



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

JAN 18 2006

Mr. Robert Tsien
Senior Vice President
Mission Oversight and Development
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102-3107

Dear Mr. Tsien:

In follow-up to the meeting on January 4, 2006, between Freddie Mac staff and staff of the Department of Housing and Urban Development, enclosed is a copy of the guidance that the Department prepared for use by Freddie Mac in marketing the Workforce Home Benefit (WHB) plan to employers. This is the same document that was provided to Freddie Mac staff during the meeting.

With respect to the [REDACTED] plans that Freddie Mac reported by letter dated December 1, 2005, and as previously discussed, Freddie Mac may proceed with all of the plans. However, the Department requests that Freddie Mac identify in writing which of the [REDACTED] initiatives Freddie Mac expects will be fully compliant with the Department's guidance as enclosed; which will be compliant in some, but not all, respects; and which are at a stage of implementation where any compliance is unlikely. For the WHB initiatives that are noncompliant, whether in some or all respects, Freddie Mac should describe how the initiatives are not in accordance with the guidelines. The Department will retain this information on file.

In order to verify that Freddie Mac has implemented appropriate procedures for ensuring compliance with the Department's guidance, the Department requires that Freddie Mac provide a copy of the procedural instructions it issues to its staff engaged in marketing WHB plans. These instructions, which must incorporate the Department's guidance, may be in the form of revised procedural guidelines or in a memorandum to staff or similar format and must be dated and signed by a principal of Freddie Mac. Please provide me with a copy of the revised WHB procedures as well as the above-requested information on the [REDACTED] plans by February 15, 2006.

Periodically the Department will continue to review Freddie Mac's WHB marketing plans and procedures. In the interim should you have any questions or require additional information about the Department's guidance for marketing WHB plans, please do not hesitate to contact me.

Sincerely,

Sandra L. Fostek
Director
Office of Government Sponsored
Enterprises Oversight

Enclosure

Marketing the Workforce Home Benefit Plan

In marketing the Workforce Home Benefit (WHB) plan to employers, Freddie Mac must confine its activities to those that are business-to-business only and that do not favor the services of one lender over another. WHB marketing is two-phase targeted marketing designed to both persuade employers to establish a WHB plan and to sell loan products to a specific group of people (the employees). Freddie Mac, as a secondary market facility, is authorized to present the WHB plan to employers and to assist with its implementation and administration. However, the second phase of the marketing, which focuses on originating new loan applications among the employees, is a primary market function. As such, only the appropriate providers, including lender(s), loan counselors, affordable housing counselors and providers, realtors, and other primary market providers may have direct interaction with employees who will be eligible for the benefit.

Examples of Authorized Activities:

- Serving as WHB consultant by presenting the WHB plan, including the implementation and administration plan, to employers.
- Notifying several Freddie Mac-approved lenders in the area that it has presented the WHB plan to a specific employer for follow-up action by the lender at the lender's option.
- Providing the names of two or more lenders to the employer for consideration as lead lenders to work with employees but leaving the choice of lender(s) to the employer and/or the individual employee.
- Recommending one or more loan and/or housing counseling services to the employer, provided they are not also loan originators;
- Contacting a counseling service and recommending that the service contact the employer.
- Notifying non-profit and affordable housing counselors and providers in the area that it has presented the WHB plan to a specific employer should the provider(s) wish to follow-up with the employer to offer counseling or buyer education services.
- Notifying the employer that lenders/counselor/providers that Freddie Mac has contacted may follow-up with the employer to offer assistance in implementing the WHB plan.
- Providing product support to a lender upon request and providing follow-up support to employer on implementing and administering the plan.

Examples of Unauthorized Activities:

- Lender accompanies, or otherwise participates in, Freddie Mac's initial consulting presentation of WHB to employer;
- Freddie Mac staff assists a lender in describing loan products, including Freddie Mac loan products, to employers and employees. *(However, Freddie Mac staff acting on its own may describe its affordable housing products to employers when presenting the WHB plan to demonstrate how employees with low- and moderate-incomes could be eligible for homeownership and, therefore, benefit from the plan.)*
- Freddie Mac recommends one specific lender to employer;
- Freddie Mac assists in the presentation of, and/or attends, meetings, seminars, or other events designed to educate and counsel employees eligible for the benefit under the employer's WHB plan about the home buying process and/or loan products.
- Freddie Mac participates with lender, employer, mortgage loan counselor, and/or other parties in events to encourage homeownership and mortgage originations among those employees eligible for the benefit under the employer's WHB plan.