

Investor Reporting to Freddie Mac

User Guide

March 2016

Notice

The information in this manual is intended to provide general guidance to Freddie Mac Servicers. The information is offered as an aid in, not a substitute for, complying with requirements set forth in the *Single-Family Seller/Servicer Guide* (the Guide). Each Freddie Mac approved Servicer must comply with all applicable provisions in the Guide, and all other purchase documents, as that term is defined in the Guide. This manual does not constitute as one of the purchase documents.

The requirements and the guidelines in this manual are subject to change at any time by Freddie Mac.

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New Servicer Overview

Chapter 1

Introduction

This section describes Freddie Mac's role in the secondary mortgage market. It gives you an indication of the activities you are responsible for once you sell a loan to us.

Objectives

After completing this chapter, you will be able to

- Define Freddie Mac's role in the secondary mortgage market.
- Describe the two servicing options available when you sell a loan to us.
- Describe what steps you must take prior to selling a loan to us.
- Describe the investor reporting process and other activities you must perform if you retain servicing.

New Servicer Overview

What is Freddie Mac?

Freddie Mac is a government-sponsored enterprise (GSE) chartered by Congress to stabilize the nation's residential mortgage markets and expand opportunities for homeownership and affordable rental housing.

Our Mission

Freddie Mac's mission is to provide liquidity, stability and affordability to the housing market.

The Secondary Mortgage Market

If you think of mortgage lenders as retail stores where people go to get mortgages, then the secondary mortgage market is the supplier for the lenders. Freddie Mac, one of the largest suppliers of home mortgages in the United States, is a link between mortgage lenders and investors. Lenders look to us, and other secondary market conduits, for the funds they need to meet consumer demands for home mortgages. We in turn look to our investors for the funds we need to purchase mortgages from lenders. Since we “link” mortgage lenders with security investors, we keep the supply of money for housing widely available and at a lower cost.

What is Our Role in the Secondary Mortgage Market?

Freddie Mac increases the funds that lenders make available to homebuyers by:

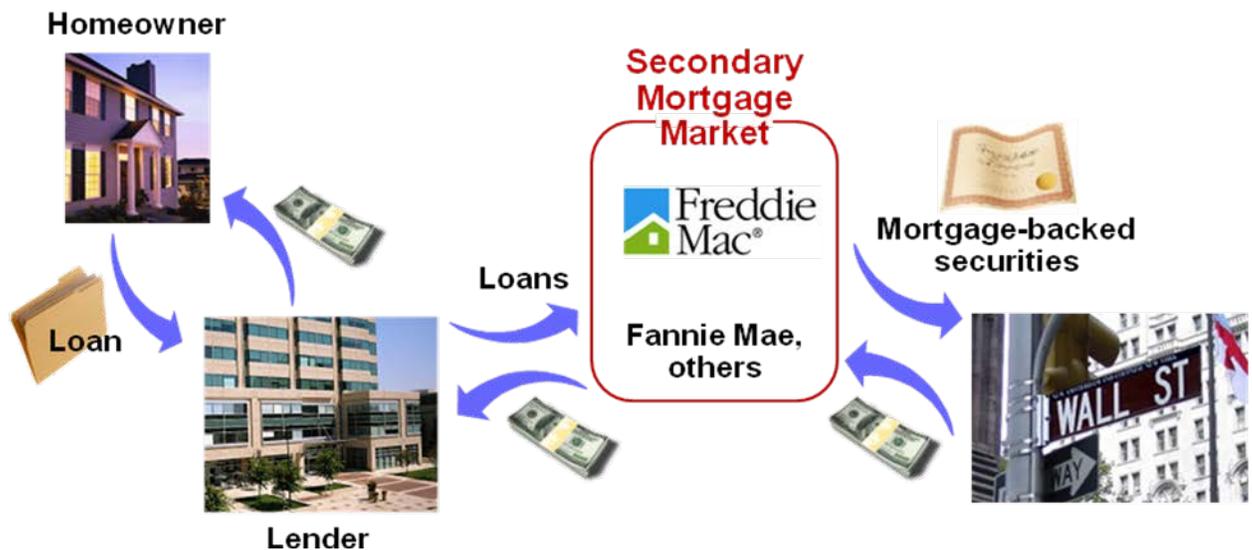
- Purchasing investment-quality mortgages from lenders such as mortgage bankers, savings institutions, and banks. This supplies mortgage lenders with the money they need to make loans to borrowers.
- Packaging mortgages with similar characteristics, such as interest rates, terms and types, into securities.
- Selling the securities to investors, such as insurance companies and pension funds, interested in safe investments. This supplies us with the money we need to purchase mortgages from the primary market, so the cycle can continue.

New Servicer Overview

Flow of Mortgage Funds

Freddie Mac facilitates the steady flow of low-cost mortgage funds. Seller/Servicers may receive cash for the mortgages they sell to us, or they may elect to receive securities backed by those mortgages. These securities are known as Participation Certificates (PCs). When Seller/Servicers receive the cash proceeds from us or sell the PCs, they are able to begin the process again with the next borrower. The sale/purchase process creates a flow of mortgage funds for mortgage lending.

The following illustrates Freddie Mac's role in replenishing the flow of mortgage funds.



Servicing Options

You have two options with servicing rights when you sell a loan to Freddie Mac: retained servicing and transfer of servicing (also referred to as servicing released).

Retained Servicing

You must report, remit, and reconcile the activity once you sell a mortgage to us or acquire servicing rights for one of our mortgages. The process of reporting, remitting, and reconciling is known as investor accounting.

Investor accounting activities include:

- Reporting the principal and interest collections activity that occurs on each mortgage during the month.
- Remitting the funds due.
- Resolving reporting and remitting discrepancies.
- Reconciling your Freddie Mac custodial accounts.

New Servicer Overview

If you retain servicing, you will receive a servicing fee. This is the portion of the monthly interest payment you keep for compensation. The minimum servicing fee is 25 basis points (0.25 percent).

Transfer of Servicing

A transfer of servicing (TOS) moves the responsibility of servicing a mortgage to another Servicer. There are three types of transfers of servicing that are differentiated by when the transfer takes place.

Transfer of Servicing at Time of Sale

- **Concurrent Transfer of Servicing:** You transfer the servicing of the mortgage to another Freddie Mac-approved Servicer that you select at the time you sell the mortgage to Freddie Mac.
- **Servicing Released:** Servicing released occurs when the Seller transfers servicing to a Servicer that Freddie Mac selects. A contract exists between the Seller and the Servicer. (See Guide Exhibit 28A, *Loan Servicing Purchase and Sale Agreement for the Servicing-Released Sales Process*.) You must comply with this contract, which includes providing the Servicer with the required documentation. Freddie Mac must approve you for this option.

Transfer of Servicing After One or More Accounting Cycles

- **Subsequent Transfer of Servicing:** You transfer the mortgage to a Freddie Mac-approved Servicer after Freddie Mac purchases the mortgage.

A transfer of servicing affects all servicing duties and responsibilities as set forth in the purchase documents, for mortgages and real estate owned (REO) properties owned in whole or in part by Freddie Mac. The Servicer receiving the mortgages must be eligible to receive a transfer of servicing.

Selling a Loan to Freddie Mac

There are several important activities you must perform before selling a loan to Freddie Mac.

- Sign up for access to Freddie Mac's selling system, a Web-based application that automates your front-end delivery process.
- Establish and provide Freddie Mac with wire transfer instructions for receipt of cash settlement proceeds. Complete and sign Form 483, *Wire Transfer Authorization*.
- Complete and submit Form 1132, *Authorization for the Automatic Transfer of Funds Through the Automated Clearing House (ACH)*, for payment of Seller fees and Loan Prospector® invoices.

New Servicer Overview

Sellers Who Choose to Retain Servicing

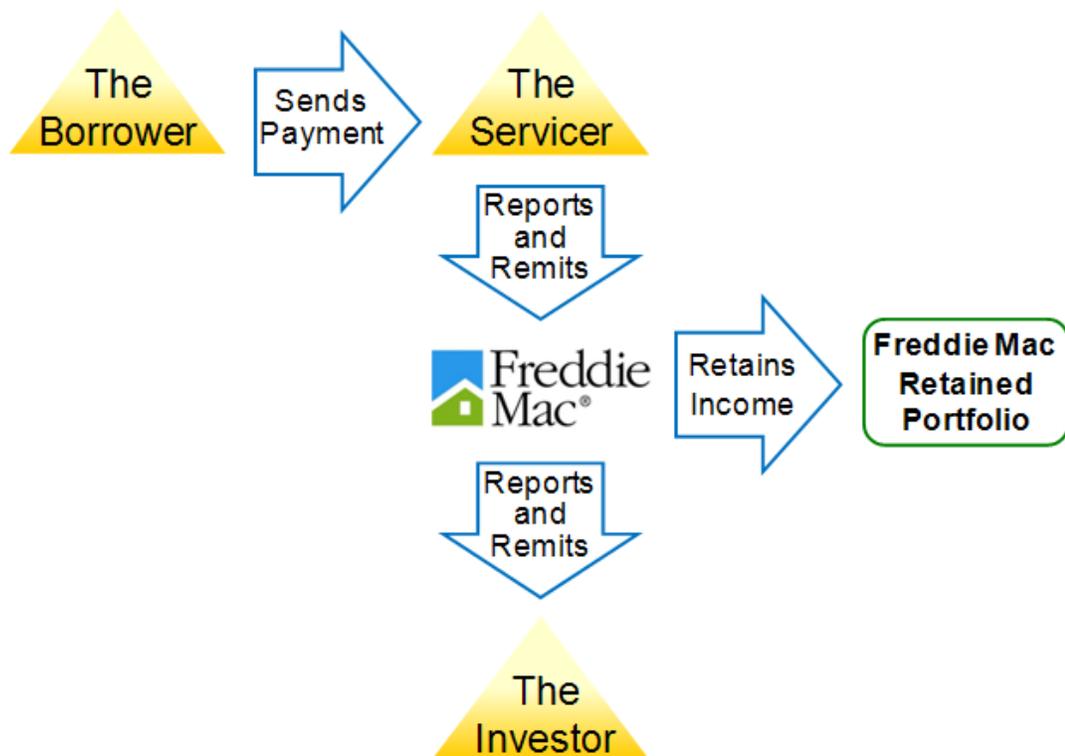
If you choose to retain servicing, you are also responsible for the following.

Action	How to Do This	Other Activities
Obtain access to the Service Loans application.	Complete and submit Form 902, <i>Freddie Mac Service Loans Application Authorized User Roles Form</i> , or Form 902SA, <i>Freddie Mac Service Loans Application Authorized User Roles Form – For Use by Servicing Agents Only</i> (if applicable).	Use the Service Loans application to send mortgage accounting and servicing data to Freddie Mac.
Establish custodial accounts and submit the appropriate documents so that Freddie Mac may draft your remittances.	Establish principal and interest (P&I) and escrow custodial accounts. Call (800) FREDDIE and select option 5 to determine if you are eligible to maintain your accounts in-house.	Once your custodial accounts are established, you must send us the following: <ul style="list-style-type: none"> ▪ Letter Agreements ▪ Guide Exhibit 58, <i>Draft Letter of Authorization</i> ▪ A voided blank check or MICR sheet ▪ Signature cards
Establish an automated clearing house (ACH) account for payment of servicing fees and compensatory fees.	Complete and submit Form 1132, <i>Authorization for the Automatic Transfer of Funds Through the Automated Clearing House (ACH)</i> to us.	<ul style="list-style-type: none"> ▪ We will send you a Servicer Billing Statement on approximately the tenth business day of each month for any fees you may incur for performing loans, non-performing loans, and repurchase activities. ▪ We automatically draft the funds from your ACH account on the last business day of the month.

New Servicer Overview

Action	How to Do This	Other Activities
Perform activities associated with the investor accounting process.	<p>You are responsible for accounting for the mortgages you service for Freddie Mac every accounting cycle.</p> <p>The investor accounting process includes reporting, remitting, and reconciling.</p>	<p>Freddie Mac's accounting cycle begins on the 16th of each month and ends on the 15th of the following month. If the 15th falls on a weekend, or holiday, the accounting cycle ends on the previous business day. The last day of the accounting cycle is the accounting cutoff.</p>

We rely on you to report and remit timely and accurately, as we are responsible for accurate reporting and remitting to our investors on our own retained portfolio, as shown in the following illustration.



New Servicer Overview

Reporting, Remitting, and Reconciling the Retained Portfolio

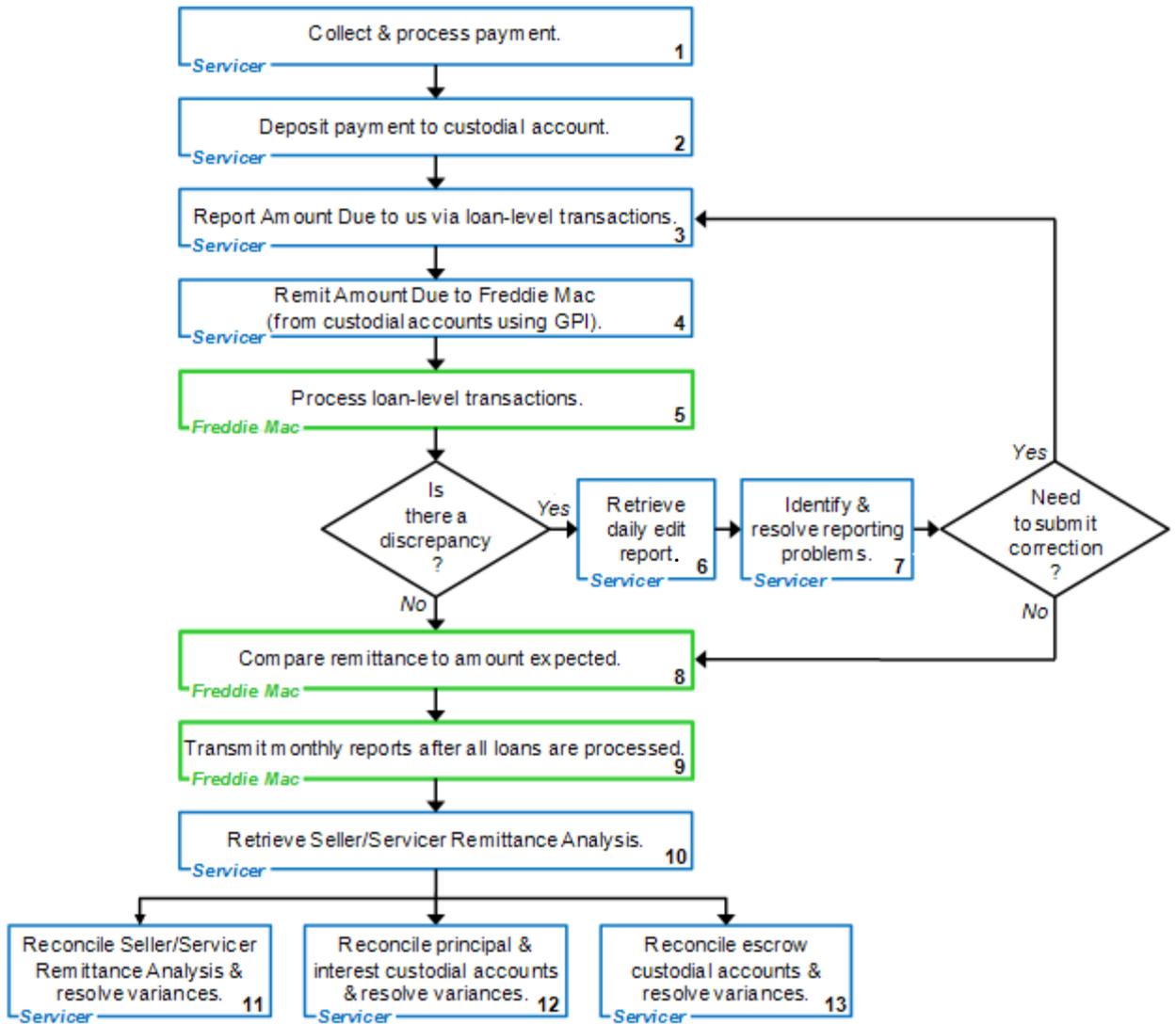
The following table identifies when and why you must report, remit, and reconcile.

Activity	When	Why
Report	<p>You must report the mortgage activity for every loan in your Freddie Mac portfolio monthly. Specifically, you are required to report monthly and interim activity as outlined below:</p> <p><i>Monthly Activity:</i> Report monthly principal and interest activity to us within five business days of the accounting cutoff.</p> <p><i>Interim Activity:</i></p> <ul style="list-style-type: none"> ▪ Report payoffs, matured or prepaid, within two business days of the exception date. ▪ Report convertible ARMs within five business days of the exception date. ▪ Complete repurchases within the timeframe specified in the repurchase letter. ▪ Report third-party foreclosure sales within two business days of receipt of funds. 	<p>This activity tells us what occurred with each loan in the portfolio.</p>
Remit	<p>You are required to remit funds by 9:00 p.m. Eastern time, the business day prior to the remittance due date.</p> <ul style="list-style-type: none"> ▪ Monthly principal and interest funds are due based on the remittance option selected when the loan was sold to us. ▪ Liquidation funds (interim activity) are due based on the exception date. 	<p>This activity tells us how much money to draft from your Freddie Mac custodial account.</p>
Reconcile	<p>We require that you reconcile your P&I and escrow custodial accounts each month within 45 days of the accounting cutoff.</p>	<p>This reconciliation will determine if your custodial accounts are adequately funded.</p>

New Servicer Overview

The Investor Accounting Process

The following illustration summarizes the investor accounting process.



New Servicer Overview

Daily and Monthly Reports

Our system compares what you report and remit to what we are expecting. Daily and monthly reports, available to you via the Service Loans application, communicate what we have processed and any discrepancies.

Daily reports include:

- *Loan-Level Missing*
- *Edits to be Cleared*
- *System Cleared Edits*

Monthly reports include:

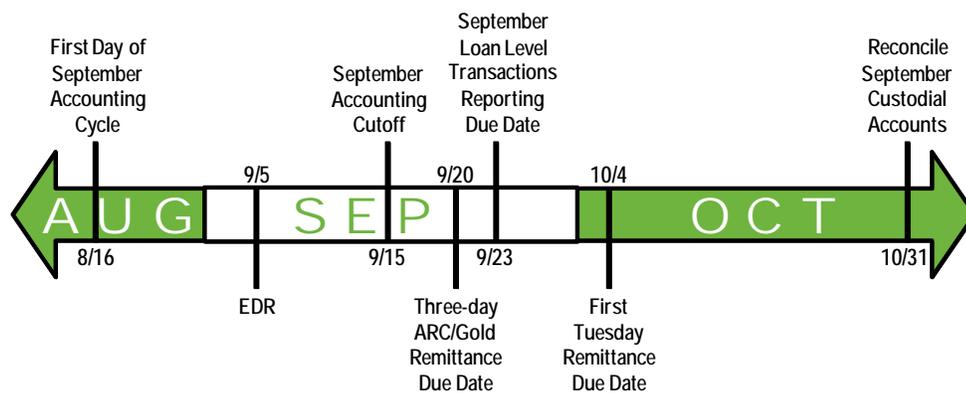
- *Monthly Account Statement*
- *Loan Reconciliation Difference Report (LRDR)*
- *Detailed Adjustment Report*
- *Seller/Servicer Remittance Analysis*

New Servicer Overview

Electronic Default Reporting (EDR)

You are required to report the delinquent activity for your Freddie Mac portfolio no later than the third business day of each month. We classify EDR as a general servicing activity, not investor reporting. EDR impacts the ability to process some loan-level transactions, so we recommend you understand what the process is and who performs it.

The following example summarizes the due dates for EDR, investor reporting, and reconciling your custodial accounts.



If you have no loans to report through EDR for any of your Servicer numbers, you must report that you have no activity. For additional information about EDR, refer to our *EDR Quick Reference Guide*.

Where to Find Additional Information

For a listing of Freddie Mac's workshops, online offerings, and additional reference information about investor accounting, visit Freddie Mac's Learning Center at FreddieMac.com/learn.

New Servicer Overview

Review

- Freddie Mac's role is in the secondary mortgage market, not the primary mortgage market. We act as a link between mortgage lenders and investors.
- There are two options with servicing rights when you sell a loan to us:
 - Servicing Released
 - Servicing Retained
- Before you sell a loan to us, you must sign up for access to the selling system, provide us with wire transfer instructions for receipt of cash settlement proceeds, and provide us with ACH instructions for payment of Seller fees and Loan Prospector invoices.
- There are additional requirements if you choose to retain servicing:
 - Obtain access to the Service Loans application.
 - Establish custodial accounts.
 - Set up an account for ACH payment of servicing fees.
 - Perform the investor accounting process each month.
 - Complete EDR each month.

New Servicer Overview

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What Happens When You Sell a Loan to Freddie Mac

Chapter 2

Introduction

This chapter describes the actions that occur when you sell a loan to Freddie Mac.

Objectives

After completing this chapter, you will be able to

- Describe the actions you should take before you sell a mortgage to Freddie Mac.
- List the steps you must perform to sell a mortgage.
- Describe the documentation Freddie Mac provides when you sell a mortgage.
- Explain the steps you must perform after you sell a mortgage to Freddie Mac.

What Happens When You Sell a Loan to Freddie Mac

Pre-Sale Actions

Before you sell a mortgage to Freddie Mac, you need to take the following actions:

1. Determine what product you are selling to Freddie Mac. The mortgage note dictates the product. Mortgage products are offered in the primary market and
 - May vary by the term of the note (e.g., 15-year, 30-year, 5- or 7-year balloon/reset mortgages)
 - May vary by the interest rate (e.g., adjustable-rate mortgages (ARMs), convertibles ARMs, WAC ARMs)
 - Impact investor reporting when the interest rate changes (e.g., ARMs)
2. Decide how to sell the mortgage. Mortgage programs are offered in the secondary market. The Cash, Guarantor, and Multilender programs determine how Freddie Mac pays for the mortgages you sell. The investor reporting requirements are the same for all programs.

If you sell a mortgage under the	Then
Cash program	Freddie Mac sends you cash (via a wire transfer) for the mortgage balances adjusted for interest and any discounts or premiums.
Guarantor or Multilender programs	Freddie Mac requires that you have a negotiated master commitment with us. Freddie Mac sends you a participation certificate (PC), a mortgage-backed security, for the total principal amount in whole dollars plus an adjustment on your Seller Billing Statement for interest and/or principal. There are no discounts or premiums on mortgages sold under our Guarantor or Multilender Programs.

The only time you may notice that the mortgage program has an impact on your investor reporting is when you resolve certain investor reporting errors.

3. Decide which remittance option you want.
 - The remittance option determines when the funds are sent to Freddie Mac for monthly principal and interest.
 - The remittance option selected is indicated on the *Funding Detail Report*.

What Happens When You Sell a Loan to Freddie Mac

4. Take out a contract.
 - A contract is an agreement to sell a loan or group of loans to Freddie Mac.
 - Contracts are taken out via the Freddie Mac selling system for all execution paths.
5. Deliver the mortgage to Freddie Mac for purchase.
 - Once a contract has been taken out, you must deliver the mortgage so Freddie Mac can process the purchase request.
 - Ensure accurate information is delivered. Investor reporting discrepancies occur when incorrect information is transmitted during the mortgage delivery process.

How to Sell Freddie Mac a Mortgage

Selling a mortgage to us involves the following high-level steps:

1. Decide which program options you want, take out a contract, and deliver a mortgage to us.
2. We fund the mortgage and provide documentation to you.
3. Set up the loan in your system, designate Freddie Mac as the investor for the mortgage, and begin reporting mortgage activity.
4. We set up the mortgage on our system and expect you to begin reporting activity.

What Happens When You Sell a Loan to Freddie Mac

Terminology

After you sell a mortgage to us, we refer to it as a *new funding* or a *newly funded mortgage*. There are many different terms in the industry that refer to the same thing.

Terminology Freddie Mac Uses When Buying a Mortgage	<ul style="list-style-type: none">▪ New funding▪ Newly funded mortgage
Terminology the Secondary Market Uses When Seller/Service Providers Sell a Mortgage	<ul style="list-style-type: none">▪ Settling a mortgage▪ Buying a mortgage▪ Funding a mortgage▪ Purchasing a mortgage
Terminology the Primary Market Uses When Seller/Service Providers Initiate a Mortgage with a Borrower	<ul style="list-style-type: none">▪ Funding a mortgage▪ Originating a mortgage▪ Closing a mortgage▪ Settling a mortgage

The date on which the transaction occurs may also be referred to using different terms. It may be called the

- Settlement date
- Funding date
- Purchase date
- Date the mortgage was sold
- Date we bought the mortgage

Documentation for New Fundings

Once we have successfully processed the purchase transaction, the mortgage is funded and you will receive funding documentation and either cash or a PC. You will receive a *Funding Detail Report* and a *Loan Purchase Statement* via the selling system.

What is the Funding Detail Report?

The *Funding Detail Report(s)* provides loan-level backup for the purchase summaries. For each sale, you receive one or more *Funding Detail Report(s)*.

What Happens When You Sell a Loan to Freddie Mac

When is the Funding Detail Report Available?

The *Funding Detail Report* is available to you via the selling system and the Service Loans application as follows:

Transaction Type	When the Funding Detail Report is Available via the Selling System
Cash	The report is available the morning of the day the funds are wired to the Seller (the settlement date).
Guarantor or Multilender	The report is available the first day after the final delivery date (the first day of the settlement cycle).

You can view, print, and export the *Funding Detail Report* via the selling system and the Service Loans application.

How to Use the Funding Detail Report

Use the *Funding Detail Report* to set up the loan on your investor reporting system. It provides all of the information you need to set up the mortgage with Freddie Mac as the investor. For example, the *Funding Detail Report* contains

- The accounting net yield rate
- The remittance option
- The Freddie Mac loan number
- Data used to calculate the servicing fee

The *Funding Detail Report* is the most important document for ensuring your investor reporting system is in sync with Freddie Mac's systems.

What Happens When You Sell a Loan to Freddie Mac

The Funding Detail Report

The mortgage information on the *Funding Detail Report* is the same information that Freddie Mac sets up on its investor accounting system. The amount expected for principal and interest is based on this data. If information is set up on your system does not match the information reflected on the *Funding Detail Report*, there will be investor reporting discrepancies.

Following is an example of a *Funding Detail Report*.

Freddie Mac Funding Details Report											
Seller Name: Customer Training				Contract Name: fund							
Seller Number: 222210				Contract Number: 319937011							
Organization ID: 233593347				Contract Product: 1/1 1-Year CMT ARM							
Seller Address: 125 Baker St PO Box 1111 256, Bristow VA 20136-1000				Participation Percent: 100.000%							
				Remittance Option: ARC							
				Prepayment Remittance Due Days: 5							
Designated Servicer Name: Customer Training											
Servicer Number: 222210											
Servicer Address: 125 Baker St PO Box 1111 256, Bristow VA 20136-1000											
Settlement Summary											
Seller Loan Number	FHLMC Loan Number	P & I Constant	Interest Paid to Date	Note Rate	ANY Rate	First Rate Adjustment Date	Accounting Net Margin	Accounting Net Life Cap	Remaining Maturity	Principal Purchased	
Settlement Date: 02/03/2004											
JANC_ARM_012868093335		760.03	11/01/2003	4.500%	4.125%	11/01/2004	2.500%	10.125%	360	150,000.00	
JANC_ARM_011868093343		760.03	11/01/2003	4.500%	4.125%	11/01/2004	2.500%	10.125%	360	150,000.00	
JANC_ARM_010868093351		760.03	11/01/2003	4.500%	4.125%	11/01/2004	2.500%	10.125%	360	150,000.00	
JANC_ARM_009868093378		760.03	11/01/2003	4.500%	4.125%	11/01/2004	2.500%	10.125%	360	150,000.00	

Most investor reporting errors are caused because the information delivered does not match the note, or the information set up on your investor accounting system does not match the *Funding Detail Report*.

What Happens When You Sell a Loan to Freddie Mac

What is the Purchase Statement?

The *Purchase Statement* summarizes the total sale. For each sale you receive one or more Purchase Statement(s).

When is the Purchase Statement Available?

The Cash Purchase Statement is available on the day of settlement. The Guarantor and Multilender Purchase Statements are available the day after the final delivery (the first day of the settlement cycle).

How to Use the Purchase Statement

Your accounting department should use the *Purchase Statement* to record the sale on your general ledger.

Post-Sale Actions

Immediately after you sell a mortgage to Freddie Mac, you need to:

- Set up the mortgage on your investor reporting system.
- Ensure the information set up on your investor reporting system matches the information on the *Funding Detail Report*.
- Begin your investor accounting responsibilities.

