Housing Goals and Minority Lending

Barry Zigas
September 30, 2005
Agenda

- Overview of current goals status
- Review of ongoing special efforts
- Additional efforts needing decisions
  - Deferral option
  - Subprime
  - Chattel MH
  - 2006 mortgage limits
- HUD/OFHEO communications strategy
The impact of Single-Family volume increases is stronger on the base scores than the sub goals' scores because these reduce the weight from the multifamily component in the base goals.

If SF volumes increase to $588B, the company would miss base regulatory goals at the following September – December run rates.

- **46.0% Affordable**
- **13.7% Special Affordable**
- **31.2% Underserved**
## Potential Strategies for Attaining the Sub Goal(s)

1. **CitiFinancial Portfolio**
   - $20 Billion Total, $5 Billion Purchase Money, 42000 PMM loans
     - Incremental loans: Special Affordable 5000 - 6000, Affordable 8500 - 9500

2. **B of A Whole Loan Strategy**
   - Replace goals rich loans w/ loans out of our portfolio or defer delivery of non-affordable loans (only deliver the 38% that meet the Affordable sub goal criteria)
     - Incremental loans: Special Affordable 3500 - 4000, Affordable 5000 - 6000

3. **CitiMortgage/Self Help**
   - Self Help received file Thursday for $13 B from CitiMortgage’s affordable housing portfolio

4. **Other Subprime Portfolios**
   - Between now and year end, there are a number of smaller opportunities, but with significant costs
     - Incremental loans: Special Affordable 1000 - 2000, Affordable 3000 - 4000

5. **Acquire Manufactured Housing Loans**
   - Real property $1.4 B through Vanderbilt, 22800 loans
     - Incremental loans: Special Affordable 3000 - 4000, Affordable 4900 - 5000
   - Chattel through Berkshire
     - Incremental loans: Special Affordable 5000 - 6000 per $B, Affordable 6500 - 7500 per $B

Potential PMM Incremental Loans: Special Affordable 17500 - 22000, Affordable 27500 - 32000
### Summary of Options to Close Special Affordable PMM Shortfall

<table>
<thead>
<tr>
<th>Transactions in Sept Numbers</th>
<th>Projected SAH PMM Shortfall</th>
<th>Est Shortfall to Date</th>
<th>Investor Channel Won</th>
<th>Golden West Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SF Volume of 909 B YTD Run Rate</td>
<td>SF Volume of 588 B Aug Run Rate</td>
<td>SF Volume of 909 B YTD Run Rate</td>
<td>SF Volume of 588 B Aug Run Rate</td>
</tr>
<tr>
<td>Investor Channel Won</td>
<td>(23,000)</td>
<td>(23,000)</td>
<td>1,361</td>
<td>1,361</td>
</tr>
<tr>
<td>Golden West Transaction</td>
<td>(776)</td>
<td>(776)</td>
<td>(776)</td>
<td>(776)</td>
</tr>
<tr>
<td>Est Shortfall to Date</td>
<td>(22,415)</td>
<td>(22,415)</td>
<td>(36,415)</td>
<td>(36,415)</td>
</tr>
</tbody>
</table>

### Potential Impacts of Other Opportunities/Strategies

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Expected Delivery 50%</th>
<th>Expected Delivery 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Est</td>
<td>High Est</td>
<td>Low Est</td>
</tr>
<tr>
<td>Investor Channel Bid</td>
<td>828</td>
<td>828</td>
</tr>
<tr>
<td>Investor Channel Pipeline</td>
<td>2,500</td>
<td>2,750</td>
</tr>
<tr>
<td>Potential Remaining Shortfall</td>
<td>(15,259) to</td>
<td>(33,087)</td>
</tr>
<tr>
<td>Citi Financial Portfolio</td>
<td>2,500</td>
<td>3,000</td>
</tr>
<tr>
<td>B of A Whole Loan Strategy</td>
<td>1,750</td>
<td>2,000</td>
</tr>
<tr>
<td>Other Subprime Opportunities</td>
<td>500</td>
<td>1,000</td>
</tr>
<tr>
<td>MH Real Property</td>
<td>1,500</td>
<td>2,000</td>
</tr>
<tr>
<td>MH Chattel</td>
<td>2,500</td>
<td>3,000</td>
</tr>
<tr>
<td>Potential Remaining Shortfall</td>
<td>6,741 to (24,337)</td>
<td></td>
</tr>
</tbody>
</table>
Business Deferral Option

- Defer between $13.5-$17.4 billion of projected 4Q non-goals loans
- 7 Lenders
  - Countrywide,
  - Citigroup
  - Bank of America
  - Wells Fargo
  - USAA
  - Navy Federal Credit Union
  - Pulte
- Estimated pick up:
  - 14,200-28,000 incremental PMM affordable loans
  - 10,600-14,800 incremental PMM special affordable loans
- Cost for roll over (estimate): $30-$38 million
## Business Deferral Option

### Pros:
- Delivers big pay off
  - Per loan cost of $1,000-$2,900 (est)
- Targeted to a limited number of lenders
- Can acquire deferred loans in 2006

### Cons:
- Defers non-goals loans to 2006, increases gap for next year
- MBS Disclosures, potential impact on securities price and liquidity
- Lenders might not agree to participate
- Could lose loans to other investors

### Lender Issues:
- Lack of sale treatment of 2005 assets
- Warehouse capacity
- Ability to identify and segregate goals/non-goals product
- Credit risk exposure