mac joined forces in a comprehensive effort to enable approximately 800 families to become homeowners. The alliance features a city-wide purchase-rehabilitation program that wraps the costs of rehabilitation into a single low-cost mortgage loan; an employer-based homeownership assistance program; the conversion of a military base into a new homeownership development; and a program to facilitate new single-family construction in the HUD-designated Del Paso Nuevo homeownership zone.

The city of Sacramento is providing funds from its federal HOME and CDBG programs to leverage private mortgage resources; the SHRA is providing additional support and technical assistance; the Sacramento Home Loan Counseling Center is offering homeownership education; Washington Mutual and other lenders are helping originate loans that will be sold to Freddie Mac; and the California Housing Loan Insurance Fund is providing mortgage insurance and down payment assistance.

In Dallas, our Community Development Lending team designed a comprehensive alliance to foster neighborhood revitalization and increase homeownership opportunities. Freddie Mac has committed to purchase up to \$1.4 billion in new housing loans through approved local lenders over a five-year period. Initiatives include HOME WORKS!, Affordable Gold 97, Community Gold and a lease-purchase mortgage product.

Freddie Mac Alliance Communities

To date, Freddie Mac has designated seven cities as Alliance Communities for their deep-rooted commitment to increasing homeownership opportunities, the existence of a comprehensive public-private lending relationship, experienced local housing providers and strong local leadership. They are:

- Milwaukee, Wisconsin
- Cincinnati, Ohio
- Sacramento, California
- Quad Cities, Illinois and Iowa
- Dallas, Texas
- Oakland, California
- Oklahoma City, Oklahoma

The city of Sacramento became Freddie Mac's third Alliance Community in the country. The Alliance is expected to make \$100 million in new mortgage credit available, enabling an estimated 800 Sacramento residents to become homeowners. Pictured here, Leland Brendsel, Freddie Mac's Chairman and CEO (left), presents Sacramento Mayor Joe Serna, Jr., with a commemorative Alliance Community certificate to recognize this landmark initiative.



Supporting a Stronger Affordable Housing Community



“Low-income families often run into barriers seeking homeownership, such as the lack of a down payment or the lack of a credit history. Bank of America is committed to make banking work for customers in ways it never has before. For instance, we’ve designed two innovative community lending products to break down these barriers for low-income families. We’re pleased that Freddie Mac is partnering with us in bringing innovative community lending products to borrowers across the country.”

Catherine P. Bessant

President, Community Development Banking, Bank of America

*To stimulate stronger communities, our Community Development Lending team offers **capacity building and technical assistance in affordable homeownership.** Our team has the right mix of industry expertise, blending public sector affordable housing experience with mortgage finance know-how. It's the unique combination of both disciplines that makes our community development lending initiatives so successful.*

To bring value to individual communities, we offer an in-depth understanding of the programs of HUD and other federal housing agencies, innovative loan products, new urban infill projects, purchase/rehabilitation programs, counseling and education models, and more.

With this national perspective, we can show localities the kinds of homeownership initiatives that *are* working and help steer localities away from less effective models. In doing so, our Community Development Lending team provides free consultative support designed to leverage public and private resources and produce high-volume results.

To promote affordable homeownership opportunities for **underserved Native Americans**, for instance, our Community Development Lending team, in collaboration with PMI Mortgage Insurance Corporation, created several homeownership initiatives with the Choctaw, Cherokee, Chickasaw and Potawatomi tribes, leveraging funds through the Native American Housing Assistance and Self-Determination Act (NAHASDA). With Freddie Mac technical assistance, these Native American tribes were the first in the nation to leverage NAHASDA funds. To help fulfill their dreams of homeownership, our staff of professionals provided training and technical assistance to tribal members, focusing on a complete understanding of new loan products and the foundations of mortgage credit.

In **Boston**, because there were few attractive options for potential homebuyers to finance extensive repairs in their purchase of 1-, 2- and 3-family homes, our Community Development Lending team created a unique acquisition-rehabilitation program. Through this program, homebuyers can combine the cost of rehabilitation and the home price into one mortgage. The product also has a refinancing component, enabling existing homeowners who need rehabilitation funds to also refinance their existing mortgages. This flexible, high loan-to-value product, developed in collaboration with MGIC, the national mortgage insurer, Boston Federal Savings and the city's Neighborhood Development Department, will also incorporate a strong tenant and landlord counseling program for potential homebuyers.