What Happens When You Sell a Loan to Freddie Mac

Review

- There are several steps you must take before you sell a mortgage to us. These include the following:
 - Determine what product to sell.
 - Decide which program you want (cash, guarantor, or multilender).
 - Decide which remittance option you want.
 - Take out a contract.
 - Deliver the mortgage to us.
- After you sell a mortgage to us, we refer to it as a new funding or newly funded mortgage.
- The *Funding Detail Report* and *Purchase Statement* are available via the Freddie Mac selling system.
 - For cash transactions, they are available on the settlement date.
 - For guarantor and multilender transactions, they are available the day after the final delivery.
- The *Funding Detail Report* is critical to accurately setting up the mortgage on your investor reporting system.

Your Investor Reporting Responsibilities

Chapter 3

Introduction

This section introduces your investor reporting responsibilities including your loan-level transactions and remitting funds due Freddie Mac via Global Payments, Inc (GPI).

Objectives

After completing this chapter, you will be able to:

- Explain the difference between reporting and remitting.
- Describe the difference between monthly processing and interim processing.
- Explain when to report and remit.
- Explain how much to report and remit.
- Describe the activities involved in the investor reporting process.

Your Investor Reporting Responsibilities

What is the Difference Between Reporting and Remitting?

Reporting and remitting, although related, are separate activities. Reporting is the process of submitting information to Freddie Mac based on the accounting activity (or non-activity) for each mortgage in your Freddie Mac portfolio. Freddie Mac processes one transaction per loan, each accounting cycle. You will report one loan-level transaction for every Freddie Mac loan you service regardless of whether any activity occurred for the loan during the reporting period. If there is more than one activity for a loan, you must summarize all activity for the cycle into one transaction. For example, if a borrower makes a payment on 08/03/xxxx and then pays off the mortgage on 08/07/xxxx, you must summarize both of these activities into one loan-level transaction.

Remitting is the process of initiating a transfer of funds due Freddie Mac from your Freddie Mac custodial account. You will remit funds via GPI. You may access GPI from a touch-tone phone or via the Service Loans application.

The Investor Reporting Process

The investor reporting process is comprised of monthly and interim processing. See boxes 3 and 4 of the investor accounting process flow in Chapter 1.

Monthly Processing

Monthly processing is cyclical reporting and remitting completed every month at the same time. Freddie Mac's accounting cycle is a one-month period that begins on the 16th of each month and ends at the close of business on the 15th of the following month, or the previous business day if the 15th falls on a non-business day. The accounting cycle determines the timing for monthly reporting. The timing for monthly remittances is determined by the remittance option selected when the mortgage was sold to Freddie Mac.

Monthly processing for reporting and remitting is the majority of the investor reporting process. It includes all loan-level transactions except liquidations (payoffs and third-party foreclosure sales).

As a Servicer, you must:

- Report monthly transactions no later than five business days after the accounting cutoff.
- Remit monthly transactions based on the remittance option you select when you sell a loan to Freddie Mac. The different remittance options are covered later in this section. Refer to our *Due Date Calendar for Monthly Reporting and Remitting* for specific reporting and remitting due dates.

Your Investor Reporting Responsibilities

Interim Processing

Interim processing is event driven reporting and remitting that is completed throughout the month in response to certain mortgage activities, such as payoffs and third-party foreclosure sales.

Refer to the following table to determine when to report:

Transaction Type	When to Report
Payoff (Prepaid, Matured)	Within two business days of the exception date
Payoff (Repurchase)	Repurchase the mortgage within the timeframe specified in the repurchase letter
Payoff (Adjustable-Rate Mortgage (ARM) Conversion)	Within five business days of the exception date (may be no later than the deadline specified in the contract)
Third-Party Foreclosure Sale	Within two business days of the receipt of funds date

Remittances for interim processing are due to Freddie Mac within five business days of the exception date or receipt of funds date.

Loan-Level Discrepancies

Your loan-level transactions are compared to data in our database to identify any discrepancies. These discrepancies are referred to as “edits.” Freddie Mac makes daily edit reports available to you. We notify you of any edits the business day after we receive any loan-level transaction.

Revisions

If you want to change the information for a loan you already reported, identify the loan-level transaction as a correction. A correction tells our system that this is the transaction you want to process and overrides any previous transaction.

Transmit corrections for the current cycle as soon as possible, but no later than four business days prior to the end of the month.

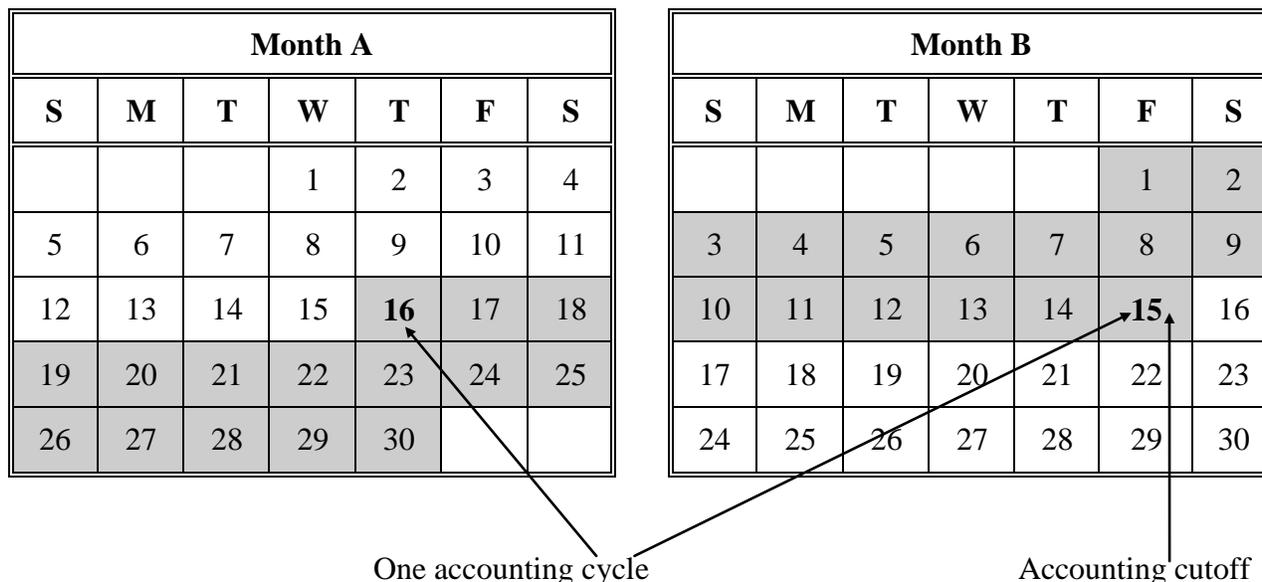
Preventive Maintenance

In addition to revising the transaction, ensure that you take the steps necessary to help prevent the discrepancy from occurring in future cycles.

Your Investor Reporting Responsibilities

The Accounting Cycle

Freddie Mac’s accounting cycle is a one-month period that begins on the 16th of each month and ends at the close of business on the 15th of the following month, or the previous business day if the 15th falls on a non-business day. The last day of the accounting cycle is the accounting cutoff.



Freddie Mac designed its accounting cycle to cut off on the 15th because, although most payments are due on the 1st of the month, many payments are received from the first through the 15th. This accounting cycle gives you a two-week period to collect payments before you report and remit.

Finaling the Accounting Cycle

After we process a loan-level transaction for every mortgage you service for us, we “final” the accounting cycle or “close our books” three business days before the end of the month.

After we final, you may retrieve your monthly reconciliation reports that summarize the activity processed for your portfolio.

What You Will Report and Remit for Mortgage Activity

You must calculate interest in arrears for your Freddie Mac portfolio.

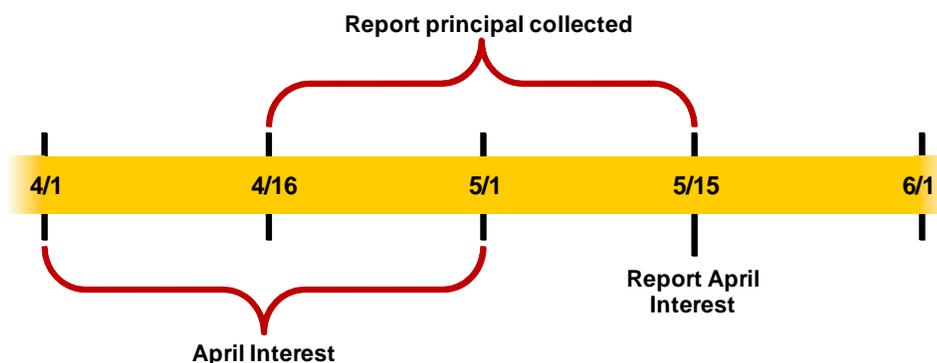
Except as described in Guide Sections 8103.5 through 8103.7, apply all monthly mortgage payments as specified in the security instrument.

Your Investor Reporting Responsibilities

Interest in Arrears

Both the interest due from the borrower and interest due Freddie Mac are calculated in arrears.

The following timeline illustrates the interest and principal you would report and remit for the May accounting cycle.



Due Date of the Last Paid Installment and Last Payment Received Date

Freddie Mac requires you to report two dates with every loan level transaction:

- The due date of the last paid installment (DDLPI) is the actual due date according to the terms of the Note. The DDLPI can be a future date.
- The last payment received date (LPRD) is the actual date on which you received the borrower's payment. The LPRD cannot be a future date.

Example

You received the borrower's mortgage payment on May 8. The note has a due date of the first of the month. For the May accounting cycle, report a DDLPI of 05/01/xxxx and an LPRD of 05/08/xxxx.

Your Investor Reporting Responsibilities

Accounting Methods

The amount of principal and interest you report and remit for your mortgage activity is determined by the contract-specified accounting method selected at the time the mortgage was sold to us.

The four types of accounting methods are:

- Net yield
- Alternate
- Scheduled/scheduled
- Guaranteed timely principal and interest

Net Yield Accounting Method

Most mortgages use the net yield accounting method (scheduled interest, actual principal). The net yield accounting method is used for the majority of investor reporting examples and exercises in this publication.

With the net yield accounting method, you will:

- Calculate interest based on the last reported ending unpaid principal balance (UPB) and the accounting net yield (ANY). The ANY equals the note rate less the servicing fee.
- Report and remit one month's interest regardless of what you receive from the borrower.
- Report and remit the actual principal collected from the borrower during the accounting cycle (16th –15th).

Alternate (Actual/Actual) Accounting Method

The alternate method is used for partial reinstatements.

With the alternate accounting method, you will:

- Calculate interest based on the last reported ending Unpaid Principal Balance (UPB) and the Accounting Net Yield (ANY). The ANY equals the note rate less the servicing fee.
- Report and remit the interest only if you receive it from the borrower.
- Report and remit the actual principal collected from the borrower during the accounting cycle (16th –15th).

Your Investor Reporting Responsibilities

Scheduled/Scheduled Accounting Method and Guaranteed Timely Principal and Interest

The scheduled/scheduled accounting method is used for loans sold with the Super ARC (Accelerated Remittance Cycle) remittance option. Remittances are due on the contract specified calendar date each month.

Loans that were sold under the Guaranteed Timely Principal and Interest program also use the scheduled/scheduled method of accounting. Remittances are due either on the ARC day specified in the purchase contract, or on the First Tuesday of the month.

With the scheduled/scheduled accounting method, and guaranteed timely principal and interest, you will:

- Calculate interest in arrears based on the ending unpaid principal balance (UPB) last reported and the accounting net yield (ANY). The ANY equals the note rate minus the servicing fee.
- Report and remit the scheduled interest and principal regardless of what you receive from the borrower.

The only reporting difference between these methods is the scheduled/scheduled loans can be inactivated and guaranteed timely principal and interest loans cannot.

Accounting Method Examples

Prepaid Mortgage

You received the borrower's May and June payment on 05/09/xxxx. The note has a 1st of the month due date. Both payments consist of \$100 principal and \$900 interest. You would report a DDLPI of 06/01/xxxx and a LPRD of 05/09/xxxx for the May accounting cycle.

The following summarizes the principal and interest to be reported with each accounting method for the May accounting cycle.

Accounting Method	Interest	Principal
Net yield	\$900	\$200
Alternate	\$1,800	\$200
Scheduled/scheduled	\$900	\$100
Guaranteed timely principal and interest	\$900	\$100

Your Investor Reporting Responsibilities

Delinquent Mortgage

You received the borrower's April payment on 04/08/xx but did not receive the May payment. The note has a 1st of the month due date. The April payment consists of \$100 principal and \$900 interest. You would report a DDLPI of 04/01/xxxx and a LPRD of 04/08/xxxx for the May accounting cycle.

The following summarizes the principal and interest to be reported with each accounting method for the May accounting cycle:

Accounting Method	Interest	Principal
Net yield	\$900	\$0
Alternate	\$0	\$0
Scheduled/scheduled	\$900	\$100
Guaranteed timely principal and interest	\$900	\$100

How to Submit Your Mortgage Activity to Us

The Service Loans application is an easy to navigate, web-based interface that enables you to submit your investor accounting and servicing information for Freddie Mac-owned mortgages to us.

Within the application, you have the ability to:

- Customize your import file mapping
- View and browse mortgage activity
- Process subsequent transfer of servicing requests
- Export data
- Obtain confirmations and notifications

You are also able to access other Freddie Mac technology tools such as Default Reporting ManagerSM through links provided in the Service Loans application.

Mortgage Activity

You are responsible for reporting to Freddie Mac monthly, the activity for every mortgage in your portfolio. This is referred to as the mortgage activity. There are two types of mortgage activity: principal and interest (P&I) and exception.

Your Investor Reporting Responsibilities

Principal and Interest (P&I) Activity

Principal and interest activity is regular monthly activity of principal and interest payments made according to the terms and conditions of the security instrument executed by the borrower.

Examples include:

- Newly funded mortgages
- Regular principal and interest payments on active mortgages
- Mortgages inactivated during a previous accounting cycle

Exception Activity

Exception activity is any exception to the regular monthly principal and interest payments that changes the status of the mortgage.

Examples include:

- Payoffs
- Reinstatements
- Inactivations
- Third-party foreclosure sales
- Real Estate Owned (REOs)

Exception Codes

All of your exception activity has corresponding exception codes. When you report your activity via the Service Loans application, the exception code is automatically inserted based on the transaction type you select. All investor accounting reports printed from the Service Loans application reflect the exception codes. Interpret and match the exception codes to their corresponding transactions when researching discrepancies from your daily edit reports.

For a complete list of exception codes, refer to Chapter 5, Loan-Level Transactions.

Your Investor Reporting Responsibilities

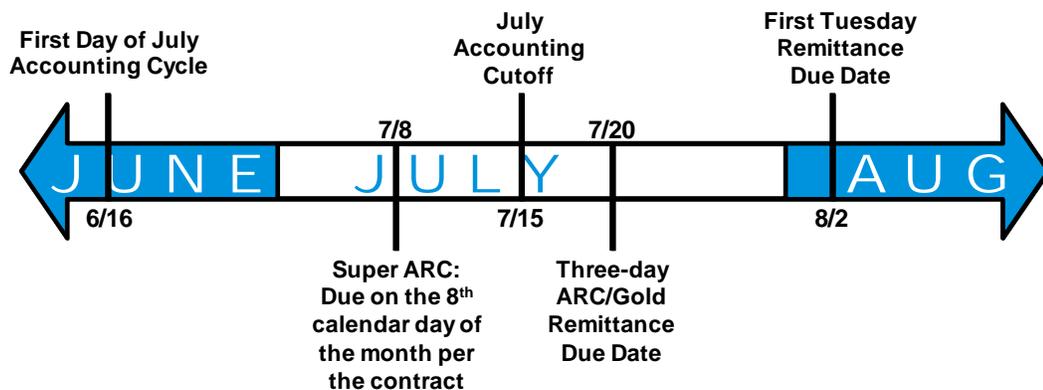
Remittance Options

For monthly processing, your remittances are due based on the remittance option selected at the time the mortgage was sold to us. The remittance option is listed on the *Funding Detail Report* sent to you at the time of funding. You may select more than one remittance option in your portfolio.

The following table describes the five remittance options available at Freddie Mac.

Remittance Option	Funds are due to Freddie Mac
Accelerated Remittance Cycle (ARC)	On a contract specified business day. If the date is not specified, use the third business day following the accounting cutoff.
Gold	On the third business day following the accounting cutoff.
First Tuesday	On the first Tuesday of the calendar month following the accounting cutoff.
Original	
Super Accelerated Remittance Cycle (Super ARC)	On a contract-specified calendar day between the 1st and 15 th calendar day of the month. The funds must be available the preceding business day if the calendar day is a non-business day. Super ARC remittances will use the scheduled/scheduled accounting method because you will remit funds before the accounting cutoff.

The following timeline illustrates when funds are due to Freddie Mac for the July accounting cycle for the various remittance options:



Your Investor Reporting Responsibilities

How to Remit Funds to Freddie Mac

Remit funds due us through GPI, a third party vendor that collects funds on our behalf.

You have two methods to remit, through touch-tone phone (follow the voice prompts), or transmit online via the Service Loans application. When you become a Freddie Mac Servicer, we will provide you with a toll-free remittance number and your identification number.

When to Remit Funds to Freddie Mac

Funds must be available for our use on or before the remittance due date. If the remittance due date falls on a non-business day, the funds are due the preceding business day. To ensure that funds are available to us on or before the remittance due date, complete your remittance no later than 9:00 p.m. Eastern time, the business day prior to the remittance due date. We will debit your account the business day after you complete the remittance process.

Example

The Gold remittance option amounts for the November xxxx cycle are due November 20, xxxx. Your remittance must be completed by 9:00 p.m. eastern time November 19, xxxx.

Electronic Default Reporting

Servicers with an active Freddie Mac Seller/Servicer number must report all delinquency and default information to us each month for all Freddie Mac single-family mortgages in default via Electronic Default Reporting (EDR). Your EDR information is due by 5:30 p.m. Eastern time on the third business day of the month. Even though EDR is not considered an investor reporting activity, it does impact some loan-level transactions.

Each month, you must report all mortgages

- That are 30 or more days delinquent
- Where the borrower has filed bankruptcy, whether the mortgage is delinquent or not
- Where the borrower is current in his or her mortgage payments and you are pursuing an alternative to foreclosure (Note: You must comply with all Guide requirements with respect to considering a borrower who is current in his or her mortgage payment for an alternative to foreclosure, including, as applicable, any requirement that the borrower be in imminent default or found to have suffered a hardship.)
- That are in foreclosure

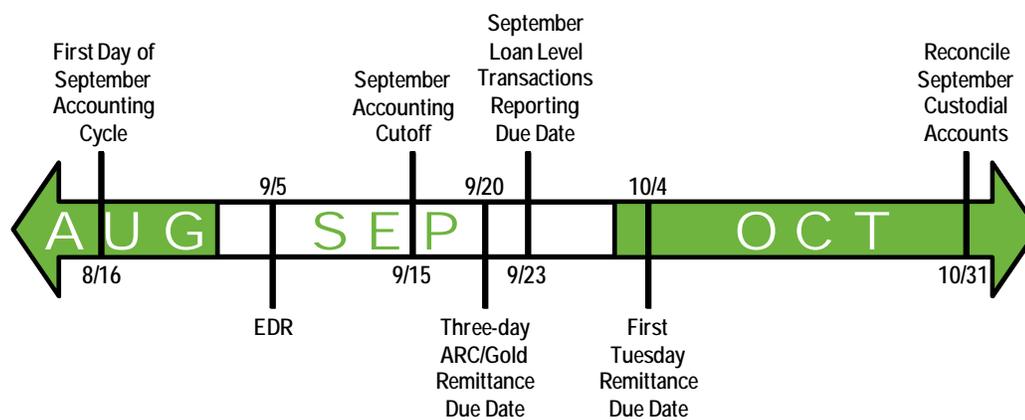
Report “No Activity” if you have no loans to report through EDR for any of your Servicer numbers.

For additional information, refer to our *EDR Quick Reference Guide* and *Due Date Calendar for Monthly Reporting and Remitting*.

Your Investor Reporting Responsibilities

EDR and Investor Reporting and Remitting Time Line

The following timeline illustrates due dates for EDR and monthly investor reporting and remitting for the September accounting cycle.



Loans in Default

Freddie Mac' philosophy is to pursue alternatives to foreclosure and avoid the consequences of foreclosure.

Examples of alternatives to foreclosure include:

- Home Affordable Modification Program (HAMP) Modifications
- Freddie Mac Standard Modifications
- Freddie Mac Standard Short Sales
- Freddie Mac Standard Deeds-in-Lieu of Foreclosure
- Make-whole Pre-foreclosure Sales
- Workout Mortgage Assumptions

Compensatory Fees

When Freddie Mac does not have accurate and timely information or cash, we incur additional costs. Compensatory fees are to help us offset these additional costs.

Each month, on approximately the tenth business day of the month, we send you a Servicer Billing Statement for compensatory fees you may have incurred for Performing Loans. The funds are automatically drafted from the account you designated for the Automated Clearing House (ACH) draft the last business day of the month. This account is separate from your P&I custodial account. If you do not owe any compensatory fees in a particular month you will not receive a Servicer Billing Statement.

See the *Single-Family Seller/Servicer Guide* (Guide) or contact your Freddie Mac representative if you have questions about your Servicer Billing Statement.

Your Investor Reporting Responsibilities

Types of Compensatory Fees

Late Reported Payoff Noncompliance Compensatory Fee

Freddie Mac assesses a compensatory fee when you fail to report a paid off mortgage by the 5th business day of the month following the month in which you received the payoff funds. The amount of the compensatory fee is equal to one month's interest based on the ANY for each loan you report late. The timeliness of your reporting is reflected on your Freddie Mac Servicer Success Scorecard.

Examples

Payoff Date	Date Payoff Reported to Freddie Mac	Result
04/15/xxxx	04/24/xxxx	No compensatory fee is assessed.
04/15/xxxx	05/03/xxxx	No compensatory fee is assessed.
04/15/xxxx	05/10/xxxx	A late reported payoff noncompliance compensatory fee is assessed.

Cash Remittance Interest Reimbursement Compensatory Fee

We assess a compensatory fee when you fail to comply with our required remittance procedures. If remittance funds are not available to us by the remittance due date, we will assess an interest reimbursement compensatory fee for each day there is a remittance shortage.

We calculate interest reimbursement compensatory fees by multiplying the amount of the remittance shortage by the highest quoted prime rate printed on the first business day following the 15th of each month in the print edition of The Wall Street Journal in its regular column titled "Money Rates" plus three percent, divide by 365 days, and multiply by the number of days the remittance is late. If the prime rate is not published, we will determine the charge.

The following monthly minimum charges apply based on the number of noncompliance violations that occur in any consecutive 12-month period:

If the noncompliance violation is the Servicer's	Then the compensatory fee is
First instance	No less than \$250 in any given month
Second instance	No less than \$500 in any given month
Third instance or more in 12 months	No less than \$1,000 in any given month

Your Investor Reporting Responsibilities

Contract Noncompliance and Contract Change Compensatory Fee

We may charge \$500 per mortgage when you request that we do one of the following:

- Research and perform database changes to our records to correct loan-level cash or data discrepancies due to erroneous reporting by the Servicer, including, but not limited to, corrections to the data transmitted through EDR and loss mitigation reporting errors
- Process the database changes necessary to complete an approved waiver to the Purchase Documents

If we process the same contract noncompliance change for 100 or more mortgages in your portfolio in the same Performing Loans monthly Servicing Billing Statement, the compensatory fee assessed for that particular occurrence will be limited to \$10,000.

Reporting Noncompliance – All Loans Compensatory Fee

We assess a compensatory fee when you fail to report all required information for at least 80 percent of the loans you service for us by the fifth business day after the accounting cycle cutoff. We assess noncompliance compensatory fees using the escalating scale shown below based on the number of noncompliance violations you have in any consecutive 12-month period.

If the noncompliance violation within a consecutive 12-month period is your	Then the noncompliance compensatory fee is:	And:
First	The greater of \$250 or \$50 per loan up to \$5,000	N/A
Second	The greater of \$500 or \$50 per loan up to \$10,000	You may be required to attend a training reporting seminar at your expense.
Third or more	The greater of \$1,000 or \$50 per loan up to \$15,000	

Additional violations after the third violation result in an assessment of a \$15,000 compensatory fee for each further violation during the remainder of the 12-month period starting with the month in which the first violation occurred.

Your Investor Reporting Responsibilities

Aged Data Errors Compensatory Fee

We may assess a \$100 compensatory fee per loan, per occurrence, up to a maximum of \$15,000 per month in which there are unresolved loan-level reporting errors that appear on the *Loan Reconciliation Difference Report* 90 days or more.

Unauthorized Transfers of Servicing

If you transfer your servicing portfolio (in whole or part) without our prior written approval, it will result in the assessment of a compensatory fee, as determined by us, not to exceed one percent of our share of the unpaid principal balances of the mortgages that are being transferred.

Unreported Transactions and Loan Simulation

We will assess a compensatory fee of \$100 per loan when you fail to clear outstanding edits or report loan-level activity by the end of month minus four business days (EOM - 4).

We will not assess this compensatory fee if the Reporting Noncompliance – All Loans compensatory fee has already been assessed for the same reporting violation.

Your Investor Reporting Responsibilities

Exercise 1

Use the following calendar to complete the statements below with the appropriate terms, dates, and amounts. There are no holidays in March. You should assume that all mortgage activity occurred in the March accounting cycle unless otherwise noted.

When you complete this exercise, check your work in the Answer Sheets for Exercises section.

MARCH						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Statements to Complete

1. The majority of your loan-level transactions will be _____processing.
2. Reporting for your monthly processing is due by _____.
3. Remitting for your monthly processing is due by the loan's _____.
4. Remitting for a loan with the Gold remittance option must be completed by _____.
5. A borrower makes three payments for March, April, and May with the March cycle. Each payment consists of \$750 for interest and \$100 for principal. Using the net yield method, how much interest should you report for the March cycle?

How much principal will you report for the March cycle? _____

6. Funds for compensatory fees are automatically drafted from a _____ account, which you set up when you become a Freddie Mac Servicer.

Your Investor Reporting Responsibilities

7. What month's interest do you report for the March accounting cycle?

8. What month's interest do you report for the March accounting cycle if no payment was received? _____
9. A borrower pays off (pre-pays) his loan on March 7, xxxx.

When are you required to report the payoff activity to Freddie Mac?

- When is the remittance for the payoff proceeds due to Freddie Mac?

- When must you complete your remittance so that Freddie Mac receives it by the remittance due date? _____
10. You must complete your Electronic Default Reporting by _____, even if all loans in your portfolio are in a current status.

Your Investor Reporting Responsibilities

Exercise 2

Match the terms with the appropriate statements. When you complete this exercise, check your work in the Answer Sheet for Exercises section.

- | | |
|-------------------------------|-----------------------|
| A. LPRD | F. Monthly processing |
| B. Remitting | G. DDLPI |
| C. Accounting cycle | H. Net yield method |
| D. EDR | I. Interim processing |
| E. Prepaid or matured payoffs | |

- _____ 1. Reporting for these transactions is due within two business days of the exception date.
- _____ 2. Reporting and remitting that is event-driven and based on the exception date.
- _____ 3. This data element reflects the actual date you received the borrower's payment.
- _____ 4. Accounting method for which you report and remit one month's scheduled interest and the actual principal received during the accounting cycle.
- _____ 5. Reporting and remitting that occurs every month at the same time.
- _____ 6. The 16th of the month through the 15th of the following month.
- _____ 7. This is the method you use to inform us of any delinquencies or foreclosures.
- _____ 8. Sending us funds for the loan-level transactions we have processed.
- _____ 9. This data element reflects the actual due date according to the terms of the note.

Your Investor Reporting Responsibilities

Review

- The investor reporting process can be divided into two major parts: monthly processing and interim processing.
- Reporting is the process of transmitting accounting activity information to us for each mortgage.
- Remitting is the process of calling in funds due us through GPI. Funds must be available for our use on or before the remittance due date. You must complete your remittance no later than 9:00 p.m. Eastern time the business day prior to the remittance due date.
- P&I activity is the regular monthly activity of principal and interest payments made according to the terms and conditions of the security instrument executed by the borrower.
- Exception activity is any exception to regular monthly principal and interest payments.
- When you report a loan number to us more than once for the same accounting cycle, mark the transaction you want us to process as a correction.
- The accounting cycle is a one-month period that begins on the 16th of each month and ends at the close of business on the 15th of the following month.
- We will assess fees for failure to meet our reporting or remitting requirements.
- There are five remittance options:
 - Accelerated Remittance Cycle (ARC)
 - First Tuesday
 - Original (including Class B Multifamily)
 - Gold
 - Super Accelerated Remittance Cycle (Super ARC)

Your Investor Reporting Responsibilities

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Common Data Elements for Loan-Level Transactions

Chapter 4

Introduction

This chapter outlines the common data elements you must report for your loan-level transactions.

