

FREDDIE MAC OPTIGO®

Structured Loans: B-Piece Purchase Option

CONVENTIONAL, SENIORS, TARGETED AFFORDABLE: STRUCTURED LOANS

A sponsor of a loan portfolio may have the opportunity to purchase the B-piece on the securitization of the loan portfolio. Purchasing the B-piece cash flow from the subordinate bond offsets debt service payments, effectively lowering the borrowing cost of the underlying mortgage loans.

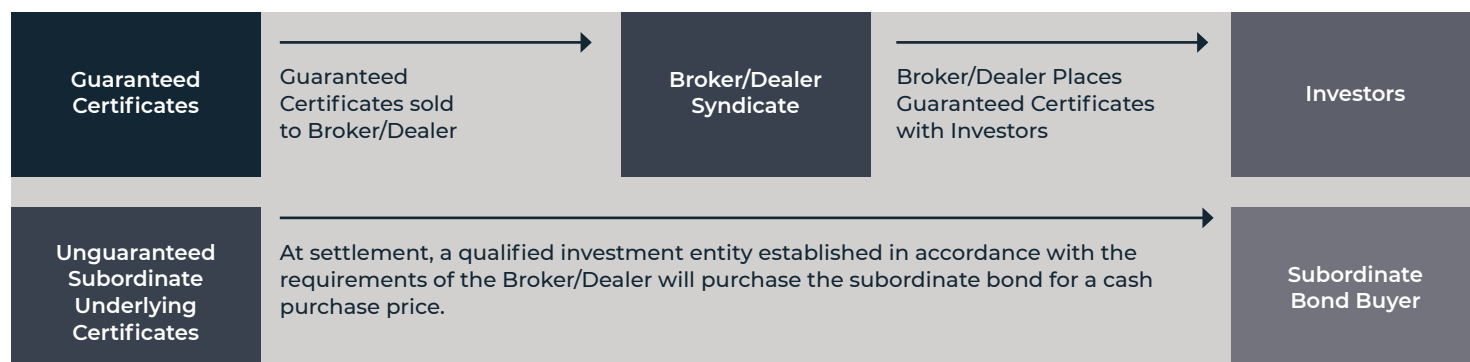
- The sponsor purchases a bond totaling approximately 10% of the total pool amount; bond is subordinate, first-loss, non-guaranteed and unrated; bond's coupon can be a fixed- or floating-rate based on underlying loans.
- Yield on the subordinate bond based on current coupon and discounted purchase price, yield and discounted payoff; calculated using standard bond equivalent yield assuming no loans default and no prepayments.

Example Scenario: \$300 million crossed portfolio of 10 assets located in four regions with an average LTV of 75% and a DSCR of 1.25x.

On Pool		Subordinate Bond	
Pool Size (\$)	300,000,000	Pricing Yield (BEY)	10%
Term	10 year	Size (% of pool)	10%
Amortization	30 year	Sub Bond Face Value (\$)	30,000,000
LTV/DSCR	75% / 1.25X	Price (disc. from 100)	63.49
Gross Coupon (\$)	4.84%	Purchase Price (\$)	19,047,000
Annual Debt Service (\$)	18,975,091	Annual Coupon Income (\$)	1,430,250
Annual Debt Service Net of Coupon Income		\$17,544,841	
Implied Loan Cost (IRR)		4.91%	
Implied Loan Cost w/ Sub Bond Yield (IRR)		4.37%	
Implied Benefit (IRR)		0.53%	

*Rates and yields are for illustrative purposes only.

TYPICAL SECURITIZATION STRUCTURE



SECURITIZATION DEAL PARTIES: ROLES AND RESPONSIBILITIES

MASTER SERVICER	- To be selected by Freddie Mac; may also be Freddie Mac - Steps into role of the lender. Collects loan payments from Primary Servicer(s) and remits funds to Trustee. Approves performing loan modifications, insurance waivers, assumptions, etc.
SPECIAL SERVICER	- To be selected by the B-piece buyer and must be approved by Freddie Mac; may also be Freddie Mac. - Services defaulted loans and resolves defaulted loan issues. - Special Servicer cannot be economically affiliated with the sponsor.
TRUSTEE	- To be selected by Freddie Mac. - Enforces securitization documentation and remits payments to all bondholders.
OPERATING TRUST ADVISOR	- To be selected by Freddie Mac; may also be Freddie Mac. - Responsible for certain loan approvals and periodic review of the Special Servicer. May recommend removal of the Special Servicer for failure to perform its duties.
BROKER/DEALER	- To be selected by Freddie Mac. - Responsible for underwriting the securitization transaction and placing bonds with investors.
GUARANTOR	Freddie Mac guarantees principal and interest security payments on the senior part of the capital structure (the guaranteed underlying certificates and the Guaranteed Certificates), monitors loan performance and retains certain consent rights on the underlying loans.