*Our Community Development Lending team also builds capacity by **sponsoring forums and workshops.** These free events are designed to assist leaders and practitioners in affordable housing to exchange information and learn about best practices in the design and implementation of programs that meet local needs.*

In Oakland, New Orleans, Indianapolis and Springfield, Massachusetts during the past year, for instance, Freddie Mac has sponsored "**Purchase . . . Rehab . . . Revitalize!**" an ongoing forum on revitalizing urban communities. The forums bring together leaders from the public and private sectors to focus on financing successful purchase-rehabilitation and new construction programs as a means of stabilizing and revitalizing neighborhoods.

Freddie Mac also sponsors another type of workshop, "**Designing and Financing Affordable Homeownership Programs.**" These two-day sessions provide hands-on training, complete with a comprehensive reference manual, to assist local housing practitioners in developing and implementing homeownership programs. The workshop offers basic information on mortgage credit, program design, funding and financing resources, effective use of limited local subsidy resources and recent developments in homebuyer education and counseling.

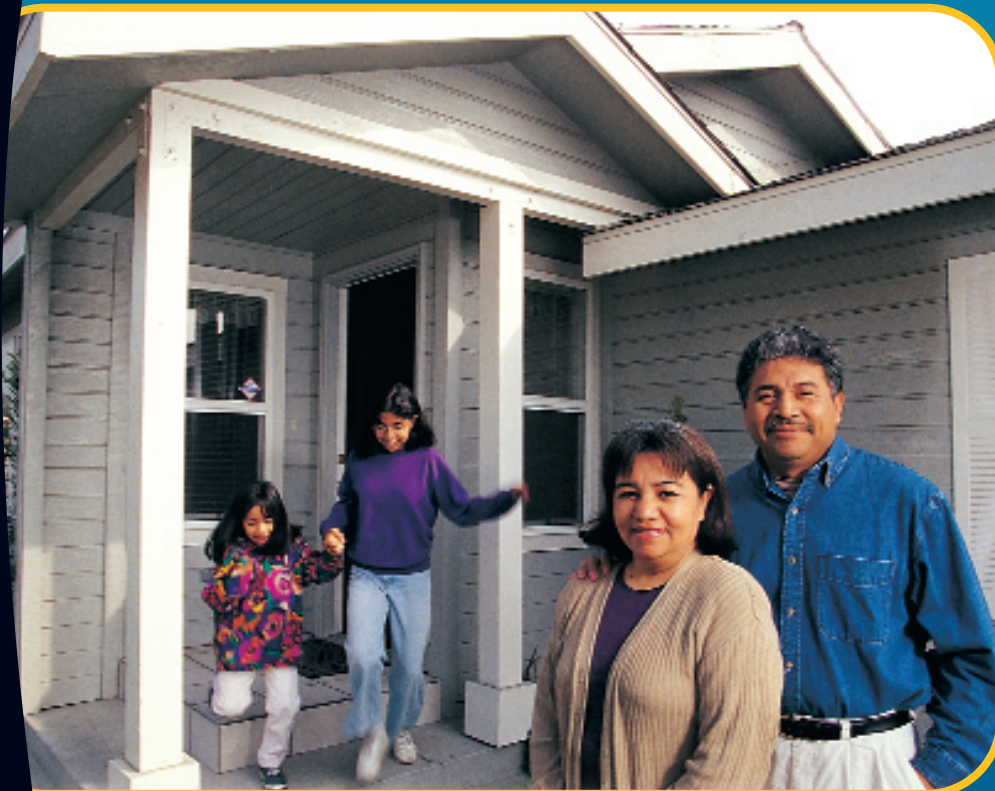
Purchase . . . Rehab . . . Revitalize!

To promote best practices in affordable housing, we sponsor forums and workshops throughout the country. Pictured here (top), New Orleans Mayor Marc Morial (right) greets Freddie Mac's affordable housing consultant Jesse Wiles at our "Purchase . . . Rehab . . . Revitalize!" forum in New Orleans. These forums bring together urban leaders from the public and private sectors to focus on financing and subsidy programs which involve purchase/rehabilitation as a means of increasing homeownership, stabilizing neighborhoods and revitalizing urban areas.