Objectives

After completing this chapter, you will:

- Be familiar with the required data elements for loan-level transactions, including, but not limited to:
 - Gross unpaid principal balance
 - Principal due
 - Interest due
- Be familiar with additional data elements for modified mortgages, including, but not limited to:
 - Borrower incentive curtailment amount (applicable to HAMP modifications only)
 - Interest bearing UPB
 - Deferred UPB
 - Deferred principal curtailment amount
- Understand how to report the cancellation of mortgage insurance

Common Data Elements for Loan-Level Transactions

Data Elements

There are three primary data elements you must report for principal and interest (P&I) transactions and exception transactions:

- Gross unpaid principal balance
- Principal due
- Interest due
 - Monthly interest due
 - Exception interest due

Gross Unpaid Principal Balance

The gross unpaid principal balance (UPB) has the following characteristics:

- The previous accounting cycle's ending gross UPB is the beginning gross UPB for the current accounting cycle. For example, the January cycle's ending gross UPB equals the February cycle's beginning gross UPB.
- The ending gross UPB for the current cycle will be the beginning gross UPB for the next accounting cycle. For example, the February cycle's ending gross UPB equals the March cycle's beginning gross UPB.
- For mortgages *modified with partial principal forbearance*, the gross UPB must equal the sum of the interest bearing UPB (the amortizing principal balance of the mortgage) and the deferred UPB (the principal forbearance balance), as of the accounting cutoff.

Principal Due

The principal due to us for mortgage activity is the difference between the current cycle's beginning gross UPB and the ending gross UPB for the current accounting cycle. Principal due is also referred to as principal reduction.

Calculation

To calculate principal due, subtract the current cycle's ending gross UPB from the current cycle's beginning gross UPB.

Current cycle's beginning gross UPB	\$90,000
- Current cycle's ending gross UPB	\$89,000
<hr/>	
Principal Due	\$1,000

Common Data Elements for Loan-Level Transactions

Mortgages Modified with Partial Principal Forbearance

For mortgages modified with partial principal forbearance, principal due is the difference between the current cycle's beginning interest bearing UPB and the current cycle's ending interest bearing UPB.

Calculation

To calculate principal due, subtract the current cycle's ending interest bearing UPB from the current cycle's beginning interest bearing UPB.

Current cycle's beginning interest bearing UPB	\$90,000
- Current cycle's ending interest bearing UPB	\$89,000
<hr/>	
Principal Due	\$1,000

Additional Examples

Principal Due for Newly Funded Mortgages

For newly funded mortgages (mortgages sold to us during the current accounting cycle), the beginning gross UPB is sometimes referred to as the funded UPB. Therefore, to calculate principal due for a newly funded mortgage, subtract the current cycle's ending gross UPB from the funded UPB.

Funded UPB	\$120,000
- Current cycle's ending gross UPB	\$119,975
<hr/>	
Principal Due	\$25

Principal Due for Payoffs and Third-Party Foreclosure Sales

Principal due for payoffs and third-party foreclosure sales will always be equal to the current cycle's beginning gross UPB since the current cycle's ending gross UPB must be zero.

Current cycle's beginning gross UPB	\$120,000
- Current cycle's ending gross UPB	\$0
<hr/>	
Principal Due	\$120,000

Note: If a mortgage modified under HAMP pays off and a borrower incentive curtailment is paid during the same accounting cycle, ensure that you report the borrower incentive curtailment amount with the payoff transaction in accordance with Section 9205.13 of the Guide.

Common Data Elements for Loan-Level Transactions

Inactivations

Principal due for inactivations (mortgages in foreclosure that you are moving to an inactive status) will always be zero.

Current cycle's beginning gross UPB	\$100,000
- Current cycle's ending gross UPB	\$100,000
<hr/>	
Principal Due	\$0

Interest Due

There are two types of interest due:

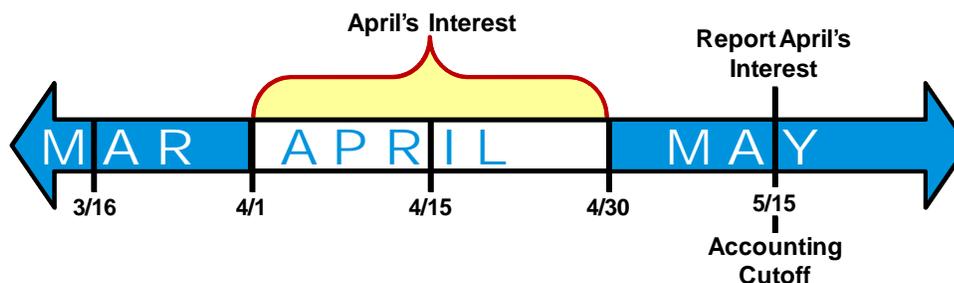
- Monthly interest due
- Exception interest due

Although our accounting cycle begins on the 16th of the month and ends on the 15th of the following month, monthly interest is based on one full calendar month of interest.

Monthly Interest Due

You must report monthly interest for all active mortgages, regardless of what has been collected from the borrower.

Monthly interest is always due in arrears. This means the interest due you report is for the previous calendar month. For example, in the May accounting cycle, you report April's interest.



Calculation

Monthly interest due is calculated using the accounting net yield (ANY) rate, and is based on a 12-month, 360-day year, or 30-day month. The ANY equals the note rate minus the servicing fee.

To calculate monthly interest due, multiply the beginning gross UPB for the current accounting cycle by the ANY, and divide by 12. *For mortgages modified with a partial principal forbearance, use the interest bearing UPB, not the gross UPB, to calculate monthly interest due.*

Current cycle's beginning gross UPB x ANY ÷ 12 = Monthly Interest Due

Common Data Elements for Loan-Level Transactions

Example

Current cycle's beginning gross UPB = \$100,000
ANY = 7.50%

$$\$100,000 \times .075 \div 12 = \$625$$

Monthly Interest Due for Newly Funded Mortgages

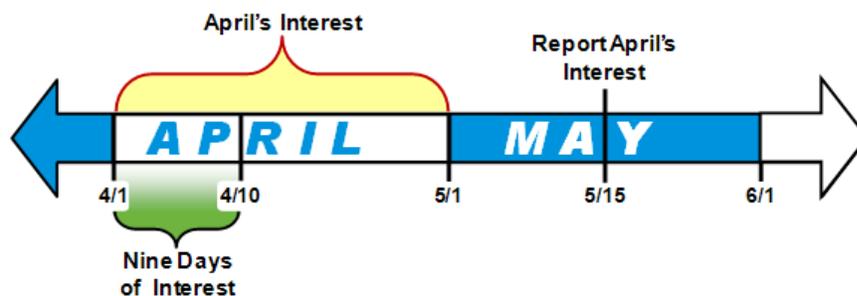
For newly funded mortgages, monthly interest is due for the first time during the accounting cycle following the calendar month in which the mortgage was sold to Freddie Mac.

For example, if we fund a loan in April, you will report April's interest for the May accounting cutoff. The beginning gross UPB is the funded balance and will be used to calculate the monthly interest.

Regardless of what day of the month we fund a mortgage, you must report and remit interest for the entire month (30 days).

Example

If we fund a loan on April 10, you will report April's interest (30 days) with the May accounting cutoff. We will credit you nine days of pro-rated monthly interest at the time of funding.



Common Data Elements for Loan-Level Transactions

Exception Interest

There are two types of exception interest:

- Monthly exception interest
- Daily exception interest

Monthly Exception Interest

Monthly exception interest may be due for more than one month, and may be a credit.

You will report monthly exception interest for the following transactions:

- Payoffs with an exception date that falls on the 16th through the end of the month
- FHA/VA foreclosures/conveyances
- REOs

Calculation

To calculate monthly exception interest due, multiply the beginning gross UPB for the current accounting cycle by the ANY, divide by 12 and multiply by the number of months. *For mortgages modified with a partial principal forbearance, use the interest bearing UPB, not the gross UPB, to calculate monthly exception interest due.*

Current cycle's beginning gross UPB x ANY ÷ 12 x Number of months = Monthly Exception Interest Due

Daily Exception Interest

Daily exception interest is calculated from the first of the month, up to, but not including, the exception date. It is based on a 365-day year.

Daily exception interest will be due when the exception date for the following transactions is not the first of the month:

- Payoffs
- FHA/VA foreclosures
- Third-party foreclosure sales

Calculation

Beginning gross UPB x ANY ÷ 365 x number of days from the first of the month up to, but not including, the exception date = Daily Exception Interest Due

For mortgages modified with a partial principal forbearance, use the interest bearing UPB, not the gross UPB, to calculate daily exception interest due.

Common Data Elements for Loan-Level Transactions

Additional Data Elements for Modified Mortgages

For modified mortgages, you must report the following additional data elements, if applicable:

- Borrower incentive curtailment amount (applicable to HAMP modifications only)
- Interest bearing UPB
- Deferred UPB
- Deferred Principal Curtailment Amount

Borrower Incentive Curtailment Amount

For HAMP modifications, you must report any borrower “Pay for Performance” incentive payments applied to the unpaid principal balance of the mortgage during the accounting cycle. If there is no incentive payment applied during the accounting cycle, do not report a value for this field.

The borrower incentive curtailment is paid once per year. You must apply the curtailment, when you receive it, to the interest bearing UPB, and then to any deferred UPB, if applicable. For additional information, refer to Guide Sections 9205.12 and 9205.13.

Interest Bearing UPB

This data element is applicable to mortgages modified with partial principal forbearance (i.e., deferred UPB). The interest bearing UPB is the amortizing principal balance of the mortgage. You will use the interest bearing UPB to calculate monthly interest and exception interest, if applicable, due to us.

Deferred UPB

This data element is applicable to mortgages modified with partial principal forbearance. The deferred UPB is non-interest bearing and non-amortizing. It will be due in the form of a balloon payment on transfer of all or a portion of the property, when the interest bearing UPB pays off, or on the maturity date of the modified mortgage.

Deferred Principal Curtailment Amount

This data element is applicable to mortgages modified with partial principal forbearance, and equals any curtailment amount applied to the deferred UPB during the accounting cycle. Refer to Guide Sections 9205.13 and 8303.4 for additional information.

Common Data Elements for Loan-Level Transactions

Mortgage Insurance Cancellation

Mortgage insurance is federal or private insurance that protects mortgage lenders against default risk. Private carriers provide mortgage insurance to protect lenders against losses in the event of a foreclosure and deficiency. The carrier must be a Freddie Mac-approved mortgage insurer.

The borrower pays the mortgage insurance premiums. A down payment of less than 20 percent of the price of the home requires private mortgage insurance (PMI or MI). Borrowers should contact their lender for specific requirements on private mortgage insurance.

Under certain circumstances, the borrower may be able to cancel his or her mortgage insurance. For example, a borrower's loan amortization may reach a certain percentage or the property value may increase such that mortgage insurance is no longer required.

When to Report Mortgage Insurance Cancellation

Report MI cancellation data to Freddie Mac via the Service Loans application with your P&I activity only. You must report the MI cancellation data within three accounting cycles after the month of the cancellation date. For example, if the cancellation date is April 5, xxxx, you must report mortgage insurance cancellation data with your monthly loan-level accounting data no later than the July xxxx accounting cycle.

How to Report Mortgage Insurance Cancellation

After you log in to the Service Loans application and access the Submit/Edit Loan Activity page, perform the following steps to report MI cancellation:

1. Select the Reporting Cutoff Date to change the date value, if needed.
2. Select Enter Single Loan Activity and input the nine-digit Freddie Mac loan number.
3. Click Continue. You will advance to the Enter Single Loan Activity page with the Freddie Mac Loan number and the Cycle Cutoff Date automatically populated.
4. Select P&I as the transaction type.
5. Enter all applicable and required data fields.
6. Enter the date the MI was cancelled in the Date Mortgage Insurance Cancelled field. To do this, click the calendar and select the date, or enter the date using the mm/dd/yyyy format.

Common Data Elements for Loan-Level Transactions

7. Select the appropriate MI Cancellation Code from the pick list in the MI Cancel Code field:
 - Borrower – Original Property Value
 - Borrower – Current Property Value
 - Servicer – Automatic Cancellation
8. Verify the accuracy of the data and click Submit.

Deleting MI Cancellation Data

You cannot delete MI cancellation data previously reported via the Service Loans application. Contact your Freddie Mac representative or (800) FREDDIE for assistance.

Common Data Elements for Loan-Level Transactions

Review

- The previous cycle's ending gross UPB is the beginning gross UPB for the current accounting cycle.
- The principal due is the difference between the beginning gross UPB and the ending gross UPB for the current accounting cycle. For mortgages modified with partial principal forbearance, principal due is the difference between the current cycle's beginning interest bearing UPB and the current cycle's ending interest bearing UPB.
- There are two types of interest: monthly interest and exception interest.
- Monthly interest is:
 - Reported for all active mortgages
 - Based on a 12-month, 360-day year, and is always due in arrears
- There are two types of exception interest: monthly exception interest and daily exception interest.
- Monthly exception interest may be due for more than one month or may be a credit.
- Daily exception interest is due for liquidations.
- Daily exception interest is based on a 365-day year, and is calculated from the first of the month up to, but not including, the exception date.
- For modified mortgages, you must report the following additional data elements, if applicable:
 - Borrower incentive curtailment amount (applicable to HAMP modifications only)
 - Interest bearing UPB
 - Deferred UPB
 - Deferred Principal Curtailment Amount

Introduction

This chapter explains how to report and remit for specific P&I and exception transactions.

Several exercises are also included so that you can practice calculating the various components of loan-level transactions and determining when remittances are due to Freddie Mac. These exercises are date-specific and sometimes include more than one year. Therefore, please use the following designations as you complete the exercises:

- Current year = xxxx
- One year prior to the current year = xxxw

Objectives

After completing this chapter, you will be able to explain how to report and remit funds for the following:

- Participation loans
- Newly funded loans
- Payoffs
- Inactivations
- Reinstatements
- Third-party foreclosure sales
- FHA/VA foreclosures/conveyances
- REOs

Loan-Level Transactions

Monthly Processing

The following identifies the types of transactions that you may report as you complete your monthly processing activities. We will take a closer look at each type of transaction in this chapter.

Note that all monthly processing activity must be reported within five business days after the accounting cutoff.

Exception Code	Activity	Description	Remittance Due Date
N/A	P&I - newly funded mortgage	Mortgage we funded during the accounting cycle.	By the contract-specified remittance option due date.
	P&I – existing and/or active mortgage	Current or delinquent mortgage that has not been inactivated and is not in foreclosure.	
40	Inactivate	Mortgage for which you have initiated and notified us of foreclosure and are transferring the loan to an inactive status.	
N/A	P&I – inactive mortgage	Mortgage you inactivated in a previous accounting cycle. No principal or interest is due.	No funds are due.
50	Reinstate	Mortgage inactivated in a previous accounting cycle which has been brought current. May include mortgages that have a completed workout or loan modification.	By the contract-specified remittance option due date.

Loan-Level Transactions

Exception Code	Activity	Description	Remittance Due Date
70	Transfer to REO	Freddie Mac has acquired the mortgage property through foreclosure or a deed-in-lieu of foreclosure.	No funds are due. You receive a credit for interest advanced on the contract-specified remittance option due date.
72	FHA/VA foreclosure/conveyance	A claim has been filed with the FHA or VA on a property that did not sell at foreclosure sale.	
80	Balance correction	Mortgage on which the ending gross UPB is higher than the beginning gross UPB.	By the contract-specified remittance option due date.

Loan-Level Transactions

Interim Processing

The following highlights the type of transactions you may report throughout the month. We will take a closer look at each of these transactions in this chapter.

Exception Code	Activity	Description	Reporting Due Date	Remittance Due Date
60	Payoff – matured	Mortgage was paid in full during the accounting cycle.	Within two business days of receipt of funds.	Within five business days of receipt of funds.
61	Payoff – prepaid			
65	Payoff – repurchase	You are repurchasing (buying back) a mortgage with our approval.	Within 30 days following the date of Freddie Mac's notification requiring the repurchase or approving your repurchase request.	By the fifth business day after the repurchase date as reported in your repurchase reporting, and no later than the 30 th day from the date of Freddie Mac's repurchase notification or approval of your request.
66	Payoff – conversion	The borrower is exercising the conversion option for a convertible ARM sold under the repurchase program.	Within five business days of the exception date. (The exception date may be no later than the deadline specified in the contract.)	Within five business days of the exception date.
71	Third-party foreclosure sale	The property was purchased by a third party at the foreclosure sale.	Within two business days of receipt of funds. (Note that the exception date is the date of the foreclosure sale.)	Within five business days of receipt of funds.
73	FHA/VA third-party foreclosure sale			

Loan-Level Transactions

Participation Loans

A participation loan is a mortgage where two or more investors (participants) own a partial interest.

Mortgages that are 100 percent participation are known as whole loans. All examples we use are based on whole loan sales.

Characteristics

- Investors share the income generated from the mortgage.
- The participation percentage is the portion of the mortgage sold to us, such as 80 or 95 percent.
- Participation mortgages can range from 50 to 95 percent, in five percent increments.
- Report our share of the principal and interest and 100 percent of the ending gross UPB.

Principal Due

Use the following formula to calculate the principal due:

Beginning gross UPB – Ending gross UPB = Principal due

Interest Due

If the loan was active as of the previous accounting cutoff, use the following formula to calculate interest due:

Beginning gross UPB x ANY ÷ 12 = Monthly Interest Due

Ending Gross UPB

Report 100 percent of the ending gross UPB for participation loans.

When to Report

Report the transaction within five business days after the accounting cutoff.

When to Remit

The remittance due date is determined by the remittance you selected when you sold the loan to us.

Reporting and Remitting in Future Cycles

There are no special reporting or remitting requirements for future cycles.

Loan-Level Transactions

Exercise 1: Example of a Participation Loan

Using the calendars and the information provided, calculate the principal interest, and ending gross UPB for this participation loan. Note that May 27 is a holiday.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Activity.....The borrowers made their June payment for this participation mortgage.

Remittance Option.....Gold

Freddie Mac Loan Number....123456799

Accounting cycle06/xxxx

DDLPI.....06/01/xxxx

Participation Percentage95%

Beginning Gross UPB\$105,750.00

Ending Gross UPB\$105,000.00

ANY.....8.0%

1. How much principal due will you report and remit for the June accounting cycle?_____
2. How much interest due will you report and remit for the June accounting cycle?_____
3. What is the ending gross UPB for the June accounting cycle?_____
4. When will you report the loan-level data to Freddie Mac?_____
5. On what date is the principal and interest due?_____

Loan-Level Transactions

Newly Funded Mortgages

A newly funded mortgage is a mortgage you sold to us during the current accounting cycle.

The *Funding Detail Report*, which is available to you via the selling system and the Service Loans application, confirms your sale of a mortgage to us. Use the *Funding Detail Report* to verify the accuracy of mortgage data to avoid errors in loan setup and reporting.

Principal Due

Use the following formula to calculate principal due:

Funded UPB – Ending gross UPB = Principal Due

Interest Due

Monthly Interest Due

Monthly interest is always due in arrears. This means interest is for the previous calendar month. We are not due monthly interest if we did not own the mortgage during any part of the previous month.

Use the following formula to calculate monthly interest:

Beginning gross UPB x ANY ÷ 12 = Monthly Interest Due

Exception Interest Due

No exception interest is due unless the mortgage has been paid in full.

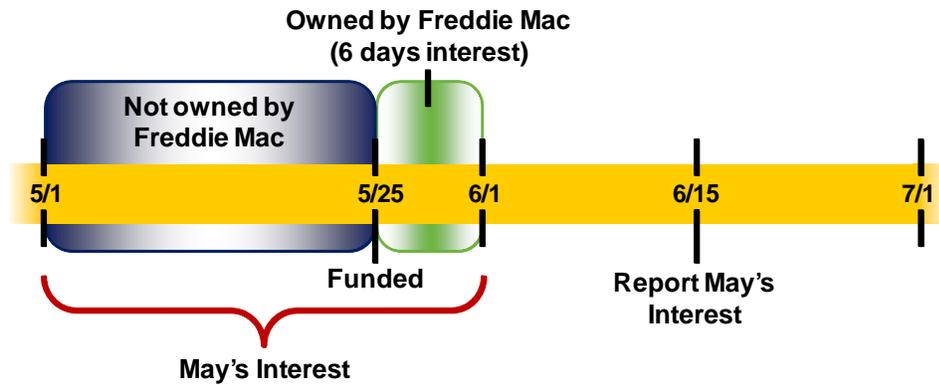
Reimbursement for Interest Difference on Newly Funded Mortgages

You are required to report and remit interest for the entire month regardless of what day of the month we funded the mortgage. When we purchase a mortgage, we credit you for the portion of the month we did not own the mortgage. We notify you of the interest credit on the *Loan Purchase Statement*.

Loan-Level Transactions

Example

If a mortgage funds on May 25, you are expected to remit one full month's of interest with the June accounting cutoff, even though we did not own the mortgage for the first 24 days of the month. At the time of funding, we send you the funded UPB plus 24 days of interest. The remaining six days of the monthly interest comes from the borrower.



Loan-Level Transactions

Ending Gross UPB

Report 100 percent of the ending gross UPB for all mortgages, even if it is a participation mortgage.

When to Report

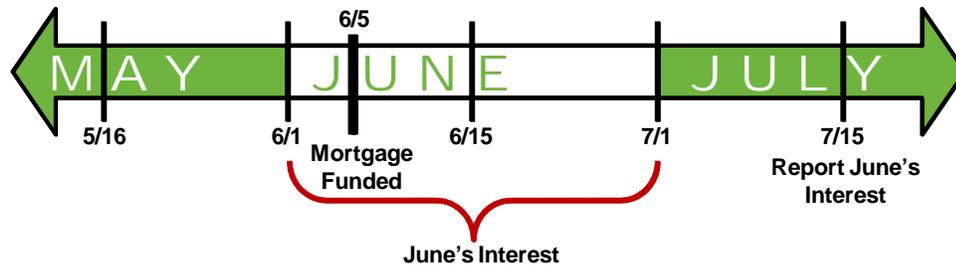
The following summarizes our reporting and remitting requirements for principal and interest on newly funded mortgages.

If the funding date is between the	And the ending gross UPB at the current accounting cutoff	Then report and remit
1 st and 15 th of the month	<i>Is different</i> from the funded balance	Principal due and zero interest. Example: If we fund a mortgage on June 5 for \$100,000 and the ending gross UPB is \$98,000 at the June cutoff, report principal due of \$2,000 and zero interest.
	<i>Is not different</i> from the funded balance	Nothing. No interest is due until the following cycle (i.e., the calendar month following the funding). If you elect to report in the funding cycle, no principal or monthly interest is due.
16 th and end of the month	<i>Is different</i> from the funded balance	Principal due and one month's scheduled interest.
	<i>Is not different</i> from the funded balance	One month's scheduled interest, even if you do not receive a payment from the borrower.

Loan-Level Transactions

Example of a Mortgage Funded Between the 1st and 15th of the Month

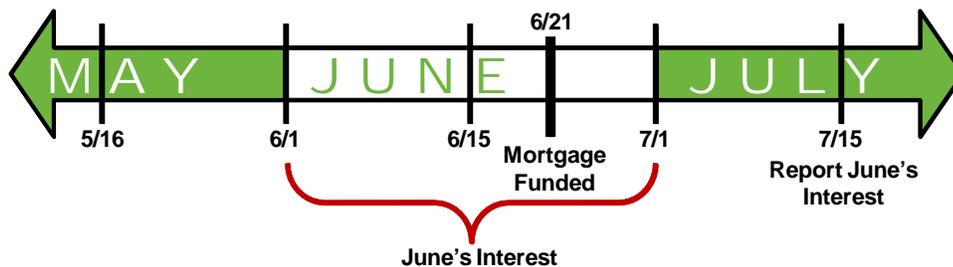
If we fund a mortgage on 06/05/xxxx, you must report June's scheduled interest with the July accounting cutoff.



If you choose to report with the June accounting cutoff, no scheduled interest is due.

Example of a Mortgage Funded Between the 16th and End of the Month

If we fund a mortgage on 06/21/xxxx, you must report June's scheduled interest with the July accounting cutoff.



When to Remit

The remittance due date is determined by the remittance option you selected when the loan was sold to us.

Reporting and Remitting in Future Cycles

There are no special reporting or remitting requirements for future cycles.

Loan-Level Transactions

Exercise 2: Example of a Newly Funded Mortgage

Using the calendars and the information provided, calculate the principal, interest, and ending gross UPB for this newly funded mortgage. Note that May 27 is a holiday.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Activity.....The borrowers made their June payment for this newly funded mortgage.
Remittance Option.....Gold
Freddie Mac Loan Number464938503
Accounting cycle06/xxxx
DDLPI.....06/01/xxxx
Funding date06/14/xxxx
Funded balance\$105,924.21
Ending Gross UPB.....\$105,558.62
ANY.....7.5%

1. How much principal due will you report and remit for the June accounting cycle?_____
2. How much interest due will you report and remit for the June accounting cycle?_____
3. What is the ending gross UPB for the June accounting cycle?_____
4. When will you report the loan-level data to Freddie Mac?_____
5. On what date is the principal and interest due?_____

Loan-Level Transactions

Balance Correction (Exception Code 80)

A balance correction, often referred to as negative principal reduction, occurs when the ending gross UPB is higher than the beginning gross UPB for reasons other than negative amortization or loan modification.

Valid reasons include, but are not limited to the following:

- The borrower's monthly payment is returned unpaid after you report the payment to us.
- A payment was misapplied in a previous accounting cycle.

If you reduced the principal balance of the mortgage in error in a previous accounting cycle, and the net result of reversing the payment causes the ending gross UPB to increase, you must report the transaction as a balance correction.

Balance Corrections in Excess of \$3,000

If a balance correction on one mortgage exceeds \$3,000, you must notify your Freddie Mac representative.

Your Freddie Mac representative will:

- Tell you what supporting documentation is required. Typically, the supporting documentation is a copy of the loan history or a copy of the returned payment.
- Contact you if we do not approve the transaction. If we are unable to approve the transaction, you may be required to repurchase the loan.

We review each transaction individually to determine if we can approve the balance correction. Primarily, we consider the impacts to our investor.

Principal Due

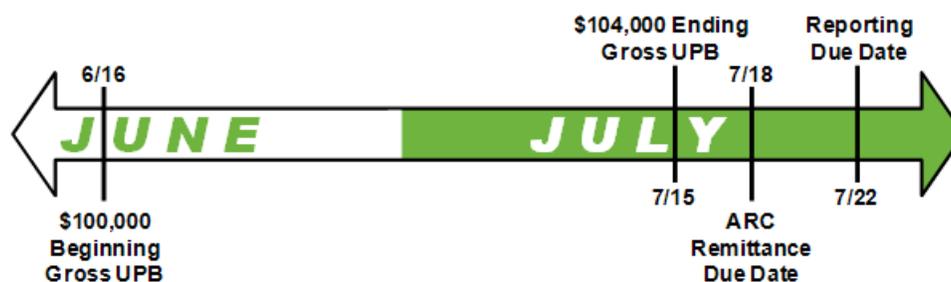
Use the following formula to calculate principal due:

Beginning gross UPB – Ending gross UPB = Principal Due

Example

Beginning gross UPB	\$100,000
- Ending gross UPB	\$104,000
<hr/>	
Principal due	(\$4,000)

Loan-Level Transactions



Interest Due

Monthly Interest Due

You must report monthly interest due unless the mortgage was funded in the month you are reporting the balance correction.

Use the beginning gross UPB to calculate the monthly interest due and use the ending gross UPB to calculate the monthly interest due for the next accounting cycle.

Beginning gross UPB x ANY ÷ 12 = Monthly Interest Due

Exception Interest Due

There is no exception interest due for this transaction.

Ending Gross UPB

Report 100 percent of the ending gross UPB for all mortgages.

When to Report

Report this transaction within five business days after the accounting cutoff.

When to Remit

The remittance due date is determined by the remittance option you selected when the loan was sold to us.

Reporting and Remitting in Future Cycles

There are no special reporting or remitting requirements for future cycles.

Loan-Level Transactions

Exercise 3: Example of a Balance Correction

Using the calendars and the information provided, calculate the principal, interest, and ending gross UPB for this balance correction. Note that May 27 and July 4 are holidays.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Activity You received June's payment from the borrower.

The principal portion of the payment was \$83.37.

In May, you applied \$96.00 in error to principal reduction that should have been applied to escrow.

Reverse the \$96.00 principal reduction from last month and apply this month's \$83.37 principal reduction.

Remittance Option First Tuesday

Freddie Mac Loan Number ... 464936594

Accounting cycle 06/xxxx

DDLPI 06/01/xxxx

Beginning Gross UPB \$95,008.21

ANY 9.65%

Loan-Level Transactions

1. How much principal due will you report and remit for the June accounting cycle?

2. How much interest due will you report and remit for the June accounting cycle?

3. What is the ending gross UPB for the June accounting cycle?

4. When will you report the loan-level data to Freddie Mac? _____

5. On what date is the principal and interest due? _____

Loan-Level Transactions

Payoffs (Exception Codes 60, 61, 65, and 66)

A payoff is the satisfaction of a mortgage due to one of the following:

- Note maturity (exception code 60)
- Borrower prepayment (exception code 61)
- Repurchase (exception code 65)
- Borrower conversion of a convertible mortgage sold with the repurchase option (exception code 66)

Types of Payoffs and Their Characteristics

Note Maturity

Report exception code 60 when the borrower pays the last payment due on the note. The payoff date is the maturity date according to the note.

Borrower Prepayment

Report exception code 61 when the borrower pays off the mortgage prior to its maturity date. The payoff date you process on your system and the date you actually receive the funds may vary. The exception date must be the receipt of funds date.

Example

A borrower refinanced his mortgage with another institution on June 1, but you did not receive the payoff funds until June 4. Use June 4 as the payoff exception date because it is the date you actually received the funds.

Prepayment Penalties

For prepayment penalty mortgages, you must collect the amount of the prepayment penalty provided for in and under the conditions specified in the mortgage loan instruments and follow the requirements outlined below.

- For prepayment penalty mortgages sold to Freddie Mac prior to October 14, 2005, you must not collect or assess a prepayment penalty if either of the following occurs:
 - The proceeds received for the payoff are from the sale of the property.
 - The payoff of the mortgage is received from any source, including insurance proceeds, in connection with the workout of a delinquent mortgage or due to a default under the terms of the security instrument.

Loan-Level Transactions

- For prepayment penalty mortgages sold to Freddie Mac on or after October 14, 2005, you must not collect or assess a prepayment penalty if either of the following occurs:
 - The proceeds received for the payoff are from the sale of the property and the prepayment period is more than three years.
 - The payoff of the mortgage is received from any source, including insurance proceeds, in connection with the workout of a delinquent mortgage or due to a default under the terms of the security instrument.

For additional information, see Guide Section 8103.6.

Repurchase

A repurchase is buying back a mortgage due to your request or Freddie Mac's request.

Convertible ARM

An alternative convertible adjustable rate mortgage (ACARM) is a mortgage that has a conversion option in the note that the borrower exercise during a specified time period to convert the terms of the note from an ARM to a fixed-rate product.

The loan must have been sold to us under the ACARM product. When the loan is converted, it is actually paid off and resold (under a different Freddie Mac loan number) as a fixed-rate product.

Prerequisite Activities for Repurchases and Conversions

Before you can report a repurchase or a conversion, one of the following must occur:

- You receive a written request from us to repurchase the loan.
- You sold the convertible mortgage to us with a repurchase conversion option.

You are required to repurchase mortgages due to the following:

- A Guide violation
- A balance correction is not approved
- ARM errors
- ARM conversions outside of the conversion window period
- Unauthorized loan modification
- Loan was delivered twice in error
- ARM loan was sold in error as a fixed-rate product

Loan-Level Transactions

You may request to repurchase a mortgage due to the following:

- You want to take the loan back into your portfolio.
- Your Freddie Mac portfolio is minimal.
- Servicing these loans does not meet your profit need.
- You want to process a loan modification we could not approve.

You must submit Form 105, *Multipurpose Loan Servicing Transmittal*, via fax, mail, or e-mail with a voluntary repurchase request.

Negotiated Payoffs

A common negotiated payoff remittance is an accelerated payoff remittance cycle (PARC) where payoff proceeds are due two, three, or four business days following the exception date. Standard payoff remittances are due five business days following the exception date, unless you have a negotiated payoff remittance due date allowed in your contract.

Principal Due

Principal due must equal the previous cycle's ending gross UPB. Use the following formula to calculate the principal due:

Beginning gross UPB – Ending gross UPB (which is always zero for a payoff) =
Principal Due

Principal due is always equal to the beginning gross UPB even if you receive a monthly payment and a subsequent payoff from the borrower within the same accounting cycle.

Mortgages Modified with a Partial Principal Forbearance

For mortgages modified with a partial principal forbearance, both the interest bearing UPB and deferred UP must be zero.

- Principal due must equal the previous cycle's ending interest bearing UPB. Use the following formula to calculate the principal due:

Current cycle's beginning interest bearing UPB – Current cycle's ending interest bearing UPB (which is always zero for a payoff) = Principal Due

- Additionally, the amount of the previous cycle's deferred UPB must be reported in the Deferred Principal Collected field in the Service Loans application.

For HAMP modifications, ensure that you account for any borrower incentive payments that were applied to the UPB during the accounting cycle.

Loan-Level Transactions

Interest Due

Monthly Interest

Report monthly interest for every payoff unless the mortgage funded and paid off between the first and 15th of the current accounting cycle. Use the following formula to calculate monthly interest due:

Beginning gross UPB x ANY ÷ 12 = Monthly Interest Due

Reinstatement interest is due to us if the mortgage was inactive as of the previous accounting cycle.

For mortgages modified with a partial principal forbearance, monthly interest is calculated based on the interest bearing UPB only.

Loan-Level Transactions

Exception Interest

Exception interest for payoffs is based on the exception date. The following summarizes how to calculate the exception interest for a payoff. For mortgages modified under HAMP with a partial principal forbearance, exception interest is calculated based on the interest bearing UPB only.

Payoff Date	Example	Total Exception Interest
First of the month	June 1, xxxx	<p>No exception interest is due.</p> <ul style="list-style-type: none"> No exception interest should be reported for June since this mortgage paid off on June 1 and interest is calculated up to, but not including the payoff date. Remit monthly interest for May based on the mortgage's contract-specified remittance due date.
Second through the 15 th of the month	June 5, xxxx	<p>Daily exception interest is due. (Beginning gross UPB x ANY ÷ 365 x Number of days)</p> <ul style="list-style-type: none"> Calculated from the first of the month, up to, but not including, the payoff date (Four days in our example.) Exception interest on payoffs occurring between the second and 15th of the month is always a positive value. The daily exception interest plus the principal is due within five business days of the payoff date. Remit monthly interest for May based on the mortgage's contract-specified remittance due date.
16 th through the end of the month	May 20, xxxx	<p>Total exception interest due equals the daily exception interest minus the monthly interest.</p> <ul style="list-style-type: none"> Daily exception interest should be calculated for 19 days for our example. Exception interest on payoffs occurring between the 16th and the end of the month is always a negative value. The total exception interest is due within five business days of the payoff date. Remit monthly interest for May based on the mortgage's contract-specified remittance due date.

Loan-Level Transactions

Ending Gross UPB

The ending gross UPB for all payoffs is zero.

Mortgages Modified with a Partial Principal Forbearance

For mortgages modified with a partial principal forbearance, the ending gross UPB, current interest bearing UPB, and current deferred UPB must equal zero.

When to Report

Refer to the following to determine when to report the payoff to us.

Type of Payoff	When to Report
<ul style="list-style-type: none">▪ Note maturity (exception code 60)▪ Borrower prepayment (exception code 61)	Report within two business days of receipt of funds or the exception date.
Repurchase (exception code 65)	You must repurchase the mortgage within the timeframe specified in the repurchase letter.
Convertible ARMs (exception code 66)	Report within five business days of the exception date. (May be no later than the deadline specified in the contract.)

How to Calculate Payoff Proceeds

Use the following formula to calculate payoff proceeds:

$$\text{Beginning gross UPB +/- exception interest} = \text{Payoff Proceeds}$$

Mortgages Modified with a Partial Principal Forbearance

Use the following formula to calculate payoff proceeds for mortgages modified with a partial principal forbearance:

$$\text{Interest bearing UPB} + \text{Deferred UPB} +/- \text{Borrower incentive curtailment amount (applicable to HAMP modifications only)} +/- \text{exception interest (which is calculated on the interest bearing UPB only)} = \text{Payoff Proceeds}$$

Loan-Level Transactions

When to Remit

There are two remitting dates for payoffs:

- Payoff proceeds are due to us within five business days after the exception date unless your contract states otherwise.
- Monthly interest is due to us according to the mortgage's contract-specified remittance due date.

You must complete your remittances no later than 9:00 p.m. Eastern time the business day prior to the remittance due date.

Reporting and Remitting in Future Cycles

You will not report or remit on these mortgages for future cycles.

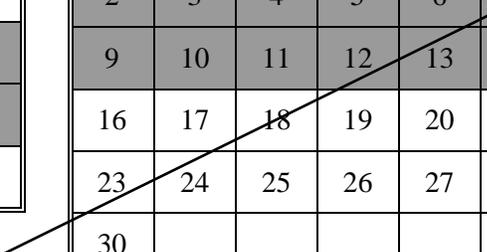
Loan-Level Transactions

Exercise 4a: Example of a Prepaid Payoff with an Exception Date Between the Second and 15th of the Month

Using the calendars and the information provided, calculate the principal, interest, and ending gross UPB for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Borrower pays off the mortgage in full. 

Activity The borrower paid off (prepaid) the mortgage in the June cycle.

Remittance Option Gold

Freddie Mac Loan Number ... 319682129

Accounting cycle 06/xxxx

DDLPI 05/01/xxxx

Payoff date 06/07/xxxx

Beginning Gross UPB \$113,579.20

ANY 9.25%

1. How much principal due will you report and remit for the payoff? _____
2. How much monthly interest due will you report and remit for the payoff?

3. How much exception interest will you report and remit?

4. What is the amount of the total payoff proceeds? _____
5. When will you report the payoff to Freddie Mac? _____
6. On what date are the payoff proceeds due? _____
7. On what date is the monthly interest due? _____

Loan-Level Transactions

Exercise 4b: Example of a Prepaid Payoff with an Exception Date Between the 16th and End of the Month

Using the calendars and the information provided, calculate the principal, interest, and ending gross UPB for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Borrower pays off the mortgage in full.

Activity The borrower paid off (pre-paid) the mortgage in the June cycle.

Remittance Option Gold

Freddie Mac Loan Number ... 344348415

Accounting cycle..... 06/xxxx

DDLPI 05/01/xxxx

Payoff date 05/24/xxxx

Beginning Gross UPB \$67,306.53

ANY 7.00%

- How much principal due will you report and remit for the payoff? _____
- How much monthly interest due will you report and remit for the payoff?

- How much exception interest will you report and remit?

- What are the total payoff proceeds? _____
- When will you report the payoff to Freddie Mac? _____
- On what date are the payoff proceeds due? _____
- On what date is the monthly interest due? _____

Loan-Level Transactions

Exercise 4c: Example of a Prepaid Payoff with an Exception Date Between the Second and 15th of the Month:

Monthly Payment and Prepaid Payoff in the Same Cycle

We require that you use the beginning gross UPB to calculate the payoff. Since you summarize the monthly payment and the payoff (all loan activity) into one transaction, you will have an amortization difference.

Since you calculated the borrower's payoff based on a UPB slightly lower than what we have on our records, the interest you collect from the borrower at the time of the payoff is slightly lower than the payoff interest we require you to report and remit to us. This is called an amortization difference. You will need to deposit the amortization difference into your custodial account. Refer to our publication, *Understanding Custodial Accounts*, for more information.

When you post a borrower's monthly payment and subsequently pay off the mortgage in the same cycle, calculate the borrower's payoff amount based on the principal balance of the mortgage after you subtract this month's payment.

Using the calendars and the information provided, calculate the principal, interest, and ending gross UPB for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

The borrower pays June payment.

The borrower pays off the mortgage in full.

Loan-Level Transactions

ActivityThe borrower paid off (pre-paid) the mortgage after making the June payment in the same cycle.

Remittance OptionGold

Freddie Mac Loan Number....344745031

Accounting cycle.....06/xxxx

DDLPI.....06/01/xxxx

Payoff date06/14/xxxx

Principal from 06/01/xxxx payment.....\$125.31

Beginning Gross UPB\$45,132.28

ANY.....8.16%

1. How much principal due will you report and remit for the payoff? _____
2. How much monthly interest due will you report and remit for the payoff?

3. How much exception interest will you report and remit?

4. What are the total payoff proceeds? _____
5. When will you report the payoff to Freddie Mac? _____
6. On what date are the payoff proceeds due? _____
7. On what date is the monthly interest due? _____

Loan-Level Transactions

Inactivation (Exception Code 40)

The purpose of inactivating a mortgage is to discontinue reporting and remitting interest to us on mortgages in foreclosure.

You can inactivate a mortgage if all of the following conditions are met:

- You have initiated the foreclosure process.
- You have reported default action code 43, Referred to Foreclosure, via Electronic Default Reporting (EDR) before you report the inactivation via the Service Loans application. Reporting default action code 43 notifies us that you have initiated foreclosure. For additional information, refer to the *EDR Quick Reference Guide*.
- The mortgage is not a guaranteed timely P&I mortgage.

Principal Due

Principal due for inactivations must be zero, as the borrower did not make a payment. Therefore, the beginning gross UPB will equal the ending gross UPB.

Beginning gross UPB – Ending gross UPB = Principal Due (which will always be zero for an inactivation)

Interest Due

Monthly Interest Due

You must report monthly interest for the accounting cycle you inactivate the mortgage. Interest is due in arrears, therefore monthly interest is due in the same cycle you inactivate the mortgage.

Use the following formula to calculate monthly interest due:

Beginning gross UPB x ANY ÷ 12 = Monthly Interest Due

Exception Interest Due

There is no exception interest due for this transaction.

Ending Gross UPB

Report 100 percent of the ending gross UPB for all mortgages. Report the same scheduled balance you reported the previous accounting cycle if the mortgage is under the scheduled/scheduled accounting method.

When to Report

Report inactivations within five business days after the accounting cutoff.

Loan-Level Transactions

When to Remit

The remittance due date is determined by the remittance option selected when the mortgage was sold to us.

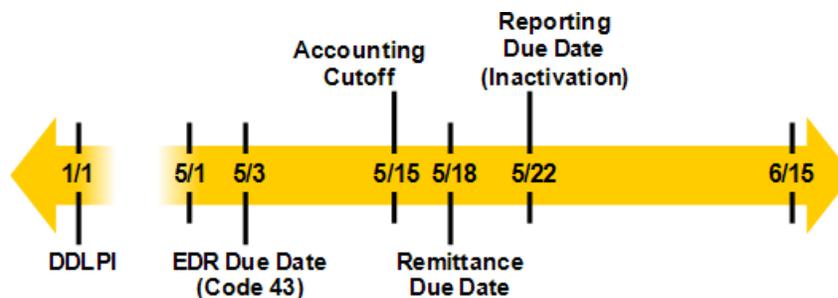
The following timeline illustrates a loan that is transferred to an inactive status during the May accounting cycle. It has an ANY equal to 7.50 percent, an ending gross UPB of \$100,000, and funds are due under the Gold remittance option.

May Accounting Cycle

Principal Due: \$0.00

Monthly Interest Due: \$625.00

Ending Gross UPB: \$100,000.00



Reporting and Remitting in Future Cycles

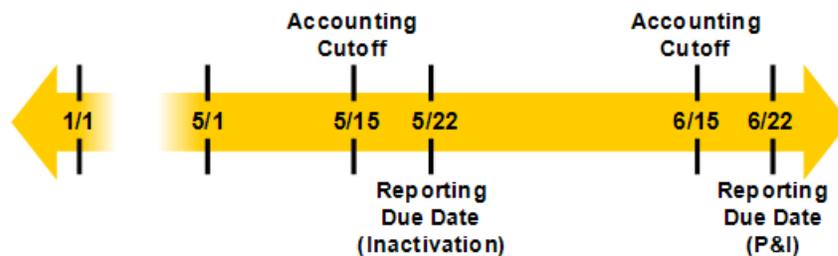
Once you have inactivated a mortgage, you will report it as a P&I – Inactive transaction via the Service Loans application, with zero principal due, zero interest due, and 100 percent of the ending gross UPB. Continue to report it this way until the mortgage pays off, is reinstated, sold at foreclosure, or transferred to REO.

June Accounting Cycle

Principal Due: \$0.00

Monthly Interest Due: \$0.00

Ending Gross UPB: \$100,000.00



Loan-Level Transactions

Exercise 5: Inactivation

Using the calendars and the information provided, calculate the principal, interest, and ending gross UPB for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Activity The borrower is now delinquent for 120 days. You have initiated foreclosure and reported default action code 43, Referred to Foreclosure, via Electronic Default Reporting (EDR).

Remittance Option..... Gold

Freddie Mac Loan Number ...464933838

Accounting cycle06/xxxx

DDLPI.....01/01/xxxx

Beginning Gross UPB.....\$87,207.58

ANY 11.15%

1. How much principal due will you report and remit for the June accounting cycle? _____
2. How much interest due will you report and remit for the June accounting cycle? _____
3. What is the ending gross UPB for the June accounting cycle? _____
4. When will you report the loan-level data to Freddie Mac? _____
5. On what date is the monthly interest due? _____

Loan-Level Transactions

Reinstatement (Exception Code 50)

Reinstatement is the process of restoring an inactive loan to an active status. As part of the reinstatement, you must report and remit all interest due whether or not you received it from the borrower.

You may fully reinstate a mortgage without prior approval from Freddie Mac.

Reinstatement occurs when the borrower	Explanation
Fully reinstates the mortgage	The borrower makes a payment to bring the mortgage current.
Pays off the mortgage	The borrower pays the mortgage in full. (The loan reinstates and pays off in the same accounting cycle.)
Enters into a relief or workout option	We approve a relief or workout option such as a loan modification. (The loan must be reinstated on a loan modification.)
Files for bankruptcy	You are notified that the borrower has filed for bankruptcy after you initiated the foreclosure process.
Initiates a repayment plan (partial reinstatement)	The borrower makes a payment to bring the mortgage partially current and there is an approved repayment plan with Freddie Mac.

Full Reinstatement

Principal Due

Principal due equals the difference between the ending gross UPB at the time the mortgage was inactivated and the current ending gross UPB.

Use the following formula to calculate the principal due:

Beginning gross UPB – Ending gross UPB = Principal Due

Loan-Level Transactions

Interest Due

Reinstatement interest is considered monthly interest and is equal to one month's interest for each month the mortgage was inactive. When you calculate the number of months a mortgage was inactive, remember that interest is paid in arrears. The UPB you use to calculate reinstatement interest must equal the UPB at the time you inactivated the mortgage.

Use the following formula to calculate reinstatement interest due:

$$\text{Beginning gross UPB} \times \text{ANY} \times \text{Number of months inactive} \div 12 = \text{Reinstatement Interest Due}$$

Ending Gross UPB

Report 100 percent of the ending gross UPB. If the mortgage uses the scheduled/scheduled accounting method, report the scheduled balance for the current month.

When to Report

You must report the reinstatement within five business days of the accounting cutoff.

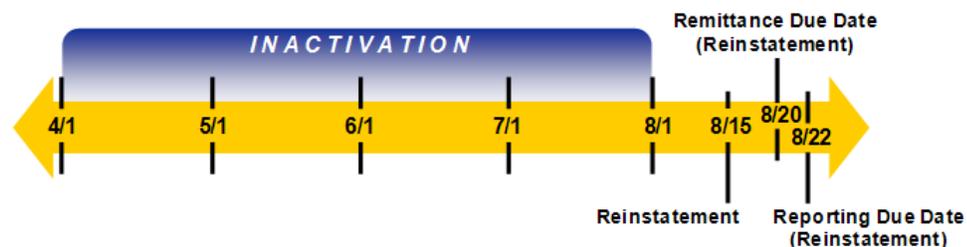
When to Remit

The remittance due date is determined by the remittance option you selected when you sold the mortgage to us.

Loan-Level Transactions

Reporting and Remitting Example

The following timeline illustrates the reporting and remitting due dates for a mortgage that was inactivated in the April accounting cycle and reinstated in the August accounting cycle. The mortgage was sold to Freddie Mac with the Gold remittance option.



Report and remit reinstatement interest for April, May, June, and July.

You do not owe us interest for:

- March, as the monthly interest was reported and remitted with the April accounting cycle.
- August, as the monthly interest will be reported and remitted with the September accounting cycle.

Reporting and Remitting for Future Cycles

Report as a P&I transaction and remit according to the contract-specified remittance option in future cycles unless the reinstatement was part of a liquidation.

Loan-Level Transactions

Exercise 6: Example of a Full Reinstatement

Using the calendars and the information provided, calculate the principal, interest, and ending gross UPB due for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Activity..... The borrower made seven payments to bring the inactive mortgage current (full reinstatement).

Remittance Option..... First Tuesday

Freddie Mac Loan Number ... 376937173

Accounting cycle 06/xxxx

DDLPI..... 11/01/xxxw (The borrower paid October's interest.)

Inactivation cycle 03/xxxx (You remitted February's interest.)

Total time inactive 3 months (March, April and May)

Principal collected..... \$110.11

Beginning Gross UPB..... \$48,398.02

Ending Gross UPB..... \$48,287.91

ANY 10.645%

Loan-Level Transactions

1. How much principal due will you report and remit for the June accounting cycle? _____
2. How much interest due will you report and remit for the June accounting cycle? _____
3. What is the ending gross UPB for the June accounting cycle? _____
4. When will you report the loan-level data to Freddie Mac? _____
5. On what date is the principal and interest due? _____

Loan-Level Transactions

Third-Party Foreclosure Sale (Exception Code 71 for Conventional Mortgages; Exception Code 73 for FHA/VA Mortgages)

A third party is someone other than the mortgagee, mortgagor, or their representative. A third-party foreclosure sale occurs when a third party purchases the property at the foreclosure sale. The exception date you report for your loan-level transaction is the foreclosure sale date.

Notify us of the third-party foreclosure sale by accessing the Enter Foreclosure Sale/Deed-in-Lieu functionality in the Service Loans application. We must receive the notification no later than one business day after the foreclosure sale date.

Principal Due

Use the following formula to calculate principal due:

Beginning gross UPB – Ending gross UPB = Principal Due

Interest Due

Monthly Interest for Active Loans

Use the following formula to calculate monthly interest due if the mortgage was active as of the previous accounting cutoff:

Beginning gross UPB x ANY ÷ 12 = Monthly Interest Due

Monthly Interest for Inactive Loans

Use the following formula to calculate monthly interest due if the mortgage was inactive as of the previous accounting cutoff:

Beginning gross UPB x ANY x Number of months from the month inactivated up to, but not including the exception month (month in which the foreclosure sale occurred) ÷ 12 = Monthly Interest Due

Exception Interest

Use the following formula to calculate exception interest due:

Beginning gross UPB x ANY x Number of days from the first of the month up to, but not including the exception date (date on which the foreclosure sale occurred) ÷ 365 = Exception Interest Due

Loan-Level Transactions

Total Proceeds

Use the following formula to calculate the total proceeds due:

Principal due + Total exception interest = Total Proceeds Due

Ending Gross UPB

The ending gross UPB for all third-party foreclosure sales is zero.

When to Report

Proceeds Received in the Same Cycle

If you receive the proceeds the same cycle in which the foreclosure sale occurred, report the third-party foreclosure sale within two business days after you receive the funds.

Proceeds Received in a Subsequent Cycle

Typically, you will not receive the proceeds the same cycle in which the foreclosure sale occurred. If you receive the proceeds in a subsequent cycle, take the following actions:

- Report the loan as a P&I transaction each cycle until you receive the proceeds.
- Report the third-party foreclosure sale transaction within two business days after you receive the funds.

If the loan was not previously inactivated, you will receive credit for the interest you advanced for the cycles after the foreclosure sale occurred until the date you received the proceeds.

Use the following formula to calculate the credit for interest advanced:

Beginning gross UPB x ANY x Number of months from the foreclosure sale date cycle to the cycle during which you received the proceeds ÷ 12 = Credit for Interest Advanced

Use the following formula to calculate total exception interest:

(Credit for Interest Advanced) + Daily Exception Interest = Total Exception Interest

Use the following formula to calculate total proceeds:

Principal Due + Total Exception Interest = Total Proceeds

When to Remit

The proceeds are due to us within five business days of your receipt of the funds.

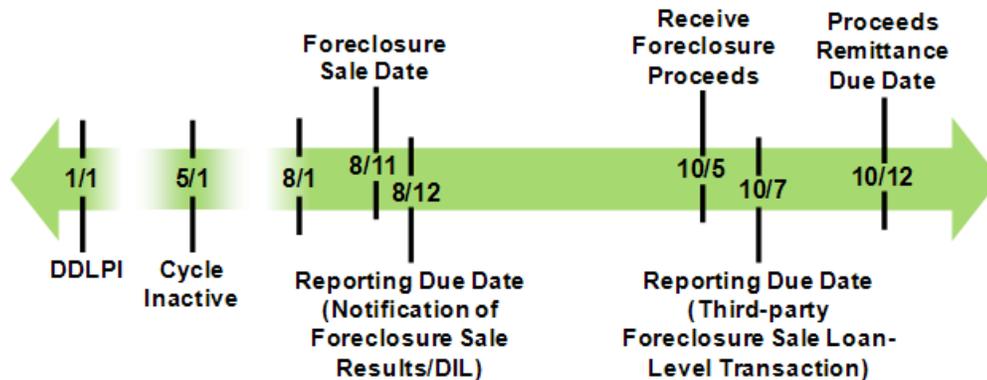
Loan-Level Transactions

Reporting and Remitting for Future Cycles

Do not report or remit on this mortgage for future cycles.

Example

The following timeline illustrates the reporting and remitting requirements for a mortgage that was inactivated during the May accounting cycle, went to foreclosure sale on August 11, and you received the proceeds on October 5.



Report the foreclosure sale within two business days after October 5. Use August 11 for the exception date.

Loan-Level Transactions

Exercise 7: Third-Party Foreclosure Sale for an Inactive Loan

Using the calendars and the information provided, calculate the principal and interest due, and the ending gross UPB for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Activity..... Proceeds have been received for a third-party foreclosure sale.
Inactivation cycle 02/xxxx
DDLPI..... 11/01/xxxw
Foreclosure Proceeds Receipt Date 6/13/xxxx
Foreclosure Sale Date 6/06/xxxx
Accounting cycle to report activity..... 06/xxxx
ANY 8.00%
Beginning Gross UPB..... \$75,000.00
Remittance Option..... Gold

1. How much principal due will you report and remit for the June accounting cycle? _____
2. How much monthly interest due will you report and remit for the June accounting cycle? _____
3. How much daily exception interest will you report and remit?

4. What is the total proceeds amount due? _____
5. What is the ending gross UPB? _____

Loan-Level Transactions

6. When will you report the third party foreclosure sale to Freddie Mac? _____
7. When are the total proceeds due to Freddie Mac? _____
8. When is the monthly interest due to Freddie Mac? _____

Loan-Level Transactions

FHA/VA Foreclosure/Conveyance (Exception Code 72)

An FHA/VA foreclosure/conveyance occurs when a property secured by a mortgage insured by the FHA or guaranteed by the VA goes to foreclosure and is not sold to a third party at the foreclosure sale.

When an FHA/VA foreclosure/conveyance occurs, you must take the following actions:

- Notify us of the third-party foreclosure sale by accessing the Enter Foreclosure Sale/Deed-in-Lieu functionality in the Service Loans application. We must receive the notification no later than one business day after the foreclosure sale date.
- Report the third-party foreclosure sale to us in your monthly loan-level reporting.
- File a claim with the FHA or VA in Freddie Mac's name to convey the property to them.
 - For mortgages insured by the FHA, you must file the claim within 15 days after the foreclosure sale.
 - For mortgages guaranteed by the VA, you must file the claim as soon as you have clear and marketable title.

Principal Due

Report and remit zero principal.

Interest Due

Monthly Interest

Report monthly interest if the mortgage was active during the previous accounting cycle.

Use the following formula to calculate monthly interest due:

Beginning gross UPB x ANY ÷ 12 = Monthly Interest Due

Exception Interest

Exception interest is equal to the total monthly interest you advanced to us during the delinquency period. The delinquency period begins with the due date of the last paid installment (DDLPI) and continues to the month you inactivated the mortgage or the month the foreclosure sale occurred. The exception interest is a credit to you and reduces your remittance to Freddie Mac.

Use the following formula to calculate exception interest:

Beginning gross UPB x ANY x Number of months from the DDLPI through the end of the month prior to the inactivation month or the month the foreclosure sale occurred ÷ 12 = Exception Interest Due

Loan-Level Transactions

Ending Gross UPB

Always report 100 percent of the ending gross UPB.

When to Report

Report the FHA/VA foreclosure/conveyance within five business days after the accounting cutoff for the accounting cycle in which the foreclosure sale occurred.

If the foreclosure sale occurred	Then report the FHA/VA foreclosure conveyance	Example
The first through the 15 th of the month	By the fifth business day after the accounting cycle cutoff.	The foreclosure sale occurs on February 1. Report the FHA/VA foreclosure conveyance via the Service Loans application within five business days after the February accounting cycle cutoff.
On or after the 16 th of the month	By the fifth business day after the following month's accounting cycle cutoff.	The foreclosure sale occurs on February 19. Report the FHA/VA foreclosure conveyance via the Service Loans application within five business days after the March accounting cycle cutoff.