Training and education are essential ingredients in the success of Freddie Mac's community development lending alliances and initiatives.

Revitalizing Neighborhoods



Rene and Vilma Vasquez with daughters, Debbie and Diana, outside their new Los Angeles-area home purchased through our Watts Home Ownership Center Initiative, a community-based program to increase the number of minority homeowners.

“Lenders, taxpayers, investors and entire communities all benefit when more and more lower-income families become homeowners. Offering flexibility in its products, as well as access to leading-edge automated underwriting and credit-scoring software, Freddie Mac is bringing action to the vision it shares with the NeighborWorks® network—local revitalization through increased homeownership.”

George Knight

Executive Director, Neighborhood Reinvestment Corporation

*Revitalizing neighborhoods cannot be accomplished by dollars alone. At Freddie Mac, we believe that to revitalize neighborhoods, you need a coordinated and focused use of creative ideas and limited resources. Revitalizing neighborhoods is about increasing owner/occupancy in neighborhoods **to create more stakeholders who have a vested interest in the future of the community.** It's about rehabilitating properties, restoring run-down buildings, re-using vacant lots and building renewed hope for the future of the neighborhood.*

While homeownership is one of the key ingredients to revitalizing neighborhoods, we believe that it is only part of the solution. We also focus on the neighborhoods themselves and the stabilization of those neighborhoods because we believe that people need to feel good about where they live.

Our goal is to work with local forces to increase the ability of families to buy a home in a neighborhood and also enhance their willingness to make a long-term investment in the community.

Our Community Development Lending team contributes every day to the revitalization of neighborhoods, be it with new and innovative loan products, purchase-and-rehabilitation programs, refinance-and-rehabilitation programs, new in-fill home construction, borrower outreach and support services to help people become homeowners, and more. We take a **“place-based,” geographic approach to revitalizing neighborhoods.** Our Community Development Lending team works to streamline your process by coordinating a broad network of participants to ensure you can meet the needs of potential homebuyers in your neighborhoods and communities.

In 1998, for instance, we introduced **Community Gold**, a new affordable mortgage product designed to reach more low- to moderate-income, minority and underserved families in communities participating in one of our community development lending initiatives or alliances. The product is ideal for households with limited resources for a down payment, including first-time borrowers and for people with credit-related concerns that might have limited their homebuying options in the past.

Community Gold can be used for both purchase and purchase/rehabilitation. Borrowers can contribute as little as \$1,000 or 2 percent of a home's value from personal cash. The flexibility inherent in Community Gold related to the down payment and borrower credit qualifications is due in large part to the existence of high-quality pre- and post-purchase homebuyer counseling.

Watts Homeownership Center Initiative



The new Watts Home Ownership Center, far right, offers one-stop housing services to residents, including comprehensive credit counseling and innovative loan products with very low down payments. Borrowers in this program who have experienced credit problems in the past, but who are now enrolled in a debt management program, can become eligible for mortgages more quickly than standard mortgage products.

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At Home in New Orleans

“At Home in New Orleans,” a creative collaboration among the city of New Orleans, Freddie Mac, the AFL-CIO Housing Investment Trust, local lenders and nonprofit organizations, is underway to rehabilitate or reconstruct 300 to 500 vacant and blighted properties within targeted neighborhoods. The properties are being sold to low- to-moderate-income homebuyers who have received comprehensive counseling assistance.



Creating opportunities to build new homes on vacant lots is also often part of the neighborhood revitalization strategy. For example, Freddie Mac, the **Manufactured Housing Institute** and the **Low Income Housing Fund** formed a new alliance in 1998 to demonstrate and promote the use of manufactured housing as a significant component of revitalizing urban communities. The alliance targets selected cities throughout the U.S. for the use of **manufactured homes, an affordable, attractive form of housing** that can help reclaim previously vacant or blighted urban sites. Today's manufactured homes can be architecturally compatible with established neighborhoods, at a price that can help millions more urban and suburban Americans move from renting a home to owning one. The Low Income Housing Fund, a national nonprofit intermediary, provides interim financing to local nonprofits for the purchase and installation of the homes.