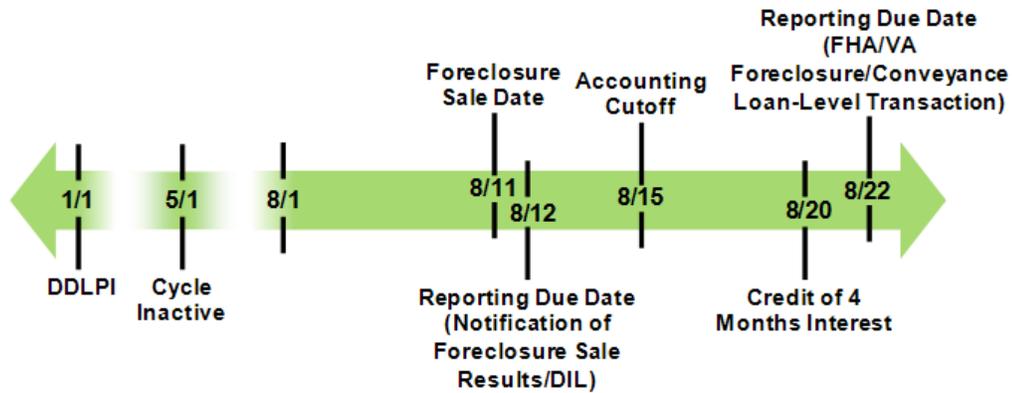
When You Will Recover Delinquent Interest

You will recover delinquent interest by reducing your remittance to Freddie Mac. The date on which you can reduce your remittance is determined by the remittance option selected when the loan was sold to us.

Loan-Level Transactions

Reporting and Remitting for Future Cycles

The following timeline illustrates the reporting and remitting requirements for a mortgage with a DDLPI of 01/01/xxxx that was inactivated during the May accounting cycle. You advanced interest to us for the months of January, February, March, and April. Therefore, you will be credited for four months of interest. The foreclosure sale occurred on August 11.



Loan-Level Transactions

REO (Exception Code 70)

A transfer to REO (real estate owned) occurs when a property is not sold at the foreclosure sale and Freddie Mac takes title to it.

When we acquire a property, we credit you for the interest you reported and remitted to us when the mortgage was delinquent.

You must notify us of the results of the foreclosure sale by accessing the Enter Foreclosure Sale/Deed-in-Lieu functionality in the Service Loans application. We must receive the notification no later than one business day after the foreclosure sale date.

Principal Due

Report and remit zero principal.

Interest Due

Monthly Interest

Report monthly interest if the mortgage was active during the previous accounting cycle.

Use the following formula to calculate monthly interest due:

Beginning gross UPB x ANY \div 12 = Monthly Interest Due

Exception Interest

Exception interest is equal to the total monthly interest you advanced to us during the delinquency period. The delinquency period begins with the due date of the last paid installment (DDLPI) and continues to the month you inactivated the mortgage or the month the foreclosure sale occurred. The exception interest is a credit to you and reduces your remittance to Freddie Mac.

Use the following formula to calculate exception interest:

Beginning gross UPB x ANY x Number of months from the DDLPI through the end of the month prior to the inactivation month or the month the foreclosure sale occurred \div 12 = Exception Interest Due

Ending Gross UPB

Always report 100 percent of the ending gross UPB.

Loan-Level Transactions

When to Report

Report the transfer to REO within five business days after the accounting cutoff for the accounting cycle in which the foreclosure sale occurred.

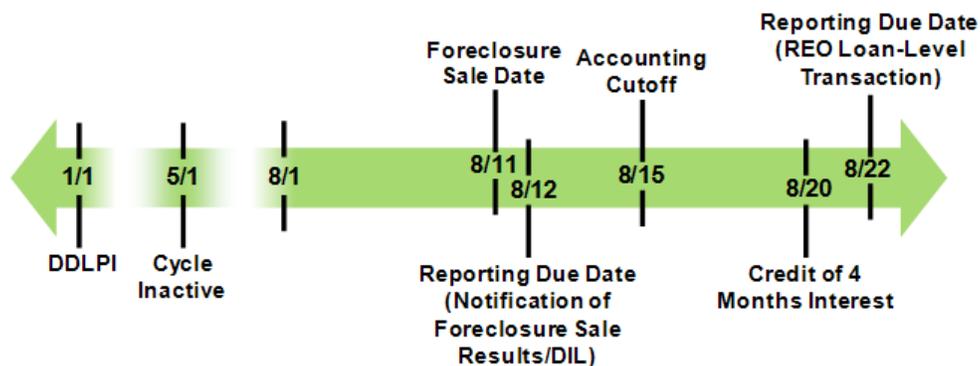
If the foreclosure sale occurred	Then report the REO	Example
The first through the 15 th of the month	By the fifth business day after the accounting cycle cutoff.	The foreclosure sale occurs on February 1. Report the transfer to REO via the Service Loans application within five business days after the February accounting cycle cutoff.
On or after the 16 th of the month	By the fifth business day after the following month's accounting cycle cutoff.	The foreclosure sale occurs on February 19. Report the transfer to REO via the Service Loans application within five business days after the March accounting cycle cutoff.

When You Will Recover Delinquent Interest

You will recover delinquent interest by reducing your remittance to Freddie Mac. The date on which you can reduce your remittance is determined by the remittance option selected when the loan was sold to us.

Reporting and Remitting for Future Cycles

Do not report or remit on this mortgage for future cycles. The following illustrates the reporting and remitting requirements for a mortgage with a DDLPI of 01/01/xxxx that was inactivated during the May accounting cycle. You advanced interest to us for the months of January, February, March, and April. Therefore, you will be credited four months of interest. The foreclosure sale occurred August 11.



Loan-Level Transactions

Exercise 8: REO

Using the calendars and the information provided, calculate the principal and interest due, and determine the ending gross UPB for this loan transaction. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Activity The foreclosure sale is complete. We have acquired the property and it will be transferred to REO in the current accounting cycle.

Remittance Option.....Gold

Freddie Mac Loan Number376753080

Accounting cycle 06/xxxx

DDLPI..... 08/01/xxxw (The borrower paid July's interest.)

Number of months delinquent prior to inactivation.....6 months (August, September, October, November, December and January)

Inactivation cycle date.....02/xxxx (January's interest was sent to us.)

Foreclosure sale date05/24/xxxx

Beginning Gross UPB\$79,992.19

ANY.....8.64%

1. How much principal due will you report and remit for the June accounting cycle? _____
2. How much monthly interest due will you report and remit for the June accounting cycle? _____
3. How much exception interest will you report? _____
4. When will you report the REO to Freddie Mac? _____
5. When will the credit for interest advanced be posted to your account? _____

Loan-Level Transactions

Review Exercise 1:

Use the following calendars to complete the exercises on the following pages. When you are finished, refer to Appendix A, Answers to Exercises, in this manual to check your work. Note that May 27 and July 4 are holidays. The mortgages in the following exercises have not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Loan-Level Transactions

Example 1:

Freddie Mac funds a new mortgage with the Gold remittance option on 05/13/xxxx. The first payment from the borrower is due on 07/01/xxxx.

1. What is the first cycle you will be required to report this mortgage to Freddie Mac?

2. On what day is the remittance for May's interest due to Freddie Mac?

Example 2:

A borrower paid off (pre-paid) his mortgage on 05/30/xxxx. The DDLPI of the mortgage prior to the payoff was 05/01/xxxx. The mortgage was sold to us with the Gold remittance option.

1. On what date will the remittances for the following be due to Freddie Mac?

Payoff proceeds: _____

Monthly interest: _____

2. By what date must you report the payoff to Freddie Mac?

Example 3:

A borrower paid off (pre-paid) her mortgage on 07/12/xxxx. The DDLPI of the mortgage prior to the payoff was 07/01/xxxx. The mortgage was sold to us with the Gold remittance option.

1. On what date will the remittances for the following be due to Freddie Mac?

Payoff proceeds: _____

Monthly interest: _____

2. By what date must you report the payoff to Freddie Mac?

Loan-Level Transactions

Example 4:

A delinquent borrower paid off (pre-paid) his mortgage on 05/20/xxxx. The last payment the borrower made before the payoff was on 01/02/xxxx and the loan was inactivated with the April cycle. The mortgage was sold to us with the First Tuesday remittance option.

1. On what date will the remittances for the following be due to Freddie Mac?

Payoff proceeds: _____

Reinstatement (Monthly) Interest: _____

2. By what date must you report the payoff to Freddie Mac?

Example 5:

The last payment a borrower made was on 03/01/xxxx. You have begun foreclosure proceedings on the mortgage and want to inactivate the mortgage during the June accounting cycle. The mortgage was sold to us with the First Tuesday remittance option.

1. By what date must you report the inactivation to Freddie Mac?

2. Is monthly interest due to Freddie Mac for the June accounting cycle? If so, on what date is the interest due? If not, why?

Example 6:

A borrower whose mortgage has been delinquent since 01/01/xxxx comes into your office on 06/01/xxxx and brings the mortgage current. You inactivated the mortgage during the May xxxx accounting cycle. The mortgage was sold to us with the Gold remittance option.

1. By what date must you report the reinstatement to Freddie Mac?

2. On what date is the remittance for the delinquent principal due to Freddie Mac?

3. On what date is the remittance for the reinstatement (monthly) interest due to Freddie Mac?

Loan-Level Transactions

Example 7:

A mortgage has been delinquent since 11/01/xxxx (the previous year). You initiated foreclosure in February and inactivated the mortgage during the 03/xxxxy accounting cycle. The property **did not** sell at foreclosure sale on 05/24/xxxxy. The mortgage was originally sold to us with the First Tuesday remittance option.

1. By what date must you report the REO to Freddie Mac?

2. When will you receive the credit for interest advanced on your *Seller/Service Remittance Analysis*?

Loan-Level Transactions

Review Exercise 2:

Using the information provided, complete the exercises on the following pages. When you are finished, refer to Appendix A, Answer Sheets for Exercises, in this manual, to check your work. The mortgages in the following exercises have not been modified.

Example 1:

A borrower makes their monthly payment. The following information has been posted to the mortgage history.

- Payment received 06/03/xxxx: \$1,015.96
- Principal paid: \$115.48
- Total interest paid at the note rate: \$900.48
- Principal balance remaining: \$143,960.57
- The borrower is paying a note rate of 7.50%. The ANY for the mortgage is 7.25%.

How much principal and interest is due to Freddie Mac?

Principal due _____

Monthly interest _____

Example 2:

A borrower paid off (pre-paid) the outstanding balance of her mortgage on 06/12/xxxx. The balance on 06/12/xxxx is \$131,970.12. The note rate is 10.00% and the ANY is 9.625%.

How much principal and interest is due to Freddie Mac? What is the ending UPB?

Principal due _____

Monthly interest _____

Exception interest _____

Ending gross UPB _____

Loan-Level Transactions

Example 3:

A borrower does not make his monthly payment during June. The outstanding balance of the mortgage as of 06/01/xxxx is \$90,122.22 with a note rate of 6.25%. Your servicing fee is .25%.

How much principal and interest is due to Freddie Mac?

Principal due _____

Monthly interest _____

Example 4:

On 06/03/xxxx a borrower brings his mortgage current. The DDLPI of the mortgage was 11/01/xxxx. You inactivated the mortgage during the 02/xxxw accounting cycle at a UPB of \$203,500.00. The ANY is 8.35%.

How much interest is due to Freddie Mac?

Exception interest _____

Example 5:

An inactive mortgage was sold through a third-party foreclosure sale on 06/13/xxxx. The mortgage has been inactive since the 01/15/xxxx accounting cutoff at a balance of \$71,001.99. The ANY is 8.90%.

How much principal and interest is due to Freddie Mac? What is the ending UPB?

Principal due _____

Reinstatement (Monthly) interest _____

Ending gross UPB _____

Example 6:

An FHA/VA mortgage is not sold to a third party at the foreclosure sale on 06/03/xxxx. The DDLPI is 11/01/xxxw (previous year). The mortgage was inactivated in the 03/xxxw cycle at a UPB of \$68,660.25. The ANY is 7.75%.

How much interest is due to Freddie Mac?

Exception interest _____

Loan-Level Transactions

Example 7:

The DDLPI on the mortgage is 12/01/xxxw (the previous year). The mortgage was inactivated in the 04/xxxx accounting cycle at a UPB of \$33,795.94. The ANY for the mortgage is 8.00%. You report the mortgage to us for the 06/xxxx cycle as a transfer to REO.

How much interest is due to Freddie Mac?

Exception interest _____

Example 8:

A borrower makes their monthly payment on 05/01/xxxx for \$822.68 (\$65.78 principal, \$756.90 interest) reducing the UPB to \$98,126.67. The note rate is 9.25% and the servicing fee is .35%. During the next cycle's reporting, you notice that the borrower's \$65.78 principal payment was incorrectly posted to the mortgage as a \$657.80 principal payment, incorrectly reducing the UPB to \$97,534.65. The borrower does not make a payment for the 06/xxxx accounting cycle.

How much principal and interest is due to Freddie Mac? What is the ending UPB?

Principal due _____

Monthly interest _____

Ending UPB _____

Loan-Level Transactions

Review

- There are different reporting and remitting due dates depending on the type of loan transaction.
- A participation loan is a loan where two or more investors own a partial interest.
- A newly-funded mortgage is a mortgage you sold to us during the current accounting cycle.
- Although you are required to report and remit one month of interest to us for the month we funded the loan, we credit you for the portion of the month we did not own the mortgage.
- A balance correction (exception code 80) occurs when the ending gross UPB is higher than the beginning gross UPB for reasons other than negative amortization or a loan modification.
- You must notify your Freddie Mac representative if a balance correction exceeds \$3,000.
- A payoff is the satisfaction of a mortgage due to:
 - Note maturity (exception code 60)
 - Borrower prepayment (exception code 61)
 - Repurchase (exception code 65)
 - Borrower conversion of a convertible mortgage sold with a repurchase option (exception code 66)
- Exception interest for payoffs is based on the exception date.
- For mortgages modified with a partial principal forbearance, monthly interest and exception interest for payoffs is calculated based on the interest bearing UPB only.
- You must report prepaid or matured payoffs within two business days of the exception date. You must report other payoffs within five business days of the exception date.
- The purpose of an inactivation (exception code 40) is to discontinue the reporting and remitting of interest to us on a mortgage that is in foreclosure.
- Reinstatement (exception code 50) is the process of restoring an inactive mortgage to an active status.
- A third-party foreclosure sale (exception codes 71 and 73) occurs when someone other than the mortgagee, mortgagor, or his or her representative, purchases the property at the foreclosure sale.
- An FHA/VA foreclosure/conveyance (exception code 72) occurs when a property insured by the FHA or guaranteed by the VA goes to foreclosure and is not sold to a third party at the foreclosure sale. We credit you for interest you reported and remitted to us for the time period the mortgage was delinquent.

Loan-Level Transactions

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The Seller/Service Remittance Analysis

Chapter 6

Introduction

This chapter introduces and provides detailed information on the *Seller/Service Remittance Analysis*.

Objectives

After completing this chapter, you will have an understanding of the information reflected on the *Seller/Service Remittance Analysis*.

The Seller/Servicer Remittance Analysis

What is the *Seller/Servicer Remittance Analysis*?

Available via the Service Loans application, the *Seller/Servicer Remittance Analysis*, is a summary report Freddie Mac provides that can help you manage and monitor your remittance process. The report summarizes the following:

- Daily remittances via Global Payments, Inc. (GPI), and the dates your remittances are available to us.
- Total amounts due based on what we process for your loan-level transactions and any adjustments.
- Beginning and ending cumulative balances, and your cumulative overage/shortage balance.

How to Obtain the *Seller/Servicer Remittance Analysis*

You may view, print, and download the preliminary and final *Seller/Servicer Remittance Analyses* via the Service Loans application.

Preliminary Report

A preliminary *Seller/Servicer Remittance Analysis* is available at any time until the final statement for the cycle is produced. For example, if you generate the November xxxx *Seller/Servicer Remittance Analysis* on November 6, xxxx you will see the remittances we received and the transactions we processed as of November 5, xxxx.

We update the preliminary report on a daily basis to reflect the remittances we receive and the transactions we process as of the business day before you order the report.

The preliminary *Seller/Servicer Remittance Analysis* report should not be read as a final report and it cannot solely determine your remittances due Freddie Mac.

Final Report

A final *Seller/Servicer Remittance Analysis* is available the first week in the calendar month following the accounting cutoff. For example, the November *Seller/Servicer Remittance Analysis* is available to you the first week in December.

The Seller/Servicer Remittance Analysis

Sample Seller/Servicer Remittance Analysis

Review the sample *Seller/Servicer Remittance Analysis* below and familiarize yourself with its content.

The Amount Received and Amount Due sections are split into multiple descriptive categories.

A field at the top of the form indicates whether the information is preliminary or final.

Servicer Number:		Freddie Mac					Last Updated: 11/30/XXXX 12:00:00 AM		
Servicer Name:		Seller/Servicer Remittance Analysis					Final		
Servicer Contact Name:		10/16/XXXX through 11/15/XXXX							
Date	Amount Received			Amount Due			Adj. Code	Balance	Int. Reimbursement
	P&I, Adj, Int. Advanced	P/O, TP FCL.	Corrections	P&I, Int. Advanced	P/O, TP FCL	Adj.			
								100,000.00	
Oct 16	0.00	0.00	0.00	0.00	0.00	0.00		100,000.00	0.00
Oct 17	0.00	0.00	0.00	0.00	100,000.00	0.00		0.00	0.00
Oct 18	15,000.00	0.00	0.00	15,000.00	0.00	0.00		0.00	0.00
Oct 19	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Oct 20	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Oct 21	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Oct 22	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Oct 23	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Oct 24	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Oct 25	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Oct 26	0.00	0.00	0.00	0.00	120,000.00	0.00		(120,000.00)	37.80
Oct 27	0.00	0.00	0.00	0.00	0.00	0.00		(120,000.00)	37.80
Oct 28	0.00	0.00	0.00	0.00	0.00	0.00		(120,000.00)	37.80
Oct 29	0.00	120,000.00	0.00	0.00	0.00	0.00		0.00	0.00
Oct 30	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Oct 31	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 1	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 2	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 3	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 4	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 5	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 6	0.00	0.00	0.00	300,000.00	0.00	0.00		(300,000.00)	94.52
Nov 7	300,000.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 8	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 9	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 10	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 11	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 12	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 13	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 14	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Nov 15	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Totals	315,000.00	120,000.00	0.00	315,000.00	220,000.00	0.00		0.00	207.92

Total Interest Reimbursement Due to Freddie Mac calculated at (Prime Rate 8.5% plus 3%) / 365207.92

The Seller/Servicer Remittance Analysis

Understanding the Header Section

The following table describes the content in the header row of the *Seller/Servicer Remittance Analysis*.

Header Section



Servicer Number: Servicer Name: Servicer Contact Name:	Freddie Mac Seller/Servicer Remittance Analysis 10/16/XXXX through 11/15/XXXX	Last Updated: 11/30/XXXX 12:00:00 AM Final
---	--	--

Field Name	Description
Servicer Number	Your Servicer number
Servicer Name	Your Servicer name
Servicer Contact Name	Your Servicer contact name that is in our database
Last Updated	The latest date on which the <i>Seller/Servicer Remittance Analysis</i> was updated for any transactions.
*Final	The final <i>Seller/Servicer Remittance Analysis</i> is produced and available when the cash cycle closes at the end of the month.
*Preliminary	A preliminary <i>Seller/Servicer Remittance Analysis</i> is available at any time until the final statement for the cycle is produced.

*You may view, print, or download the final or preliminary *Seller/Servicer Remittance Analysis* from the Service Loans application.

The Seller/Servicer Remittance Analysis

Understanding the Date Section

The following table describes the content in the Date column of the *Seller/Servicer Remittance Analysis*.

Date Section

Date
Oct 16
Oct 17
Oct 18
Oct 19
Oct 20
Oct 21

The fields in the Date column refer to the dates covered on the *Seller/Servicer Remittance Analysis*.

Field Name	Description
Date	Lists the month and day of your transaction activity. The time period covered is from the 16 th of the one month through the 15 th of the following month.

The Seller/Servicer Remittance Analysis

Understanding the Amount Received Section

The following table describes the fields in the Amount Received columns of the *Seller/Servicer Remittance Analysis*.

Amount Received
Section

Amount Received		
P&I, Adj, Int. Advanced	P/O, TP FCL.	Corrections
0.00	0.00	0.00
0.00	0.00	0.00
15,000.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00
0.00	0.00	0.00

The Amount Received fields reflect the cash you remitted and, if applicable, any cash adjustments we have made (corrections column).

Field Name	Description
P&I, Adj., Int. Advanced	<p>This column reflects your monthly remittances for the following:</p> <ul style="list-style-type: none"> ▪ Monthly interest ▪ Principal (includes curtailments and negative principal reduction) ▪ Reductions in negative amortization ▪ Monthly reinstatement interest ▪ Interest advanced (REO) ▪ Adjustments <p>GPI prompts you to enter these as non-payoff amounts.</p>
P/O, TP FCL	<p>This column reflects remittances you have made for the following:</p> <ul style="list-style-type: none"> ▪ Payoff proceeds ▪ Third-party foreclosure sale proceeds <p>GPI prompts you to enter these as payoff amounts.</p>
Corrections	This column contains adjustments we have made.

The Seller/Service Remittance Analysis

Remitting Funds to Freddie Mac

You may remit funds to us by either of the following:

- Touch-tone phone
- Online via the Service Loans application

It is important that we receive your funds in a timely manner:

- Funds must be available to us on or before the remittance due date.
- Funds are due to us the preceding business day if the remittance due date falls on a non-business day.
- You must complete your remittance no later than 9:00 p.m., Eastern time, the business day prior to the remittance due date.
- We will debit your account the business day after you complete the remittance process.

The Seller/Servicer Remittance Analysis

Understanding the Amount Due Section

The amount due to us can change throughout the accounting cycle based on additional transactions processed and adjustments made to your account. If we have not processed a transaction due to an outstanding edit, the amount due will not reflect this transaction until the edit is cleared.

The following table describes the fields in the Amount Due section of the *Seller/Servicer Remittance Analysis*.

Amount Due Section

Amount Due			
P&I, Int. Advanced	P/O, TP FCL	Adj.	Adj. Code
0.00	0.00	0.00	
0.00	100,000.00	0.00	
15,000.00	0.00	0.00	
0.00	0.00	0.00	

The Amount Due fields reflect the amounts that we expect you to remit.

We post amounts due based on what we process via your loan-level transactions reported.

Field Name	Description
P&I, Int. Advanced	<p>This column reflects amounts due based on the contracted monthly remittance due date you select when you sell a loan to us:</p> <ul style="list-style-type: none"> ▪ Monthly interest ▪ Principal (includes curtailments and negative principal reduction) ▪ Reductions in negative amortization ▪ Monthly reinstatement interest ▪ Interest advanced (REO) ▪ Adjustments <p>GPI prompts you to enter these as non-payoff amounts.</p>
P/O, TP FCL	<p>This column reflects amounts due for liquidations:</p> <ul style="list-style-type: none"> ▪ Payoff proceeds ▪ Third-party foreclosure sale proceeds <p>GPI prompts you to enter these as payoff amounts.</p>

The Seller/Servicer Remittance Analysis

Field Name	Description
Adj.	<p>This column contains adjustments we have made. The amounts are posted to the remittance due date of the adjustment. For example:</p> <ul style="list-style-type: none">▪ Charge-off adjustments▪ Loan modification adjustments▪ RTC minority principal and interest billings▪ Transfer of servicing reallocations
Adj. Code	<p>This column contains the adjustment code that corresponds to an adjustment amount.</p>

The Seller/Servicer Remittance Analysis

Posting Monthly Transactions Amounts Due

Monthly transaction amounts are due based on the remittance option selected when you sell a loan to Freddie Mac. The remittance option will be reflected on the *Funding Details Report* available to you at the time of funding. Following are the primary remittance options that we offer.

Remittance Option	Due Date	Example If the accounting cutoff date is August 15 th , complete remittance by 9:00 p.m. Eastern time the business day prior to the following due date.
Gold	Three business days following the accounting cutoff unless the contract specifies otherwise.	August 18 th (Remit on August 17 th .) 
Accelerated Remittance Cycle (ARC)	Three business days following the accounting cutoff unless the contract specifies otherwise.	August 18 th (Remit on August 17 th .) 
First Tuesday	First Tuesday of the calendar month following the accounting cutoff.	September 5 th (Remit on September 1 st .) 

The Seller/Servicer Remittance Analysis

Remittance Option	Due Date	Example
Super Accelerated Remittance Cycle (Super ARC)	Contract specified calendar day between the 1 st and 15 th of the month.	<p>If the accounting cutoff date is August 15th, complete remittance by 9:00 p.m. Eastern time the business day prior to the following due date</p> <p>The contract specified the 5th, which is a Saturday and a non-business day. Therefore the funds are due on the previous business day, August 4th. Remit funds on August 3rd.</p> 

Curtailments on Super ARC Loans

If a borrower makes a curtailment on a Super ARC loan, remit the scheduled/scheduled payment only.

A curtailment is due on the contract-specified calendar day the following cycle, however you must:

- Report the curtailment principal along with your scheduled/scheduled payment.
- Complete and submit Form 1100, *Supplemental Report of Curtailments for Super ARC*, to your Freddie Mac representative, for the curtailment amounts.

Your Freddie Mac representative will post the curtailment amount due the following cycle using the information you reported on Form 1100.

Example

You received a curtailment in the amount of \$1,000 during the August cycle for a loan with the Super ARC remittance option. The contract specifies that funds are due on the fifth calendar day. The scheduled/scheduled payment is \$900.

You are responsible for the following:

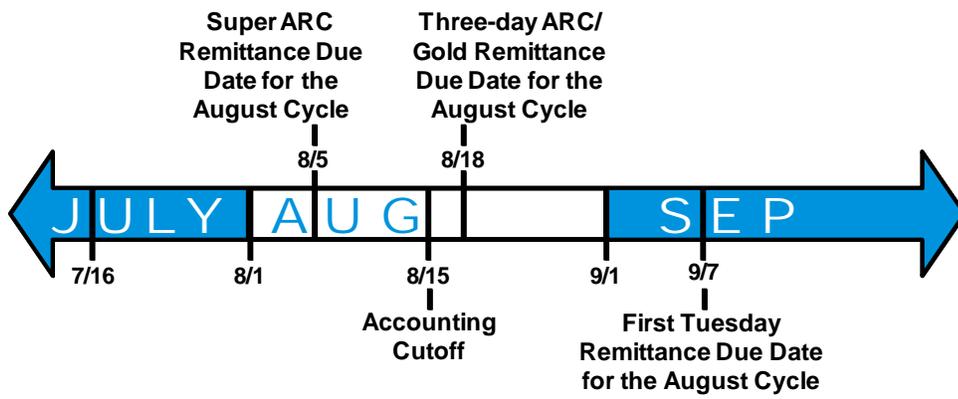
- Report the \$1,000 curtailment along with the scheduled/scheduled payment of \$900 with the August cycle.
- Remit the \$900 only, by August 3, xxxx 9:00 p.m., Eastern time. August 5 is a Saturday, so the funds are due to us by Friday, August 4.

The Seller/Servicer Remittance Analysis

- Complete Form 1100, reporting the \$1,000 curtailment. Fax it to your Freddie Mac representative. The \$1,000 will be posted as due the following cycle.
- Remit the \$1,000 curtailment along with your September scheduled/scheduled payment by September 1, xxxx before 9:00 p.m., Eastern time. September 2 and 3 are a Saturday and Sunday. September 4 is a holiday. All are non-business days. The funds are due to us by September 5, xxxx.

You may have more than one remittance option in your portfolio.

The following time line summarizes all of the remittance options for the August xxxx cycle.



The Seller/Servicer Remittance Analysis

Proceeds Amounts Due to Freddie Mac

Transaction	When Proceeds are Due
Payoffs	<p>Within five business days of the exception date, unless it is a negotiated payoff.</p> <p>For example, funds for a payoff with an exception date of 10/24/xxxx are due to us by 10/31/xxxx. Your remittance must be completed by 9:00 p.m., Eastern time on 10/30/xxxx.</p>
Third-party foreclosure sales	<p>Within five business days of receipt of funds.</p> <p>When you report the sale to us, use the date of the sale as the exception date.</p> <p>For example, a foreclosure sale occurred on 8/23/xxxx. Funds were received on 10/29/xxxx and are due to us by 11/5/xxxx. Your remittance must be completed by 9:00 p.m., Eastern time, on 11/2/xxxx (November 3 and 4 are a Saturday and Sunday, non-business days).</p>

Third-party foreclosure sales and payoffs differ in that the exception date for a third-party foreclosure sale is not the date you received the funds. Because you do not report the date you received the funds, we post third-party foreclosure sales five business days after the accounting cutoff. You must remit the funds within five business days of receiving them.

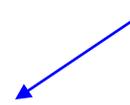
The Seller/Servicer Remittance Analysis

Understanding the Balance and Interest Reimbursement Columns

The following table describes the Balance and Interest Reimbursement columns on the *Seller/Servicer Remittance Analysis*.

Balance	Int. Reimbursement
100,000.00	
100,000.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00
(120,000.00)	37.80
(120,000.00)	37.80
(120,000.00)	37.80
0.00	0.00

These are the two columns on the right side of the *Seller/Servicer Remittance Analysis*.



Column	Description
Balance	<p>The first amount in this column represents your beginning cumulative balance. The subsequent amounts represent your total cumulative daily balance during the accounting cycle.</p> <p>The daily balance is computed by taking the previous day's daily balance, adding the total remittances for the day, and subtracting the amounts due for day.</p>
Interest Reimbursement	<p>This column contains the amount of interest that you need to reimburse us because of a shortage in your daily cash balance.</p> <p>Interest reimbursement is only calculated when a cash balance is negative and will be reflected on your Servicer Billing Statement.</p> <p>The formula used to calculate interest reimbursement is:</p> $\text{Daily Balance (Prime plus 3\% Interest Rate) / 365}$

The Seller/Servicer Remittance Analysis

Cumulative Balance

The cumulative balance reflects the cumulative difference between what you have remitted to Freddie Mac and what we are posting due.

Positive and Negative Balances

The cumulative balance tells you how well you are managing your remittance process. Your goal is to maintain a zero balance by remitting amounts due in a timely manner and maximizing your float.

To fully understand your daily and total balance, you may want to reconcile your *Seller/Servicer Remittance Analysis* to your *Monthly Account Statement*. You can also analyze your remittances against amounts due and amounts received and identify any differences.

Positive Balances

A positive balance on any date on your *Seller/Servicer Remittance Analysis* indicates that your total remittances to date are more than your total amounts due to date. Positive balances occur when you over remit or remit funds early.

A negative balance on any date on your *Seller/Servicer Remittance Analysis* indicates that your total remittances to date are less than your total Amounts Due to date. It does not always mean that you were short on that particular day's remittance. The shortage may have been offset by a prior remittance.

Negative Balances

Negative balances occur when you under remit or remit funds late. Always track your remittance. For each remittance, record the following:

- Amount
- Date and time
- Reason (monthly P&I, payoff, third-party foreclosure sale, etc.)
- Loan number
- GPI verification code

Correcting a Positive or Negative Balance

To correct a positive balance, you may deduct the amount of the overage from your next remittance to us. You will need to verify that the overage is in fact a "true" overage as opposed to a timing difference.

The Seller/Servicer Remittance Analysis

Example

A payoff remitted several days before the actual due date will reflect as an overage on your remittance analysis. Once we post the payoff as due, the overage will no longer be there. This would be an overage due to timing.

To correct a negative balance, you will need to remit the additional funds immediately.

Why Analyze an Overage or Shortage Balance?

Identifying what comprises a daily cash overage or shortage is sound cash management practice. Analyzing your *Seller/Servicer Remittance Analysis* enables you to do the following:

- Determine if errors have occurred.
- Take precise corrective action to avoid paying additional fees.
- Positively impact your Servicer Success Scorecard.
- Identify any system problems that may be occurring.

The Seller/Servicer Remittance Analysis

Understanding the Footer Section

The following table describes the footer section, which is located at the bottom of the *Seller/Servicer Remittance Analysis*.

	Adj. Code Column (Total)	Balance Column (Total)	Int. Reimbursement Column (Total)
Totals	315,000.00	120,000.00	0.00
	315,000.00	220,000.00	0.00
			0.00
			207.92

Total Interest Reimbursement Due to Freddie Mac calculated at (Prime Rate 8.5% plus 3%) / 365207.92

Amount Received Columns (Totals) Amount Due Columns (Totals) Total Interest Reimbursement Due to Freddie Mac calculated at Prime Rate plus 3.00%

Field	Description
Amount Received Column Totals	Sum of the Amount Received column.
Amount Due Column Totals	Sum of the Amount Due column.
Adj. Total	Sum of the Adjustment column.
Balance Column Total	The ending daily cash balance as of the accounting cutoff.
Int. Reimb. Column Total	Sum of the daily interest reimbursement amounts in the column.
Total Interest Reimbursement Due to Freddie Mac calculated at Prime Rate plus 3.00%	The interest reimbursement amount due Freddie Mac as a result of shortages in your daily cash position. This amount will be reflected on your Servicer Billing Statement.

The Seller/Servicer Remittance Analysis

Understanding the Footnotes

The following table describes footnotes that may display at the bottom of the *Seller/Servicer Remittance Analysis*.

Footnote	Description
<p>Remittances that appear in the “Amount Received” column are based on codes you used while making your remittance.</p> <p>Freddie Mac will not make corrections to any remittances incorrectly coded since it does not affect your overall daily balance.</p>	<p>This is a standard footnote that will appear on every <i>Seller/Servicer Remittance Analysis</i>.</p>
<p>Total Interest Reimbursement amount will appear on your Servicer Billing Statement for fees.</p>	<p>The <i>Total Interest Reimbursement</i> amounts <i>do not</i> appear on the preliminary <i>Seller/Servicer Remittance Analysis</i> because the information may not be available.</p>
<p>Our records indicate that you are required to remit all P&I, including payoffs to Freddie Mac on a daily basis, upon receipt of such funds from the mortgagor.</p>	<p>This footnote appears for Servicers on Freddie Mac’s Reinvestment Program or Institutional Eligibility Daily Sweep Program.</p>

The Seller/Servicer Remittance Analysis

Understanding the Adjustment Codes

The adjustment codes are located in the eighth column of the *Seller/Servicer Remittance Analysis*.

Servicer Number:		Freddie Mac				Last Updated: 11/30/XXXX 12:00:00 AM			
Servicer Name:		Seller/Servicer Remittance Analysis				Final			
Servicer Contact Name:		10/16/XXXX through 11/15/XXXX							
		Amount Received			Amount Due				
Date	P&I, Adj, Int, Advanced	P/O, TP FCL	Corrections	P&I, Int.	P/O, TP FCL	Adj.	Adj. Code	Balance	Int. Reimbursement
								100,000.00	
Oct 16	0.00	0.00	0.00	0.00	0.00	0.00		100,000.00	0.00
Oct 17	0.00	0.00	0.00	0.00	100,000.00	0.00		0.00	0.00
Oct 18	15,000.00	0.00	0.00	15,000.00	0.00	0.00		0.00	0.00

The following table identifies and describes the adjustment codes that may display on your *Seller/Servicer Remittance Analysis*. The adjustment codes will also appear on the *Detailed Adjustment Report*.

Code	Full Code Name (Allocation Adjustment)	Description
ADM	Amount Due Mover within Same Servicer	This adjustment is used to correct the posting of amount due within the same Servicer.
BALI	Balloon Interest Adjustment	Interest calculated on a balloon loan that resets on a later date than the original reset date.
BBA	Beginning Balance Adjustment	This is an adjustment to the beginning balance for corrections made to amounts due or remittances in previous cycles.
CADJ	Cash Adjustment	This adjustment is used to reallocate funds between Servicers.
CAP	Cramdown Adjustment on Principal	This is an adjustment to the principal balance or capitalized expenses into principal for court ordered bankruptcy.
CCI	Cramdown Capitalized Interest	This adjustment is used to capitalize delinquent interest on a loan for court ordered bankruptcy.
CMI	Cramdown Monthly Interest	This adjustment is applied to adjust the monthly interest on a loan for a court ordered bankruptcy.

The Seller/Servicer Remittance Analysis

Code	Full Code Name (Allocation Adjustment)	Description
CO	Charge-off	This adjustment is used for the difference between the unpaid principal balance and the market value of a loan.
CRM	Cash Received Mover within Same Servicer	This adjustment is used to correct posting errors of cash received within the same Servicer.
DPCA	Discount or premium on convertible ARMs	A premium adjustment is used when there is a buy down to a lower interest rate for the life of a loan, when current market rates are lower than the lock-in rate. A discount adjustment is used when an adjustable-rate mortgage was obtained for less than market value.
DPPA	Discount or premium on New Purchases	This adjustment is used for newly purchased loans obtained at a price above or below market value.
FORI	Forgiven Interest	This adjustment is used when there is a write off to amortized interest because a borrower is not required to pay.
IADJ	Interest Adjustment	This adjustment is used for interest corrections.
LMCI	Loan Modification Capitalized Interest	This adjustment is used for accumulated unpaid interest that has been added to the principal balance of a loan.
LMDI	Loan Modification Interest Adjustment	This adjustment is used when interest calculated on loan modifications impacts prior accounting cycles' interest due.
MISI	Miscellaneous Interest	This adjustment is used for "other" unique interest items not already defined.
MISP	Miscellaneous Principal	This adjustment is used for "other" unique principal items not already defined.
MOI	Mobile Homes Interest	This adjustment is used for interest due on mobile home loans.

The Seller/Servicer Remittance Analysis

Code	Full Code Name (Allocation Adjustment)	Description
MOP	Mobile Homes Principal	This adjustment is used for principal due on mobile home loans.
MOPO	Mobile Homes Payoff	This adjustment is used for payoff proceeds due on mobile home loans.
MOR	Mobile Home Residual	This adjustment is used for excess servicing fee and payoff differential on mobile home loans.
MPPI	Minority Participation Percentage Interest	This adjustment is used for additional interest due or owed on loans purchased from the RTC.
MPPP	Minority Participation Percentage Principal	This adjustment is used for additional principal due on loans purchased from the RTC.
MULT	Multiple	This adjustment is used when multiple adjustments for a Servicer occur on the same date.
NDPA	Interim Servicing T-Accounts	This adjustment is used to move a change in prepaid and delinquent interest out of the principal and interest processed so it posts to the three-day accelerated remittance cycle (ARC) date.
REI	Reinstatement Interest Adjustment	This adjustment is used to incorporate delinquent interest due on a loan that was delinquent but has been brought current.
RERI	REO Rollback	This adjustment is used to debit the servicer for a reversal of REO interest advanced.
SARC	Super Accelerated Remittance Cycle (Super ARC)	This adjustment is used for Servicers who submit Form 1100, <i>Supplemental Report of Curtailments for Super ARC</i> , to us on a monthly basis to move curtailment funds out of a current Super ARC day to post to the next cycle's Super ARC day.
SS	Servicemembers Civil Relief Act	This adjustment is used to credit interest on a quarterly basis for active military personnel under the Servicemembers Civil Relief Act.

The Seller/Servicer Remittance Analysis

Code	Full Code Name (Allocation Adjustment)	Description
TACC	T-Account	This adjustment is used for T-accounts to move a principal and interest amount due from the first Tuesday to the three-day ARC date.
TOS	Transfer of Servicing	This adjustment is used to reallocate principal and interest amounts for Servicers involved in a transfer of servicing.
W/O	Write-off	This adjustment is used to write off a variety of miscellaneous items

The *Detailed Adjustment Report*, which reflects any adjustments made to your *Seller/Servicer Remittance Analysis*, is also available via the Service Loans application.

The Seller/Servicer Remittance Analysis

Review

- The *Seller/Servicer Remittance Analysis* is a summary that reflects the remittances we have received, the amounts posted as due, and the daily cumulative balances throughout the cycle.
- You may retrieve the *Seller/Servicer Remittance Analysis* via the Service Loans application.
- Remit funds to us via GPI using a touch-tone phone or online via the Service Loans application.
- You must complete your remittance no later than 9:00 p.m. Eastern time, the business day prior to the remittance due date. We will debit your account the next business day.
- We post amounts due based on the loan level transactions processed and their corresponding remittance due date for monthly processing and the exception date for interim processing.
- Gold and three-day ARC amounts are due three business days following the accounting cutoff.
- First Tuesday amounts are due the first Tuesday following the calendar month following the accounting cutoff.
- Super ARC amounts are due based on the contract specified calendar day between the 1st and the 15th of the month.
- Payoff amounts are due within five business days of the exception date, unless it is a negotiated payoff remittance date.
- The Balance column reflects the cumulative difference between the Amount Received and the Amount Due columns.
- The Interest Reimbursement column reflects the interest you need to reimburse us because of a shortage in your balance column.
- To correct a shortage, you will need to remit the additional funds immediately.
- To correct an overage, you may deduct the amount of overage from your next remittance to us.

The Seller/Service Remittance Analysis

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How Freddie Mac Processes Your Loan-Level Transactions

Chapter 7

Introduction

This chapter provides a high-level overview of our transaction processing.

Objectives

After completing this chapter, you will be familiar with the following:

- How Freddie Mac processes your loan-level transactions
- The accounting cycle and its relevant time frames
- Revisions
- Overlapping cycles
- Closing the accounting cycle
- Loan edits

How Freddie Mac Processes Your Loan-Level Transactions

The Accounting Cycle

Freddie Mac's accounting cycle runs from the 16th of one month to the 15th of the following month. The last day of the cycle is referred to as the accounting cutoff. The cycle corresponds to the month of the cutoff date. For example, the March cycle begins on February 16th and cuts off on March 15th.

The 15th is commonly referred to as the "cutoff", but the actual cutoff date for a given month is different if the 15th is a non-business day. If the 15th is a non-business day then the actual cutoff is the previous business day.

What Happens After the Accounting Cutoff

After the accounting cutoff, you will submit your monthly loan-level transactions to us within five business days.

We will:

- Process a valid transaction for every loan. A valid transaction means that our system accepted the transaction and built a loan history for the accounting cycle.
- Close, or final, the accounting cycle approximately three days prior to the end of the month (EOM).

After we close the accounting cycle, we can no longer process any transactions for that cycle.

Revisions

If you want to change the information for a loan you already reported, identify the loan-level transaction as a correction. A correction tells our system that this is the transaction you want to process and overrides any previous transaction.

Transmit corrections for the current cycle as soon as possible, but no later than four business days prior to the end of the month.

How Freddie Mac Processes Your Loan-Level Transactions

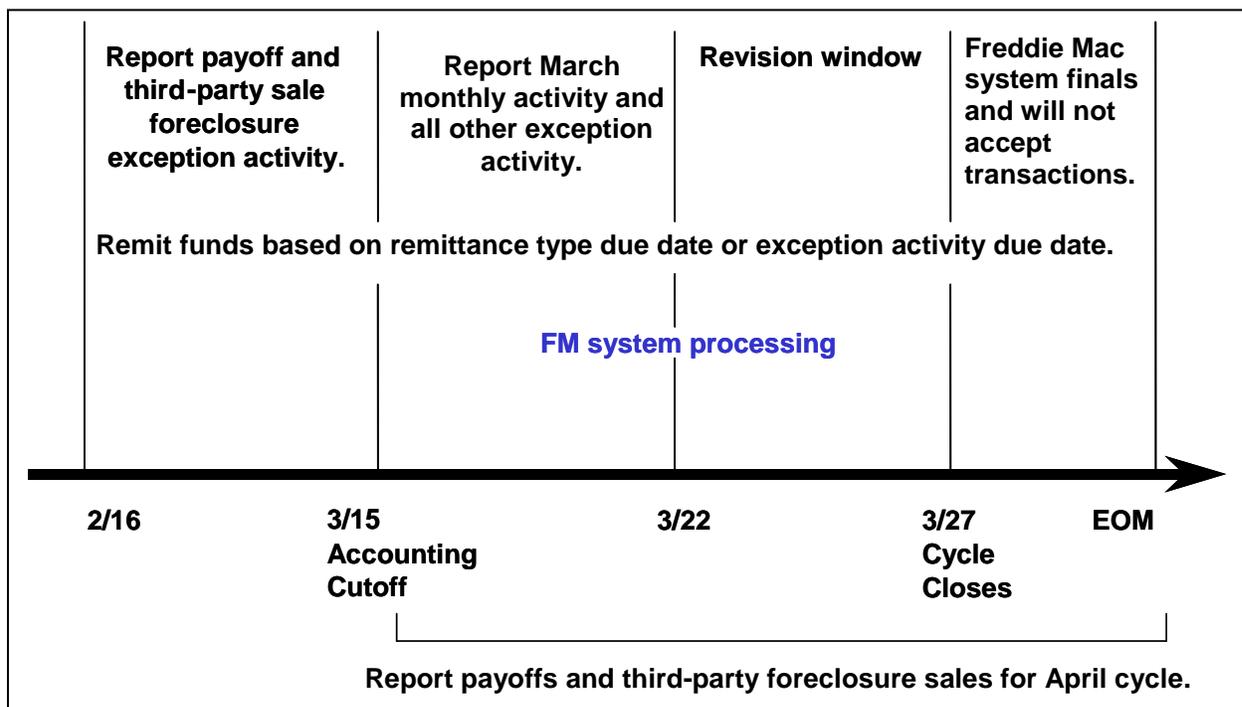
Overlapping Cycles

During the last two weeks of each month, we process transactions submitted for two different accounting cycles.

For example, from March 16th until approximately March 27th, we process transactions for both the March and April accounting cycles. The March cycle transactions are the monthly reporting for the March activity. The April cycle transactions are interim reporting, such as payoffs with an exception date of March 16th or later.

To avoid errors, ensure that you report the correct accounting cycle date when submitting your transactions.

Transaction Processing Timeline



How Freddie Mac Processes Your Loan-Level Transactions

Loan Edits (Discrepancies)

As we receive your transactions, we compare specific data elements to our database. You must clear or resolve any loan edit before our system will accept a valid transaction for that loan.

There are three types of edits:

- Loans not reported
- Soft edit
- Hard edit

The following table provides a brief description of each type of edit, explains how to identify the edit, and outlines what actions you must take to resolve the edit.

Type of Edit	Description	How to Identify	Required Actions
Loans not reported	Unreported loans	Identified on the <i>Loan-Level Missing Report</i> without an *	Report a transaction for the loan. A loan cannot have an edit until we receive a transaction.
Soft edit	Edits that our system clears automatically	Identified on the <i>System Cleared Edits Report</i>	<ul style="list-style-type: none">▪ We change the appropriate data elements to match what we expect and then process the new transaction.▪ The difference for principal and/or interest must be less than \$1,000 on P&I transactions and less than \$5.00 on exception transactions.
Hard edit	Edits that our system cannot clear automatically	Identified on the <i>Edits to be Cleared Report</i>	You must correct the transaction via the Service Loans application to resolve these edits.

How Freddie Mac Processes Your Loan-Level Transactions

Closing the Accounting Cycle

When we close the accounting cycle, our system verifies that a loan transaction has been accepted for every loan in your portfolio.

If a valid transaction does not exist, our system simulates the loan by using the beginning unpaid principal balance as the ending unpaid principal balance, and processing:

- Monthly interest due if the loan was active the previous accounting cycle
- Zero interest due if the loan was inactive the previous accounting cycle
- Zero principal due

A loan is simulated only if it was not reported or if a hard edit was not cleared when we close the accounting cycle. Mortgages that our system simulates appeared on the *Loan-Level Missing* report and/or the *Edits to be Cleared* report during the cycle. The simulated mortgages also appear on the *Loan Reconciliation Difference Report*.

Processing Your Loan-Level Transactions – Summary

The following high-level steps occur when we process your loan-level transactions:

1. We receive your loan-level transactions.
2. Our system compares specific data elements you report for each mortgage to the information in our database. The data we verify includes, but is not limited to the following:
 - Loan number
 - Servicer number
 - Cycle date
 - Type of transaction (original, duplicate, or correction)
 - Exception code
 - Exception date and note holder (depending on transaction)
 - Interest due
 - Principal due
 - Ending gross unpaid principal balance (UPB)
 - Interest Bearing UPB
 - Deferred UPB
 - Due date of last paid installment (DDLPI)
 - Last payment received date (LPRD)

The comparison stops for any data element that is invalid or not applicable and an edit is generated.

How Freddie Mac Processes Your Loan-Level Transactions

3. Retrieve your daily edit reports, which identify data elements that are invalid or not applicable, via the Service Loans application. Use the information on the daily edit reports and work with your Freddie Mac representative to correct the data discrepancies and submit revised information to us.
4. We will process your revised data, repeating steps 2 and 3, as needed.
5. At the end of the processing cycle:
 - We will confirm that we have received a valid transaction for all mortgages in your portfolio.
 - Our system will simulate data if a mortgage does not have a data record.
 - Processing concludes and the accounting cycle closes.
 - We generate monthly reconciliation reports which you may retrieve via the Service Loans application.

How Freddie Mac Processes Your Loan-Level Transactions

Review

- As we receive your transactions, we compare specific data elements to our database. Any discrepancies are referred to as loan edits.
- Retrieve your daily edit reports via the Service Loans application. Use the information on the daily edit reports to correct the data discrepancies and submit revised information to us.
- You must clear or resolve any loan edits four business days prior to the end of the month.
- If a valid transaction does not exist when we final the cycle, our system will process the scheduled interest and zero principal reduction. This is referred to as loan simulation.
- During the last two weeks of each month, we process transactions for two different cycles: Your monthly reporting which is due five business days after the current accounting cutoff, and any interim reporting for liquidations with an exception date of the 16th – EOM, (i.e. liquidations for the following cycle), which are due two or five business days after the exception date.

How Freddie Mac Processes Your Loan-Level Transactions

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The Daily Edit Reports

Chapter 8

Introduction

This chapter introduces the daily edit reports.

Objectives

After completing this chapter, you will be able to:

- Define the daily edit reports.
- Describe how the daily edit reports are used in the investor reporting process.
- Explain how to obtain, use and prioritize each report.

The Daily Edit Reports

Definition of the Daily Edit Reports

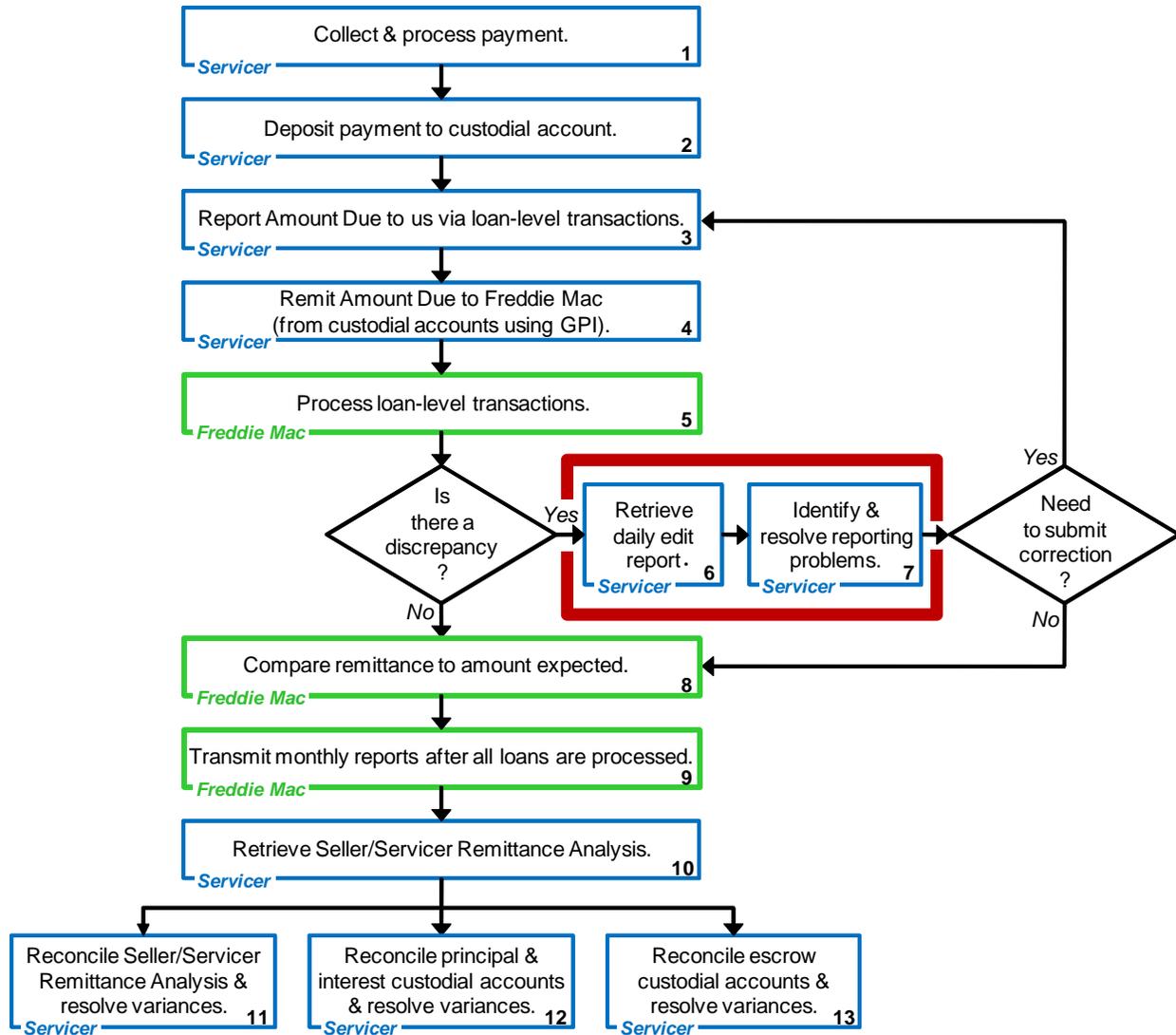
The daily edit reports notify you of any discrepancies or edits associated with your loan-level transactions. You will retrieve your daily edit reports via the Service Loans application. We identify edits by comparing the data you send us to our database. These edits appear on your daily edit reports the business day after we process your transactions.

When are the Daily Edit Reports Available?

The daily edit reports are available to you via the Service Loans application every business day, even if you have no loans with errors. You can retrieve, browse, print, or delete any daily edit report at any time.

The Daily Edit Reports

How Do the Daily Edit Reports Fit into the Investor Reporting Process?



The Daily Edit Reports

Using the Daily Edit Reports

Resolve any edits on the reports before we final the current accounting cycle. Ensure that you correct the edit on your system so that the errors do not recur.

There are three daily edit reports to review:

- *Loan-Level Missing*
- *Edits to be Cleared*
- *System Cleared Edits*

When you retrieve your daily edit reports, review them and prioritize the edits to be cleared. Once you have prioritized your edits, work with your Freddie Mac representative to create an action plan for resolution.

You may also use your daily edit reports to correct your remittances. Typically, if you reported incorrectly, you remitted incorrectly.

How to Prioritize Your Edits

Perform the following steps to prioritize the edits on the daily edit reports:

1. Review the *Loan-Level Missing* report, and report any missing loans.
2. Determine the causes of the edits on the *Edits to be Cleared* report.
3. Resolve the edits on the *Edits to be Cleared* report.
4. Review the *System Cleared Edits* report to verify the transaction.
5. Resolve the edits on the *System Cleared Edits* report, if necessary.

Complete all five steps for monthly reporting after the accounting cutoff. Complete steps two through five for interim reporting throughout the month.

The Daily Edit Reports

The *Loan-Level Missing* Report

First, review the *Loan-Level Missing* report to get an overall picture of the outstanding loans you need to resolve for the accounting cycle. This report identifies mortgages you did not report to us this accounting cycle and mortgages with unresolved edits on the *Edits to be Cleared* report.

A “Zero (0) loans missing.” message appears on this report when a transaction has been processed for every loan in your portfolio. An asterisk (*) next to a loan number indicates our system rejected your transaction. These mortgages also appear on your *Edits to be Cleared* report. Loan numbers without an asterisk are mortgages you either did not report or reported with an invalid Freddie Mac loan number.

If there are	Then	
A large number of loans that have not been reported (loans without an *)	Determine the date your loans were reported or are to be reported.	
	If they	Then
	Have already been reported	Contact your Freddie Mac representative to determine why we did not process your transactions.
	Will be reported, but may be late	Inform your Freddie Mac representative.
A small number of loans that have not been reported (loans without an *)	Research each mortgage and ensure you send us a transaction for each one.	
Mainly mortgages with edits (loans with an *)	Go to your <i>Edits to be Cleared</i> report.	

How to Use the Report

For mortgages you did not report, take the following actions:

- Submit a transaction for each mortgage immediately.
- Determine why you did not report so that the error does not occur for the next accounting cycle.

For mortgages with edits, refer to the *Edits to be Cleared* report to identify and resolve the edits.

The Daily Edit Reports

When is the Report Available?

The *Loan-Level Missing* report is available daily between the 16th and end of the month when we final the accounting cycle. You will be able to retrieve the report via the Service Loans application the day after our system has accepted at least 75 percent of your monthly transactions.

Sample *Loan-Level Missing* Report

SERVICER NUMBER	LOANS MISSING CURRENT CYCLE TRANSACTIONS
123456	123456781 123456782*
NUMBER OF MISSING LOANS FOR THIS SERV = 2	

REPORT ID: LL03611R
ACCOUNTANT: 1E1209
ACCT CYCLE: 03/02/XX

FREDDIE MAC
LOAN LEVEL REPORTING
SERVICER LOAN TRANSACTIONS MISSING REPORT

PAGE: 1
RUN DATE: 03/20/XX
TIME: 00:05:56

This is your Servicer number

Mortgages without an * have not yet been reported, or were reported with an invalid loan number

* Indicates an edit exists for this mortgage. You need to refer to the *Edits to be Cleared* report to identify the problem and transmit a revision.

The total number of mortgages itemized on this report

The Daily Edit Reports

The *Edits to be Cleared* Report

Second, review the *Edits to be Cleared* report. This report lists transactions with edits that our system cannot resolve.