The integration of homeownership and other local needs is also essential. To help increase long-term homeownership in **south central Los Angeles**, Freddie Mac, Bank of America, the Enterprise Foundation and local nonprofits recently launched an in-depth, community-based homeownership program designed to increase the number of resident homeowners in the Watts community and help them stay in their homes. The initiative offers "one-stop" housing services to residents of Watts through a homeownership center, including free comprehensive credit counseling, flexible innovative loan products, low downpayments and access to city subsidy dollars.

In **New Orleans**, a creative collaboration between the city, Freddie Mac, the AFL-CIO Housing Investment Trust and local nonprofits, is underway to rehabilitate between 300 to 500 vacant and blighted properties within targeted neighborhoods. The properties are being sold to low- and moderate-income homebuyers. Earlier this year, Freddie Mac and the city of New Orleans received the U.S. Conference of Mayors' "Outstanding Achievement Award in Public/Private Partnerships" for this initiative.

Freddie Mac is also revitalizing communities through a variety of other initiatives and alliances, including:

- **HOME WORKS!**, a Freddie Mac purchase-and-rehabilitation loan product that has become popular as a neighborhood revitalization tool in many communities. In San Diego, for example, the program's high loan-to-value limits, flexible underwriting criteria, low down payments and lender risk protections are creating high demand.
- The **NeighborWorks® Campaign for Homeownership**, a national alliance joining Neighborhood Reinvestment Corporation, local Neighborhood Housing Service organizations, Freddie Mac, MGIC and others serving numerous cities across the U.S. Together we are providing affordable financing and effective counseling for low-income homebuyers. As a result of its initial success, we have tripled our support for a second campaign to create 25,000 additional homebuyers by 2003.

At Freddie Mac, we believe that to revitalize neighborhoods, you need a coordinated and focused use of credit and limited resources.



Habitat for Humanity



Members of Freddie Mac's Community Development Lending team (bottom left) participate in a Habitat for Humanity Build in Baltimore, Maryland with the National Association of Real Estate Brokers (NAREB). Pictured above, (left to right), new homeowner, Dawn Lumpkins, U.S. Senator Paul Sarbanes (D-MD), NAREB President Bernie Jackson, Freddie Mac's Vice President of Community Development Lending Craig Nickerson, and Chesapeake Habitat's Jenny Hope greet Habitat volunteers. Freddie Mac contributed \$1 million in 1998 to Habitat for Humanity in support of "The Houses That Congress Built," a bipartisan initiative involving Habitat for Humanity International, members of Congress and the National Partners for Homeownership, a coalition of 65 national housing leaders, of which Freddie Mac is a member. Ms. Lumpkins moved into her new home in the fall of 1998.

Revitalize neighborhoods,
Use of creative ideas



Restoring and Revitalizing Historic Jacksonville

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Freddie Mac and Asset Property Disposition Corp. joined with the city of Jacksonville, Florida, in a local initiative to restore and revitalize the city's historic Springfield district through the purchase and rehabilitation of existing homes. A total of 30 vacant, dilapidated homes, valued between \$10,000 and \$25,000, were sold to low- and moderate-income buyers. After renovations, the homes are expected to be worth \$80,000 to \$150,000.



Overcoming

Down Payment and Credit Obstacles



“I was discouraged from buying a home because of my credit issues. I was shocked to learn that there were affordable programs that I could qualify for to obtain a mortgage loan.”

Pamela Johnson

*Purchased a home in Washington, D.C., August 8, 1998,
through Freddie Mac CDL Alliance Partner—HomeFree USA*

To overcome down payment and credit barriers to homeownership for low- and moderate-income families and other underserved borrowers, our Community Development Lending team offers a wide range of flexible mortgage products and programs through our alliances and initiatives.

Affordable Mortgage Products

Through Community Development Lending initiatives, Freddie Mac offers flexible mortgages that allow families to finance a home with very low down payments, often less than three percent. These borrower contributions are frequently supplemented by gifts, unsecured loans from eligible sources or grants from nonprofit organizations or local public agencies. These mortgages offer a tremendous opportunity for low- and moderate-income families to take advantage of the many down payment assistance programs now offered by state and local governments and employers.

Similarly, the Community Development Lending team seeks to expand the ways credit-strapped borrowers can more readily qualify for affordable mortgage financing.