Once our system accepts a transaction for a mortgage, it drops off the report, with the exception of the following:

- Edit Code 101 - Invalid Freddie Mac Loan Number: This edit remains on the report until our system has closed for the cycle.
- Edit Code 303 – Partial Duplicate/Possible Correction: This edit displays on the following business day only.

A “No data in error.” message displays on this report when you have no transactions in error.

After you retrieve this report, determine whether there is a single cause for the edits. If you have more than one edit for a mortgage, review all of the edits in combination, and determine the cause of the discrepancy and the resolution.

If many of the mortgages on your <i>Edits to be Cleared</i> report have the same	Then
Error code	<ul style="list-style-type: none">▪ Research a sample of the mortgages on the report to check for a common cause for the discrepancies.▪ Correct the cause of the errors and send us a revised transaction.▪ Take preventive action so that the error does not occur during the next accounting cycle.
Transaction type	<ul style="list-style-type: none">▪ Determine the cause of the discrepancy.▪ If the edit was caused by an error in your system:<ul style="list-style-type: none">– Correct the cause of the discrepancy.– Send us a revised transaction.– Take preventive action so that the error does not occur during the next accounting cycle. <p>If the edit was caused by an error in our system, notify your Freddie Mac representative and submit the appropriate supporting documentation.</p>

Adjust your remittances, if necessary. Ensure a transaction for every loan in your portfolio is processed by resolving all edits on the *Edits to be Cleared* report.

The Daily Edit Reports

How to Use the Report

Resolve the edits and transmit revised loan-level transactions. Update your system so the same error does not occur during the next accounting cycle.

When is the Report Available?

The *Edits to be Cleared* report is available daily via the Service Loans application.

The Daily Edit Reports

Sample Edits to be Cleared Report

REPORT: PL02350R		FREDDIE MAC		PAGE: 1									
ACCOUNTANT: 1-E1-209		LOAN LEVEL REPORTING		RUN DATE: 03/23/XX									
		EDIT ERROR REPORT		TIME: 23:30:07									
		EDITS TO BE CLEARED											
CYCLE: XX0315		SERVICER : 123456 ABC BANK, F.S.B.		PHONE: (555) 555-1212									
FREDDIE MAC LOAN NMBR	SERVICER LOAN NUMBER	DUE DATE LPI	PRINCIPAL DUE / DPCP	INTEREST DUE /BORR INCNTV CRTLMT	UPB /DFRD UPB	NET YIELD RATE	EXCP CODE	EXCP DATE	PREPAYMENT PENALTY	NO TE	USER ID	CORR IND	EDIT ERROR CODE
799822191	1629531	02/01/XX	0.00	203.76	30,093.22	8.125		00/00/00	0.000	0			303
799822191	1629531		0.00	0.00	0.00								
TOTAL TRANSACTIONS IN ERROR:		1											

DPCP - means Deferred Principal Curtailment Amount which is the amount of any curtailment applied to the deferred UPB during the accounting cycle.

BORR INCNTV CRTLMT - Borrower Incentive Curtailment is the amount of any borrower incentive payments applied to the unpaid principal balance of the mortgage during the accounting cycle. See Sections C65.9(b) and C65.10(c) of the Guide for additional information.

DFRD UPB - means Deferred Unpaid Principal Balance which is the amount of the deferred (non-interest bearing) unpaid principal balance as of the accounting cycle cut-off.

The Accounting Net Yield rate for this loan according to Freddie Mac system.

The edit code(s) assigned to this transaction.

The Daily Edit Reports

The *System Cleared Edits* Report

The *System Cleared Edits* report Lists transactions with edits that our system was able to resolve and process. Our system will:

- Calculate the expected interest for the transaction based on the action code, beginning UPB and ANY.
- Change the principal due and/or interest due reported for P&I transactions to match what we expect if the difference is less than or equal to +/- \$1,000.
- Change the principal due and/or interest due reported for exceptions if the difference is less than or equal to +/- \$5.00.

A “No data in error.” message appears when you have no transactions for this report.

Resolve all edits on the *System Cleared Edits* report so the error does not occur in the next accounting cycle.

If the transaction was reported	Then
Incorrectly, but we adjusted it accurately	Correct the cause of the error so that it does not occur during the next accounting cycle. You may also submit a revised transaction with the corrected data elements
Accurately, but we adjusted it incorrectly	Notify your Freddie Mac representative immediately and send us the appropriate supporting documentation.

Adjust your remittance if necessary.

How to Use the Report

Transmit a revised transaction if you do not agree with the data we processed. If this is the first cycle the loan has an edit, transmit a revision to positively impact your Servicer Performance Profile. Contact your Freddie Mac representative if you have any questions.

When is the Report Available?

The *System Cleared Edits* report is available daily via the Service Loans application.

The Daily Edit Reports

Sample System Cleared Edits Report

REPORT: PL02310R		FREDDIE MAC		PAGE: 1									
ACCOUNTANT: 1-E1-209		LOAN LEVEL REPORTING		RUN DATE: 01/01/XX									
		EDIT ERROR REPORT		TIME: 4:00:42									
		SYSTEM CLEARED EDITS											
CYCLE: XX0315		SERVICER : 123456 ABC BANK, F.S.B.		PHONE: (555) 555-1212									
FREDDIE MAC LOAN NMBR	SERVICER LOAN NUMBER	DUE DATE LPI	PRINCIPAL DUE / DPCP	INTEREST DUE /BORR INCNTV CRTLMT	UPB /DFRD UPB	NET YIELD RATE	EXCP CODE	EXCP DATE	PREPAYMENT PENALTY	NO TE	USER ID	CORR IND	EDIT ERROR CODE
794719748	20-104624-4	03/01/XX EXPECTED	1,010.72	7.31 7.51	0.00	7.450	61	03/7/XX	0.00	0			600
794719748	20-104624-4		0.00	0.00	0.00								
TOTAL TRANSACTIONS IN ERROR: 1													

DPCP - means Deferred Principal Curtailment Amount which is the amount of any curtailment applied to the deferred UPB during the accounting cycle.

An amount will appear in this line for principal, interest, UPB or prepayment penalty when the amount you reported was changed by our system. There may also be a change for exception code or exception date.

BORR INCNTV CRTLMT - Borrower Incentive Curtailment is the amount of any borrower incentive payments applied to the unpaid principal balance of the Mortgage during the accounting cycle. See Sections C65.9(b) and C65.10(c) of the Guide for additional information.

DFRD UPB - means Deferred Unpaid Principal Balance which is the amount of the deferred (non-interest bearing) unpaid principal balance as of the accounting cycle cut-off.

The Accounting Net Yield rate for this loan according to Freddie Mac system.

The edit code(s) assigned to this transaction.

The Daily Edit Reports

Review

- The daily edit reports notify you of any discrepancies with your loan-level transactions. They are available to you via the Service Loans application.
- There are three daily edit reports:
 - *Loan-Level Missing*
 - *Edits to be Cleared*
 - *System Cleared Edits*
- The *Loan-Level Missing* report identifies loans not reported or not processed due to outstanding edits on the *Edits to be Cleared* report.
- The *Edits to be Cleared* report displays edits our system cannot resolve. You must transmit a revision to clear an edit from this report.
- The *System Cleared Edits* report contains discrepancies our system was able to resolve. You are only required to send us a correction if you do not agree with the transaction we processed. However, you may transmit a correction to agree with our system or change the data we processed.
- Use the daily edit reports to determine if you need to adjust your remittances.
- Ensure that you use the daily edits to correct your system so that the same edits do not occur for the next accounting cycle.

The Monthly Reconciliation Reports

Chapter 9

Introduction

This chapter introduces the monthly reconciliation reports.

Objectives

After completing this chapter, you will be able to:

- Define the monthly reconciliation reports and understand when they are available to you.
- Explain how the monthly reconciliation reports fit into the investor reporting process.
- Explain how to retrieve, read, and use the monthly reconciliation reports.

The Monthly Reconciliation Reports

Definition of the Monthly Reconciliation Reports

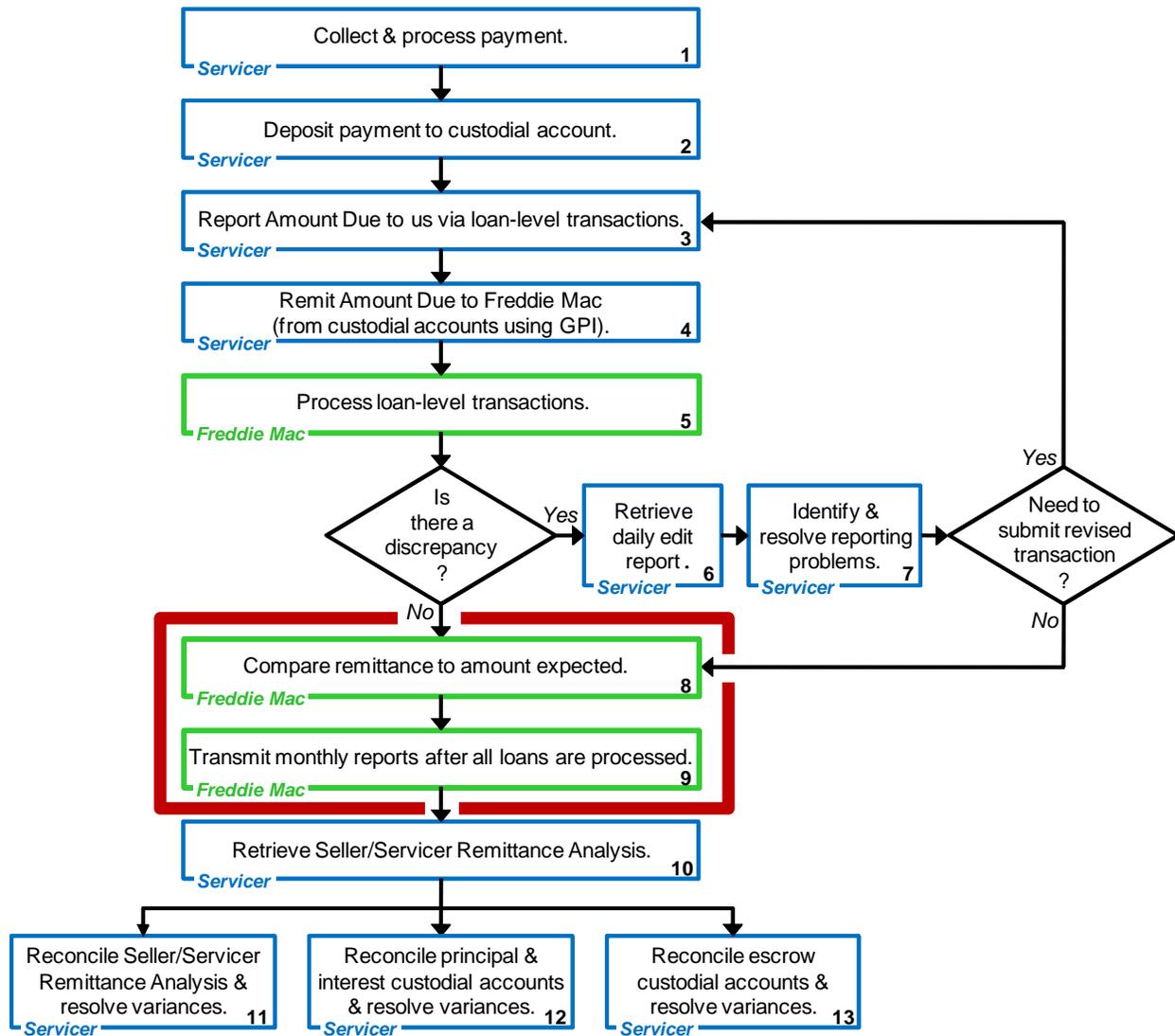
The monthly reconciliation reports provide a summary of the various activities processed during the accounting cycle for your Freddie Mac portfolio.

When are the Monthly Reconciliation Reports Available?

The monthly reconciliation reports are available via the Service Loans application at the end of the month after we have closed our books and processed a loan-level transaction for every mortgage you service for us.

The Monthly Reconciliation Reports

Where Do the Monthly Reconciliation Reports Fit in the Investor Reporting Process?



The Monthly Reconciliation Reports

Using the Monthly Reconciliation Reports

Use the monthly reconciliation reports during your custodial account reconciliation process.

There are three monthly reconciliation reports to review:

- *Loan Reconciliation Difference*
- *Monthly Account Statement*
- *Detailed Adjustment*

The *Loan Reconciliation Difference* Report

The *Loan Reconciliation Difference* report summarizes every transaction our system did not immediately accept during the cycle due to a reporting discrepancy or simulation of a transaction. A “No data in error.” message displays when you have no transactions for this report. You should already be aware of each discrepancy on this report from your daily edit reports.

The following table identifies and describes the four sections of the *Loan Reconciliation Difference* report. Review each section of the report first to get an overall picture of the discrepancies that occurred during the cycle.

Section Number	Name of Section	Description
1	Loan Transactions Applied by Freddie Mac	<p>This section identifies transactions that we adjusted because we did not receive a corrected transaction or your corrected transaction was not accepted.</p> <p>These transactions appear on the <i>Edits to be Cleared</i>, <i>System Cleared Edits</i>, or the <i>Loan-Level Missing</i> daily edit reports. There may be more than one line for each mortgage since each transaction is listed separately.</p>
2	Loan Transactions Applied by Servicer	<p>This section identifies mortgages for which you submitted more than one transaction or a corrected transaction, and we accepted one of the transactions.</p> <p>There is more than one line for each mortgage because each transaction is listed separately.</p>

The Monthly Reconciliation Reports

Section Number	Name of Section	Description
3	Invalid Freddie Mac Loan Number Reported	This section of the report displays loan numbers you reported that our system did not recognize as valid. The loan numbers appear on the <i>Edits to be Cleared</i> daily edit report with error code 101E. There is one line for each mortgage.
4	Incorrect Servicer Number Reported	This section displays loan numbers that our system shows as belonging to a different Servicer. The loan numbers appear on the <i>Edits to be Cleared</i> report with error code 105E. There is one line for each mortgage.

How to Use the Report

Take the following actions for each mortgage on the report:

- Determine why there was a discrepancy between your system and our system.
- Correct your system by the accounting cutoff so the edit does not occur again.
- Contact and send your Freddie Mac representative supporting documentation if we need to update our system.
- Identify adjustments you need to make to your remittances or custodial account.

When is the Report Available?

If you report and resolve all data discrepancies within five business days before the end of the month, a preliminary version of the *Loan Reconciliation Difference* report is available to you via the Service Loans application. The final version of the report is available via the Service Loans application at the end of the month after we close our books and process a transaction for every mortgage you service for us.

The Monthly Reconciliation Reports

Section 1 of the Loan Reconciliation Difference Report

Review Section 1 of the sample *Loan Reconciliation Difference* report below and familiarize yourself with the content.

REPORT: XXXXXXXX
ACCOUNTANT: 2A2123

FREDDIE MAC
LOAN LEVEL REPORTING
LOAN RECONCILIATION DIFFERENCE REPORT

PAGE: 1
DATE: 03/30/XX
TIME: 11:27:55

CYCLE: XX0315
SERVICER: 123456 ABC BANK, F.S.B.

Section 1: Loan Transactions Applied by Freddie Mac

SERVICER LN NUMBER	FM LN NUMBER	PRINCIPAL DUE / DPCP *	INTEREST DUE / BORR INCNTV CRTLMT *	PREPAYMENT PREMIUM / DFRD UPB *	UPB	EXCEPTION CODE	R DATE	USR ID	TRN STA	DI FF	TRANS DATE	ERROR CODE
										*		
Section 1 Total		0.00										

Annotations:

- FINAL**: Indicates either a final or preliminary report.
- An "*" in this column indicates this transaction is used to calculate the P&I difference.**
- A "Y" in this column indicates you reported this transaction as a revision.**
- The difference between the amount on the "LNH" line and the amount on the line with an "*" in the DIFF column**
- The length of time the mortgage has had an edit outstanding in consecutive cycles.**
 - AGE=0
 - AGE=30
 - AGE=60
 - AGE=90
 - AGE=90+
- Tells you who performed the action:**
 - Blank** = Servicer
 - FM** = Freddie Mac
 - SS** = Servicer. This appears when a revision is transmitted that deletes a previous transmission.
 - SL** = Freddie Mac. This appears when Freddie Mac simulates a loan transaction because an accepted transaction is not in the system when final.
- Any value other than the above represent the Freddie Mac Loan Portfolio Specialist who performed the action (for example, alpha-numeric or numeric values such as ABC, A21).**
- Tells you the action performed:**
 - REJ** = Transaction rejected
 - ACC** = Transaction previously accepted as loan history (will always precede a DEL)
 - DEL** = Deleted transaction
 - DUP** = Duplicate transaction
 - LNH** = Final transaction accepted by our system
 - ADD** = Added by the Freddie Mac Loan Portfolio Specialist.
- DPCP** - means Deferred Principal Curtailment Amount which is the amount of any curtailment applied to the deferred UPB during the accounting cycle.
- BORR INCNTV CRTLMT** - Borrower Incentive Curtailment is the amount of any borrower incentive payments applied to the unpaid principal balance of the Mortgage during the accounting cycle.
- DFRD UPB** - means Deferred Unpaid Principal Balance which is the amount of the deferred (non-interest bearing) unpaid principal balance as of the accounting cycle cut-off.
- The total of all the mortgage differences for principal, interest and prepayment premiums. Section 1 is the ONLY section of the report that provides section totals.**

The Monthly Reconciliation Reports

Sample of Section 1 of the *Loan Reconciliation Difference Report*

REPORT: XXXXXXXX		FREDDIE MAC						PAGE: 1					
ACCOUNTANT: 2A2123		LOAN LEVEL REPORTING						DATE: 03/30/XX					
		LOAN RECONCILIATION DIFFERENCE REPORT						TIME: 11:27:55					
CYCLE: XX0315		SERVICER: 123456 ABC BANK, F.S.B.						FINAL					
Section 1: Loan Transactions Applied by Freddie Mac													
SERVICER LN NUMBER	FM LN NUMBER	PRINCIPAL DUE / DPCP *	INTEREST DUE / BORR INCNTV CRTLMT *	PREPAYMENT PREMIUM / DFRD UPB *	UPB	EXCEPTION CODE	DATE	R V	USR ID	TRN STA	DI FF	TRANS DATE	ERROR CODE
402884	467418801	698.62	0.00	0.00	27,659.31		00/00/00			REJ	*	03/20/xxxx	600
	467418801	698.62	193.07	0.00	27,659.31				FM-	LNH		03/20/xxxx	
DIFFERENCE		0.00	193.07	0.00		ANY = 08.176%						AGE = 0	
402884	467418801	0.00	0.00	0.00									
	467418801	0.00	0.00	0.00									
DIFFERENCE		0.00	0.00	0.00									

The difference between the amount on the "LNH" line and the amount on the line with an * in the Diff column.

The Monthly Reconciliation Reports

Sample of Section 2 of the *Loan Reconciliation Difference Report*

REPORT: XXXXXXXX		FREDDIE MAC		PAGE: 1								
ACCOUNTANT: 2A2123		LOAN LEVEL REPORTING		DATE: 03/30/XX								
		LOAN RECONCILIATION DIFFERENCE REPORT		TIME: 11:27:55								
CYCLE: XX0315		SERVICER : 123456 ABC BANK, F.S.B.		FINAL								
Section 2: Loan Transactions Applied by Servicer												
SERVICER LN NUMBER	FM LN NUMBER	PRINCIPAL DUE / DPCP	INTEREST DUE / BORR INCNTV CRTLMT	PREPAYMENT PREMIUM / DFRD UPB	UPB	EXCEPTION CODE DATE	R V	USR ID	TRN STA	DI FF	TRANS DATE	ERROR CODE
402884	467418801	143.84	1,032.16	0.00	147,748.29	00/00/00			REJ	*	03/20/xxxx	600
	467418801	143.84	1,047.57	0.00	147,748.29		Y		LNH		03/20/xxxx	
DIFFERENCE		0.00	15.41	0.00						AGE = 0		
402884	467418801	0.00	0.00	0.00								
	467418801	0.00	0.00	0.00								
DIFFERENCE		0.00	0.00	0.00								

The difference between the amount on the "LNH" line and the amount on the line with an "R" in the Diff column.

List mortgages for which you transmitted more than one transaction or a revised transaction and our system accepted one of the transactions.

All of these mortgages would have appeared on the *Edits to be Cleared* or *System Cleared Edit* reports if the incorrect transaction was received prior to the correct transaction.

The Monthly Reconciliation Reports

Sample of Section 3 of the *Loan Reconciliation Difference Report*

REPORT: XXXXXXXX		FREDDIE MAC						PAGE: 1				
ACCOUNTANT: 2A2123		LOAN LEVEL REPORTING						DATE: 03/30/XX				
		LOAN RECONCILIATION DIFFERENCE REPORT						TIME: 11:27:55				
CYCLE: XX0315		SERVICER : 123456 ABC BANK, F.S.B.						FINAL				
Section 3: Invalid Freddie Mac Loan Number Report												
SERVICER LN NUMBER	FM LN NUMBER	PRINCIPAL DUE / DPCP	INTEREST DUE / BORR INCNTV CRTLMT	PREPAYMENT PREMIUM / DFRD UPB	UPB	EXCEPTION CODE	R DATE	USR ID	TRN STA	DI FF	TRANS DATE	ERROR CODE
166867	525612222	143.84	1,032.16	0.00	147,748.29				REJ		03/20/xxxx	101
166867	525612222	0.00	0.00	0.00								
<div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: fit-content;"> <p>List loan numbers you reported that our system did not recognize as valid. These loan numbers would have appeared on the <i>Edits to be Cleared</i> report with an error code 101.</p> </div>												

The Monthly Reconciliation Reports

Sample of Section 4 of the *Loan Reconciliation Difference Report*

REPORT: XXXXXXXX	FREDDIE MAC	PAGE: 1										
ACCOUNTANT: 2A2123	LOAN LEVEL REPORTING	DATE: 03/30/XX										
	LOAN RECONCILIATION DIFFERENCE REPORT	TIME: 11:27:55										
CYCLE: XX0315	SERVICER : 123456 ABC BANK, F.S.B.	FINAL										
Section 4: Incorrect Servicer Number Reported												
SERVICER LN NUMBER	FM LN NUMBER	PRINCIPAL DUE / DPCP	INTEREST DUE / BORR INCNTV CRTLMT	PREPAYMENT PREMIUM / DFRD UPB	UPB	EXCEPTION CODE	R DATE	USR ID	TRN STA	DI FF	TRANS DATE	ERROR CODE
166862	123456789	184.00	1,200.14	0.00	211,000.00				REJ		03/20/xxxx	105
166862	123456789	0.00	0.00	0.00								
<div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>List loan numbers our system indicates belong to a different Servicer number. All of these mortgages would have appear on the <i>Edits to be Cleared</i> report with an error code 105.</p> </div>												

The Monthly Reconciliation Reports

The *Monthly Account Statement*

The *Monthly Account Statement* identifies the following information for the accounting cycle:

- Beginning and ending amounts due to us
- The total amount due for each transaction type
- Total remittances you made to us during the accounting cycle
- Adjustments we made to your account, including other billings

How to Use the Report

Primarily, you will use the Monthly Account Statement to reconcile your custodial accounts.

When is the Report Available?

If you report and resolve all data discrepancies within five business days before the end of the month, a preliminary version of the *Monthly Account Statement* is available to you via the Service Loans application. The final version of the report is available via the Service Loans application at the end of the month after we close our books and process a transaction for every mortgage you service for us.

The Monthly Reconciliation Reports

Sample Monthly Account Statement

0.00 REPORT: XXXXX ACCOUNTANT: 2A2123 SERVICER: 123456789		LOAN LEVEL REPORTING MONTHLY ACCOUNT STATEMENT AS OF 02/15/XX				PAGE: 1 RUN DATE: 03/30/XX RUN TIME: 21:42:27 FINAL
BEGINNING BALANCE		The interest due on each line will include both the monthly and exception interest for the transaction.				45,429.32
TRANSACTIONS APPLIED	PRINCIPAL DUE	DFRD PRINCIPAL CURTAILMENT	BORR INCENTIVE CURTAILMENT	INTEREST DUE	TOTAL P&I	
NON EXCEPTIONS	4,297.50	0.00	0.00	38,160.36	42,457.86	
PREPAID PAYOFF (61)	305,037.27	0.00	0.00	2,404.53	307,441.80	
ADD TOTAL PRINCIPAL & INTEREST		309,334.77	0.00	0.00	40,564.89	349,899.66
LESS REMITTANCES MADE		The total of adjustments posted and other billings to your account. The detailed breakdowns for this number will also appear on the Detail Adjustment Report.				184,415.46
ADD ADJUSTMENTS MADE BY FREDDIE MAC		Total liability to reconcile as of the accounting cutoff equals the beginning balance plus P&I, minus remittances plus or minus adjustments. Reconcile your custodial account balance to this total liability.				0.00
ENDING BALANCE						210,913.52

The beginning balance is the ending balance from the previous cycle.

The sum of the principal due, interest due and prepayment penalties.

The total funds Freddie Mac received during the accounting cycle.

The total of adjustments posted and other billings to your account. The detailed breakdowns for this number will also appear on the Detail Adjustment Report.

Total liability to reconcile as of the accounting cutoff equals the beginning balance plus P&I, minus remittances plus or minus adjustments. Reconcile your custodial account balance to this total liability.

The Monthly Reconciliation Reports

The *Detailed Adjustment* Report

The Detailed Adjustment report lists adjustments we make and other billings.

Examples of other billings include the following:

- RTC minority principal
- Interest billings
- SCRA
- Charge-offs

How to Use the Report

Use the *Detailed Adjustment* report to identify adjustments you need to make to your remittance or custodial account.

When is the Report Available?

The *Detailed Adjustment* report is available to you via the Service Loans application at the end of the month after we close our books and process and transaction for every mortgage you service for us.

The Monthly Reconciliation Reports

Sample *Detailed Adjustment Report*

Accountant ID: 2E5001

Freddie Mac Performing Loans 12/28/xxxx 10:26:01 AM

Detail Adjustment Report

Servicer Number: 123456
 Servicer Name: ABC Bank, F.S.B. Cycle: 10/xxxx

FM Loan Number	Payment Number	Adjustment Post Date	Date Approved	Description	Comments	Adjustment Amount
452452452		09/17/xxxx	09/15/xxxx	Charge off		(81,046.70)
480480480		09/17/xxxx	09/15/xxxx	Charge off		(8,493.78)
451451451		09/17/xxxx	09/16/xxxx	Charge off		(53,318.58)
NET TOTAL :						(142,859.06)

Date the adjustment was posted → (points to Adjustment Post Date)

Date we approved the adjustment → (points to Date Approved)

A description of the adjustment → (points to Description)

The dollar amount of each adjustment ← (points to Adjustment Amount)

The last amount will be the total of all the adjustments. This number appears on the adjustment line of the *Monthly Account Statement*. ← (points to NET TOTAL)

The Monthly Reconciliation Reports

Review

- Monthly reconciliation reports are available to give you summaries of the various activities processed during the cycle.
- There are three monthly reconciliation reports available to you at the end of the month via the Service Loans application:
 - *Loan Reconciliation Difference*
 - *Monthly Account Statement*
 - *Detailed Adjustment*
- You will use the monthly reconciliation reports as part of your custodial account reconciliation process.
- The *Loan Reconciliation Difference* report summarizes every transaction our system did not immediately accept during the cycle due to a reporting discrepancy, loans that were simulated, and any loan with more than one transaction. You may retrieve this report via the Service Loans application.
- The *Monthly Account Statement* summarizes the total transactions processed and remittance received during the cycle. The ending balance is the total liability due to us as of the accounting cycle. You may retrieve this report via the Service Loans application.
- The *Detailed Adjustment* report lists adjustments we make and any other billings to your portfolio. If applicable, this report is available to you via the Service Loans application.

The Monthly Reconciliation Reports

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Adjustable-Rate Mortgages (ARMs)

Chapter 10

Introduction

This chapter introduces adjustable-rate mortgages (ARMs).

Objectives

After completing this chapter, you will be able to define an adjustable-rate mortgage and describe the following:

- Different ARM products eligible for sale to Freddie Mac
- Rate changes
- How a rate change notification works
- How to:
 - Calculate a new note rate
 - Calculate a new accounting net yield (ANY) rate
 - Identify and resolve common ARM rate discrepancies
- Convertible ARMs

Adjustable-Rate Mortgages (ARMs)

What is an ARM?

An ARM is a mortgage that has a note rate that adjusts periodically based on a specified index.

Common ARM Terminology

You must be familiar with the definitions for the following ARM terms. Refer to the Glossary in the *Single-Family Seller/Servicer Guide* (Guide) for complete definitions for all terms.