Earlier this year, for instance, Freddie Mac joined with 10 Southern California cities in an initiative to help a broad range of renters—including families with limited savings and varied credit histories—to become homeowners through an innovative **lease-purchase program**. Under the alliance, the newly formed California Cities Home Ownership Authority used the proceeds from a \$70 million bond issue to make available mortgage capital, generate down payment and closing cost assistance and fund operations of the authority.

Selected families occupy the homes under a lease-purchase agreement, making rental payments equal to pre-determined mortgage payments for three years. After three years, the families are eligible to assume the balance of the mortgage loan. No down payment is required from the lease-purchaser either at commencement of the lease or when the purchase option is exercised.

Also in California, Freddie Mac, the California Housing Loan Insurance Fund and several national and local lenders are offering a **no-down-payment mortgage**, our Affordable Gold 100 product, to low- and moderate-income borrowers. With this innovative product, borrowers are only responsible for paying the closing costs associated with the home purchase. Cash for closing costs can come from a variety of sources, including a grant from a qualified institution, gift from a relative or an unsecured loan. Affordable Gold 100 is the first mortgage product of its kind to combine mortgage insurance benefits provided by a state insurance fund, the secondary mortgage market and a team of the nation's top mortgage lenders. The product provides 100 percent financing of the purchase price of the home.

Freddie Mac also provides a mortgage product, **Alt 97**, for borrowers who have little of their own savings for a down payment but have a good credit history. The down payment can come from non-borrower sources of funds, such as gifts or grants. Many of the underwriting flexibilities of our Affordable Gold products, including expanded debt ratios, are available to borrowers who have established an acceptable credit reputation but who have not been able to accumulate personal savings for the full three percent down payment.

Homeownership Education and Counseling

Our Community Development Lending Team strongly encourages homeowner education and counseling, both pre- and post-purchase, to low- and moderate-income borrowers. We believe that it's not enough to help borrowers cross the threshold to homeownership. We want to ensure that their dream can be sustained for the long term.

The Massachusetts FirstHome Affordable Lending Initiative, for example, is providing \$20 million in affordable mortgage loans through Freddie Mac's Community Gold loan product to low- and moderate-income homebuyers in 43 cities and towns in Western Massachusetts. Homeownership education is a key component of the alliance—assisting new owners to buy and/or rehabilitate homes in targeted neighborhoods and to provide ongoing support after they move into their new home.

Our most aggressive mortgage products are reserved for local initiatives where comprehensive, high-quality homeownership education and counseling is available. In fact, before making available our most aggressive loan products in a Community Development Lending initiative or alliance, we review the local counseling capability to be sure that its programs are comprehensive.

Borrowers and Communities With Unique Housing Needs

As part of our corporate mission, we have also created products and programs for borrowers and communities with unique housing needs. Some of these products and programs:

- Give low- and moderate-income households a lease-purchase option so they have more time to save for a down payment or establish a stronger credit history
- Help city agencies to improve purchase/rehabilitation effectiveness
- Purchase first liens that have second loans originated by qualified nonprofit, government agencies, employers or faith-based organizations that finance closing costs or a portion of the borrower's down payment
- Provide access to mortgage credit in rural and Native American communities where mortgage credit is often limited
- Help break down barriers that prevent many low- and moderate-income potential borrowers from achieving the dream of homeownership including nontraditional, non-existent or blemished credit histories
- Educate consumers about the importance of good credit

Freddie Mac has launched a homebuyer and credit information initiative aimed at clearly explaining the role that good credit plays in obtaining the most affordable mortgages available in the market today. Our series of credit education brochures, sponsored with each of the following organizations—the Mortgage Bankers Association, the National Association of Real Estate Brokers, the National Association of Realtors® and the NAACP—help consumers understand the importance of good credit.



Our Community Development Lending Team

We're proud to be part of a strong team of Freddie Mac community development lending professionals who have the expertise to help you expand the dream of homeownership in your communities.

It is our pledge to work with you as we forge working relationships that will help benefit more potential homebuyers.

We look to you—as we hope you'll look to us—for the commitment, know-how and creativity to make the dream of homeownership a reality. Our goal is to provide you with the programs, products and consultative expertise that best suits your community's housing finance needs.

Please call on us—Freddie Mac's CDL team—to get your questions answered and to learn how you can take advantage of all of Freddie Mac's community development lending resources. We welcome your own ideas about ways we can work with you to develop solutions to meet your unique community development needs.

Contacting Freddie Mac's CDL Team

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