- Accounting net yield (ANY)
- Caps (initial, periodic, and life)
- Index
- Initial period
- Interest change date
- Lifetime ceiling
- Lifetime floor
- Lookback period
- Margin
- Minimum contract servicing spread
- Note rate
- Payment change date
- Rounding

ARM Programs

ARMs sold to Freddie Mac may have been sold under any of the following programs:

- WAC ARM Cash
- WAC ARM Guarantor
- ARM Cash (no longer available for new loan sales)
- ARM Guarantor (no longer available for new loan sales)

Each of these programs requires you to use a slightly different method to calculate the ANY. Examples of the different methods for calculating the ANY are shown later in this chapter.

The ARM Cash and ARM Guarantor programs are not available for new loan sales, but may exist in your portfolio or you may acquire them through a transfer of servicing.

Adjustable-Rate Mortgages (ARMs)

Non-standard ARMs

Freddie Mac may purchase non-standard ARMs (ARM products not in the Guide) on a negotiated basis only.

Convertible ARMs

A convertible ARM gives the borrower the option to convert the type of interest from an adjustable rate to a fixed rate according to the terms of the note.

Note Rate Changes

An ARM mortgage has a specific date on which the interest rate will change (referred to as the interest change date), and specific instructions on how to calculate the new note rate. The payment change date will occur a month after the interest change date since interest is in arrears. The note specifies the components for calculating the new note rate, including the index, lookback, and margin.

To determine the new note rate, take the following steps:

1. Identify the new index.
2. Determine the margin.
3. Add the index and margin.
4. Round the result, according to the rounding rules in the note.
5. Check the cap restrictions.

Interest Change Date

The interest change date is each date, as established in the note, on which any adjustment in the note rate is effective. Interest must be calculated at the new note rate beginning on this date.

Example

If the interest change date specified in the note is May 1. The old rate is 7 percent, and the new rate is 8 percent. The April interest collected with the May 1 payment is calculated at 7 percent. Amounts due after May 1 are calculated using the 8 percent interest rate. The payment change date is June 1. May interest collected with the June payment is calculated using the 8 percent interest rate.

Adjustable-Rate Mortgages (ARMs)

Payment Change Date

The payment change date is each date that the monthly payment reflects any interest rate adjustment. This date will be the first monthly payment date following the note rate change.

Note Rate

The note rate is the interest rate payable under the note. For ARMs, the note rate may adjust periodically under the terms of the note.

Frequency of Note Rate Changes

The note specifies how often the note rate changes. The note rate will change on a specific date, such as once every six months or once a year.

Index

The first thing you do when there is a rate change is determine what index to use to determine the new note rate.

The index is a fluctuating economic indicator specified in the note whose value is periodically used to adjust the note rate. The specific index you use is identified in the note, and is usually a publicly available index such as the Treasury index, the London Interbank Offered Rate (LIBOR) index, or Cost of Funds (COF) index.

Lookback Period

Once you determine the index, you need to determine the lookback period. The lookback period is the number of calendar days you count back from the interest change date to determine the current index.

The lookback period is stated in the note, and is generally expressed as the number of days preceding the interest change date. It is usually 45 or 60 days. Lookback days are calendar days, not business days. Do not include the interest change date when counting days.

Most Recently Available Index

Once you know the interest change date, the index, and the lookback period or the margin, you can determine the index value you must use to calculate the new note rate. The index may require that you:

- Count back from the interest rate change date the number of calendar days specified in the note.
- Use the current or most recently available applicable index for that date as specified in the note. Some indexes are available every Monday, some once a month.

Adjustable-Rate Mortgages (ARMs)

Example One

Count back 45 days from a May 1 interest change date, and the date is Monday, March 17. If you are using an index available every Monday, then you use the new index available on Monday, March 17. If Monday is a holiday, then the rate would be available on Tuesday. If you use an index published once a month at the end of the month, then you would use the index value that was published at the end of February.

Example Two

Count back 60 days from a May 1 interest change date, and the date is Sunday, March 2. If you are using an index available every Monday, then use the new index that was available on Monday, February 24. If you use an index published once a month at the end of the month, use the index value that was published at the end of February.

Rounding

The note will specify whether the sum of the index and margin must be rounded. Most notes require that you round the sum to the nearest eighth of a percent. Check the note for the applicable rounding rules. This is the new note rate unless a rate cap becomes effective.

The index is 5.49 percent and the margin is 2.50 percent. The new note rate is 7.99 percent provided rounding is not required under the terms of the note, and this adjustment is not further limited by a rate cap. If the note requires that the sum of the index and margin be rounded to the nearest one-eighth of one percent, (0.125%), then the new note rate is 8 percent, unless the adjustment is further limited by a rate cap.

Sample ARM Rounding Chart

Between	Round to
0.00 – 0.06	0.000
0.07 – 0.18	0.125
0.19 – 0.31	0.250
0.32 – 0.43	0.375
0.44 – 0.56	05.00
0.57 – 0.68	0.625
0.69 – 0.81	0.750
0.82 – 0.93	0.875
0.94 – 1.00	1.000

Adjustable-Rate Mortgages (ARMs)

Rounding the New ANY

Round a new ANY using the same method that you use when rounding the note rate.
Round the ANY according to the program under which the mortgage was sold to us:

- Mortgages sold under the WAC ARM program, are rounded at the note rate.
Round to the nearest eighth.
- Mortgages sold under the ARM Guarantor program are rounded at the PC rate.
Round to the nearest eighth.
- Mortgages sold under the ARM Cash program are rounded at the ANY rate.
Round to the nearest eighth.

Adjustable-Rate Mortgages (ARMs)

Caps

Once you have rounded the note rate, you need to determine if it is subject to a cap. A cap can limit the change in the note rate. There are three types of caps:

- Initial
- Periodic
- Lifetime

Initial	Periodic	Lifetime
Specifies the maximum increase or decrease in the note rate on the first interest change date and is expressed in percentage points.	Specifies the maximum increase or decrease in the note rate on any interest change date after the first interest change date and is expressed in percentage points.	Specifies the number of percentage points that when added to the initial note rate yields the lifetime ceiling
<ul style="list-style-type: none"> ▪ Limits the movement from the original note rate to a new rate on the first change date. ▪ Applicable to upward or downward change. 	<ul style="list-style-type: none"> ▪ Limits the movement from the current rate to a new rate. ▪ Applicable to upward or downward change. 	<ul style="list-style-type: none"> ▪ A maximum cap plus the initial note rate is called a lifetime ceiling. ▪ A minimum cap less the initial note rate is called a lifetime floor.
<p>On the first interest change date, the note rate <i>cannot</i>:</p> <ul style="list-style-type: none"> ▪ Be greater than the initial note rate plus the initial cap or below the note rate less the initial cap. <p>Example: If the initial cap is 2.00 percent, and the note rate is 7.00 percent, then the new rate cannot be above 9.00 percent or below 5.00 percent.</p> <ul style="list-style-type: none"> ▪ Be greater than the lifetime ceiling, if any, or less than the lifetime floor, if any. 	<p>On each subsequent interest change date the note rate <i>cannot</i>:</p> <ul style="list-style-type: none"> ▪ Be greater than the current note rate plus the periodic cap or below the current note rate less the periodic cap. ▪ Be greater than the lifetime ceiling, if any, or less than the lifetime floor, if any. <p>Example: If the periodic cap is 2.00 percent, and the current note rate is 7.00 percent then the new rate cannot be above 9.00 percent provided this does not exceed the lifetime ceiling, or below 5.00 percent.</p>	<p>Note rate <i>cannot</i>:</p> <ul style="list-style-type: none"> ▪ Exceed the lifetime ceiling regardless of how high the index value goes, even if the periodic or initial cap would allow it. ▪ Be below the lifetime floor, if any, regardless of how low the index goes even if the periodic or initial cap allows it. Unless our contract specifically allows you to enforce a lifetime floor, you may not enforce it.

Adjustable-Rate Mortgages (ARMs)

Example

- If the current note rate is 7.00 percent, the new index is 8.00 percent, and the margin is 2.50 percent, then the new note rate would be 10.50 percent without applying caps.
- If the periodic or initial interest cap is 2.00 percent, the maximum note rate allowed is 9.00 percent (7.00 + 2.00) and the minimum note rate allowed is 5.00 percent (7.00-2.00).
- The lifetime cap is 15.00 percent.
- The new note rate would be 9.00 percent because of the periodic cap.

Some ARM programs may have different servicing fees for loans that are fully adjusted, and/or loans that have a periodic or initial cap, and /or loans that have a lifetime cap.

Calculating a New ANY

The ANY is the net yield rate Servicer use to report and remit interest due Freddie Mac each month. Every time the note rate changes, the ANY will change. The process for calculating the new ANY varies depending on the program under which the ARM was sold to Freddie Mac. The ANY equals the required net yield (RNY) except for mortgages sold to Freddie Mac at a discount.

Perform the following steps to calculate the ANY:

1. Determine the margin. This will vary depending on the program.
2. Add the index and the margin or determine the fee, depending on the program.
3. Round to the nearest one-eighth.
4. Check the cap restrictions.
5. Add or subtract the guarantee fee, depending on the program.

See the ANY calculation for WAC ARM Guarantor, ARM Guarantor, ARM Cash and WAC ARM Cash programs and the examples in this section for more information on calculating the ANY.

ANY Terminology

This section identifies terms used when calculating the new ANY.

Gross Margin

The margin is the number of percentage points that is added to the index value to establish the new note rate at each interest change date. The margin is generally between 2.50 percent and 3.00 percent. Once you have determined the index value, you need to add the gross margin to it.

Adjustable-Rate Mortgages (ARMs)

Guarantee Fee

The required spread (sometimes called the guarantee fee) is the fee Freddie Mac keeps for guaranteeing payment to our investors. It is the difference between the ANY due and the PC rate we pay out. The required spread will be stated in your contract. The required spread is only used in calculating the new ANY for mortgages in the ARM Guarantor program.

Net Margin

The net margin is the gross margin minus the minimum contract servicing spread. It is used to calculate the new ANY for ARMs sold under the Cash program. You will find the net margin for a mortgage on the *Funding Details Report*.

The net margin is indirectly used in WAC ARM Guarantor calculations, as it is equal to the PC margin and the required spread.

PC Coupon

The PC Coupon is the interest rate, expressed as an annual percentage, which is passed through monthly to our PC security investors. When calculating new ANYs for ARMs, the PC rate is only used for mortgages in the ARM Guarantor program.

PC Margin

The PC margin is the weighted average of the margins of the underlying mortgages minus the required spread and the minimum contract servicing spread. The PC margin is the difference between the PC rate and the index. The PC margin is also referred to as the participation certificate or the security margin.

Servicing Fee

The servicing fee (sometimes called the servicing spread) is the amount you keep for servicing the mortgage for Freddie Mac. It is the difference between the note rate and the ANY. If we round to the nearest one-eighth when calculating the new ANY and the note does not provide for rounding the note rate, the servicing fee may change after a note rate change, but will be within a range for the term of the note.

Adjustable-Rate Mortgages (ARMs)

When to Use the New ANY

Begin reporting interest due Freddie Mac using the new ANY for the accounting cutoff in the month following the interest change date.

Example One

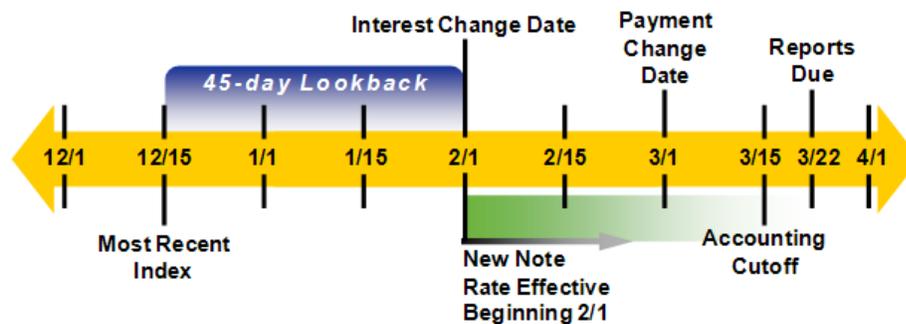
If a mortgage has an interest change date of February 1 and a payment change date of March 1, you calculate interest due to us at the new rate for the March cutoff since you are reporting February interest. If the mortgage pays off prior to that time, use the new rate for all interest due to us beginning February 1.

Example Two

If a mortgage pays off on February 2, the daily exception interest is calculated at the new rate, even though the monthly interest for January you report is calculated at the old rate.

Important Dates for a Sample ARM Note Rate Change

The following highlights important dates for a sample ARM note rate change.



Adjustable-Rate Mortgages (ARMs)

ANY Calculation for the WAC ARM Guarantor Program

Perform the following steps to calculate the new ANY for ARMs delivered under the WAC ARM Guarantor program:

1. Determine the new index value.
2. Determine the margin.
3. Add the index value and the margin.
4. Round to the nearest one-eighth.
5. Check and apply cap restrictions (initial, periodic and lifetime ceiling).
6. Subtract the servicing fee.

ANY Calculation for the ARM Guarantor Program

Perform the following steps to calculate the new ANY for ARMs delivered under the ARM Guarantor program:

1. Determine the new index value.
2. Determine the PC (security) margin.
3. Add the index and the PC margin.
4. Round to the nearest one-eighth.
5. Check and apply cap restrictions (initial, periodic and lifetime ceiling).
6. Add the guarantee fee.

ANY Calculation for the ARM Cash and WAC ARM Cash Programs

Perform the following steps to calculate the new ANY for ARMs delivered under the ARM Cash and WAC ARM Cash Programs:

1. Determine the new index value.
2. Determine the net margin.
3. Add the index value and the net margin.
4. Round to the nearest 1/8.
5. Check and apply cap restrictions (initial, periodic and lifetime ceiling).

Adjustable-Rate Mortgages (ARMs)

Rate Change Notification

An accounting net yield notification form is available to you via the Service Loans application when the note rate changes on an ARM. Refer to the following table to determine what actions you must take after you retrieve the notification form:

Rate Change Notification Information	Adjustment
<p>You should verify the rate change notification information. If you identify any exceptions or omissions, notify your Freddie Mac representative in writing of the discrepancies.</p>	<p>Interest Rate Adjustment:</p> <p>Depending on the number of days from the date you retrieve the notification until the interest adjustment is effective, you should have notified the borrower of the interest rate change.</p>
<p>You must:</p> <ul style="list-style-type: none"> ▪ Report and remit net yield interest based on the adjusted net yield rate beginning with the effective accounting cycle reflected on the notification. ▪ Ensure the new accounting net yield rate is used for the accounting cutoff date indicated in the notification. 	<p>Net Yield Adjustment:</p> <ul style="list-style-type: none"> ▪ You must ensure that the adjusted individual loan rates support the adjusted net yield. ▪ You will be responsible for incurring any net yield interest deficiencies that result from differences in the calculations between you and us. ▪ Depending on the next adjustment date at the time you deliver the loan to us, a rate change notification may not be available to you prior to the next net yield adjustment.

Using the Rate Change Notification

The rate change notification contains all of the data elements you need to verify your ANY calculation and the data elements from the note. Use the rate change notification to verify the ANY calculation and data elements from the note.

To verify	Perform the following activities
Your calculation	<p>Ensure your system calculates the new ANY the same way we calculate the new ANY.</p> <p>Formulas for calculating the new ANY <i>are not printed on the actual change notification</i>. However, we provide sample calculations on the following pages.</p>
The data elements	<p>Compare each data element on the rate change notification to the data elements on the note, and on your system.</p> <p>Send your Freddie Mac Loan representative documentation if you find a discrepancy.</p>

Adjustable-Rate Mortgages (ARMs)

There are four different rate change notification formats. Each of the Freddie Mac programs (WAC ARM Guarantor, ARM Guarantor, WAC ARM Cash and ARM Cash programs) have different data elements involved in the rate change.

Rate change notifications are not available for monthly adjustable-rate mortgages or for rate changes on newly funded mortgages.

Adjustable-Rate Mortgages (ARMs)

Loan Setup

When we fund an ARM, the *Funding Details Report* includes the net mortgage margin, lifetime cap, life floor, and interest change (rate adjustment) date. Verify the accuracy of the information when you receive the *Funding Details Report*. Do not wait until there is an interest rate change. Send supporting documentation to your Freddie Mac representative if there is a discrepancy.

Below is a sample of the *Funding Details Report* from the selling system.

Freddie Mac Funding Details Report											
Seller Name:		Customer Training					Contract Name:		fund		
Seller Number:		222210					Contract Number:		319937011		
Organization ID:		233593347					Contract Product:		1/1 1-Year CMT ARM		
Seller Address:		125 Baker St PO Box 1111 256, Bristow VA 20136-1000					Participation Percent:		100.000%		
							Remittance Option:		ARC		
							Prepayment Remittance Due Days:		5		
Designated Servicer Name: Customer Training											
Servicer Number:		222210									
Servicer Address:		125 Baker St PO Box 1111 256, Bristow VA 20136-1000									
Settlement Summary											
Seller Loan Number	FHLMC Loan Number	P & I Constant	Interest Paid to Date	Note Rate	ANY Rate	First Rate Adjustment Date	Accounting Net Margin	Accounting Net Life Cap	Remaining Maturity	Principal Purchased	
Settlement Date: 02/03/2004											
	JANC_ARM_01068093335	760.03	11/01/2003	4.500%	4.125%	11/01/2004	2.500%	10.125%	360	150,000.00	
	JANC_ARM_01068093343	760.03	11/01/2003	4.500%	4.125%	11/01/2004	2.500%	10.125%	360	150,000.00	
	JANC_ARM_01068093351	760.03	11/01/2003	4.500%	4.125%	11/01/2004	2.500%	10.125%	360	150,000.00	
	JANC_ARM_00968093378	760.03	11/01/2003	4.500%	4.125%	11/01/2004	2.500%	10.125%	360	150,000.00	

Adjustable-Rate Mortgages (ARMs)

Sample for the WAC ARM Guarantor Program

Interest Rate Change Notification

NOTIFICATION OF ARM LOANS NET YIELD ADJUSTMENT							
SELLER/SERVICER: 999999							
PRODUCT TYPE: 1YR 2% WAARM GU FA							
UTILIZE THE APPLICABLE "NEW NET YIELD" TO CALCULATE NET YIELD INTEREST DUE FREDDIE MAC ON THE ARM LOANS INDICATED BELOW BEGINNING WITH THE 04/15/XX ACCOUNTING CUTOFF.							
SERVICER LOAN NUMBER	FREDDIE MAC LOAN NUMBER	CURRENT INDEX	GROSS MARGIN	ROUNDED GROSS YIELD	CAP	SERVIC- ING FEE	NEW NET YIELD
1239	123456789	3.879	2.3750	6.2500	N	0.375	5.8750

Interest Rate Change Calculation

Below is the calculation for ARMs sold under the WAC ARM Guarantor program.

1.	Determine the new index value.	3.879
2.	Determine the margin. (Shown in the Gross Margin field.)	2.375
3.	Add the index value and the margin.	6.254
4.	Round to the nearest one-eighth.	6.250
5.	Check cap restrictions (initial, periodic, life).	No restrictions in this example.
6.	New note rate:	6.250
7.	Subtract the servicing fee.	.375
	New ANY	5.875

Adjustable-Rate Mortgages (ARMs)

Sample for the ARM Guarantor Program

Interest Rate Change Notification

NOTIFICATION OF ARM LOANS NET YIELD ADJUSTMENT							
SELLER/SERVICER: 999999							
PRODUCT TYPE: 1YR 2% ARM GUAR							
UTILIZE THE APPLICABLE "NEW NET YIELD" TO CALCULATE NET YIELD INTEREST DUE FREDDIE MAC ON THE ARM LOANS INDICATED BELOW BEGINNING WITH THE 04/15/XX ACCOUNTING CUTOFF.							
SERVICER LOAN NUMBER	FREDDIE MAC LOAN NUMBER	CURRENT INDEX	PC MARGIN	ROUNDED ADJUSTED PC COUPON	CAP	GUARAN- TEE FEE	NEW NET YIELD
1237	123456789	3.630	1.875	5.500	Y	0.250	5.7500

Interest Rate Change Calculation

Below is the calculation used for ARMs sold under the ARM Guarantor program.

1.	Determine the new index value.	3.630
2.	Determine the PC (security) margin.	1.875
3.	Add the index value and the PC margin.	5.505
4.	Round to the nearest one-eighth.	5.500
5.	Check cap restrictions (initial, periodic, life).	No restrictions in this example.
6.	Add the guarantee fee (also called the required spread)	0.250
	New ANY	5.750

Adjustable-Rate Mortgages (ARMs)

Sample for the WAC ARM Cash and ARM Cash Program

Interest Rate Change Notification

NOTIFICATION OF ARM LOANS NET YIELD ADJUSTMENT					
SELLER/SERVICER: 999999					
PRODUCT TYPE: 2-5 1 YR RATE CAP FA					
UTILIZE THE APPLICABLE "NEW NET YIELD" TO CALCULATE NET YIELD INTEREST DUE FREDDIE MAC ON THE ARM LOANS INDICATED BELOW BEGINNING WITH THE 04/15/XX ACCOUNTING CUTOFF.					
SERVICER LOAN NUMBER	FREDDIE MAC LOAN NUMBER	CURRENT INDEX	NET MARGIN	CAP	NEW NET YIELD
1233	123456783	3.630	1.8750	N	5.5000

Interest Rate Change Calculation

Below is the calculation used for ARM's sold under the ARM Cash program.

1. Determine the new index value.	3.630
2. Determine the net margin.	1.8750
3. Add the index value and the net margin.	5.5050
4. Round to the nearest one-eighth.	5.5000
5. Check cap restrictions (initial, periodic, life).	No restrictions in this example.
New ANY	5.50

Identify and Resolve ARM Interest Discrepancies

Data integrity is very important. You can have multiple interest rates for the same loan level transaction. Calculating the interest due for exception transactions (i.e. as reinstatements, payoffs, third-party foreclosure sales, or transfers to REO) can cover more than one month. Different ANYs are used in different parts of the calculation if there was a rate change during a particular time period.

Adjustable-Rate Mortgages (ARMs)

Resolving Common Discrepancies

Use the information below to help you resolve common ARM interest rate discrepancies.

Discrepancy	Unless your contract states otherwise:
The note has floors. Unless our contract specifically allows you to enforce a lifetime floor, you may not enforce it.	This is a non-standard note. <ul style="list-style-type: none"> ▪ The floors must be waived. ▪ The borrower must be notified that the floor provision will not be enforced.
We round to the nearest one-eighth but the note: <ul style="list-style-type: none"> ▪ Does not round. ▪ Rounds to something other than one-eighth. ▪ Rounds to the next highest one-eighth. ▪ Rounds to the next lowest one-eighth. 	This is a non-standard note. You will have a variable servicing fee. This should have been specified in the contract. At no time may the servicing fee fall below the minimum or go above the maximum stated in the contract. If it does, please contact your Freddie Mac representative.
The product type specified at the top of the <i>Notification of ARM Loans Net Yield Adjustment</i> form does not match the note.	<ul style="list-style-type: none"> ▪ The incorrect product was delivered. ▪ The mortgage may have to be repurchased. Please contact your Freddie Mac representative.
The intervals (annually, semi-annually) between the note rate adjustments specified in the note do not match the product delivered.	
The index on the note does not match the index specified at delivery.	
The interest change date on the note does not match the interest change date at delivery.	<ul style="list-style-type: none"> ▪ The incorrect information was delivered at funding. ▪ Contact your Freddie Mac representative. The product type will determine how this discrepancy is resolved.
The look back period on the note does not match the lookback period specified at delivery.	
The margin on the note does not match the margin specified at delivery.	
The periodic cap on the note does not match the periodic cap at delivery.	
The lifetime ceiling (also called maximum rate) on the note does not match the lifetime ceiling specified at delivery.	
The required spread does not match the required specified at delivery.	Check the contract.

The information used for ARM calculations is based on the information delivered at the time of funding.

Adjustable-Rate Mortgages (ARMs)

Convertible ARMs

A convertible ARM has an option for the borrower to convert the adjustable interest rate to a fixed interest rate during a specified time (“conversion window”) based on a specified conversion formula. The requirements for converting the adjustable interest rate to a fixed interest rate are in the note. Once the mortgage is converted to a fixed interest rate, we call it a converted mortgage.

If a borrower exercises the option to convert the adjustable interest rate to a fixed interest rate on a convertible ARM owned by Freddie Mac prior to the conversion date, you must report the conversion to Freddie Mac through the repurchase/resale process.

With the repurchase/resale process, you must repurchase the converted mortgage by the fifth business day after the conversion date and, subsequently, resell the converted mortgage back to us.

Servicer Obligations

You must make information concerning the applicable Freddie Mac or Fannie Mae required net yield (RNY) for the purchase of 30-year and 15-year fixed-rate mortgages under 60-day mandatory delivery commitments readily available to borrowers. You may not refer or advise borrowers to contact us directly concerning the required net yield.

Investor Impacts

Investors of Freddie Mac PCs comprising convertible ARM securities are aware of the impacts converting loans have on the performance of the PCs. The impacts include:

- Adjustments to the weighted average coupon of the PC each time an ARM within the PC converts to a fixed rate of interest
- Reductions to the PC’s unpaid principal balance each time an ARM in a PC converts to a fixed rate of interest

Buydown Features

The RNY for the converted mortgage will not be adjusted based on your previous election of the buyup or buydown feature for the convertible ARM.

Eligibility for Conversion

To convert the adjustable interest rate on a convertible ARM owned by Freddie Mac to a fixed interest rate, all terms of the note and rider must be met. In order to exercise the conversion option, the following conditions must be satisfied:

- The borrower must not be in default on the day the borrower exercises the option to convert.
- The conversion option must be properly exercised.

Adjustable-Rate Mortgages (ARMs)

- The borrower must convert within the period, or on the specified date, that is the conversion window, but the conversion date may occur as late as the first day of the second month following the last day in the conversion window.
- The borrower must not be in default on the conversion date.
- Form 3180, *Freddie Mac Multistate Agreement to Convert*, must be executed by you and the borrower.
- The maximum fee that may be charged to the borrower for processing the conversion is \$250.
- The new note rate must be properly calculated.
- For convertible ARMs with non-standard conversion conditions sold to us as a specially negotiated product:
 - Any other provisions specified in the master agreement under which the convertible ARMs was sold to us
 - Any other terms of the note except those specifically prohibited by Freddie Mac in the master agreement under which the convertible ARM was sold

If the above conversion eligibility requirements are not satisfied, we may require you to repurchase the mortgage and/or to indemnify us against any losses that may result from the failure to comply with the eligibility requirements. Freddie Mac reserves the right to take whatever other action we deem appropriate to protect our interests and enforce our rights.

Adjustable-Rate Mortgages (ARMs)

Summary of the Repurchase and Resale Process

You must process and notify us of the conversion according to the following requirements:

Timing	Actions
<p>When you receive notice from the borrower that he or she wants to exercise the conversion option</p>	<p>Prior to repurchase, you must:</p> <ul style="list-style-type: none"> ▪ Prepare Form 3180 for the borrower. ▪ Arrange for the borrower to execute Form 3180. <p>Use the following formula to calculate the repurchase price of the converted mortgage:</p> <p style="padding-left: 40px;">The amount of Freddie Mac’s participation interest in the UPB of the mortgage, including any applicable negative amortization</p> <p style="text-align: center;">+</p> <p style="padding-left: 40px;">Accrued interest at the current ANY from the first day of the month of repurchase through the day prior to the repurchase</p> <hr style="width: 50%; margin-left: auto; margin-right: auto;"/> <p style="text-align: center;">Repurchase price of the converted mortgage</p>
<p>By the fifth business day after the conversion date of any converted mortgage</p>	<ul style="list-style-type: none"> ▪ Report the mortgage to us as paid in full – conversion through the Service Loans application. Ensure the “Payoff Date” field contains the conversion date. ▪ Remit the funds to us. ▪ Request the release of the note.

Adjustable-Rate Mortgages (ARMs)

Timing	Actions
Within 60 days of the conversion date	<p>You must resell the converted mortgage to us in accordance with the requirements outlined in Guide Section 6302.32 for delivery of Freddie Mac-owned converted mortgages.</p> <ul style="list-style-type: none">▪ You must deliver the original convertible ARM note with the executed Form 3180 for certification by the document custodian.▪ At our request, you must provide us with documentation to evidence that you have resold to us all mortgages processed through the repurchase/resale path as required by the Guide and other purchase documents.▪ Because the borrower was qualified at the time of origination of the convertible ARM, no re-underwriting is required for a Freddie Mac-owned converted mortgage resold to us under the repurchase/resale process.▪ Post-settlement delivery fees are not assessed for mortgages sold to us as Freddie Mac-owned converted mortgages under the repurchase/resale process.▪ We will purchase all Freddie Mac-owned converted mortgages you have repurchased, delivered, and resold under the repurchase/resale process, provided we have statutory authority to do so at such time.▪ We reserve the right to require you, at such time that we deem appropriate, to use an automated conversion process instead of the resale/repurchase process.

Adjustable-Rate Mortgages (ARMs)

Special Warranties

You represent and warrant that:

- You will not conduct any advertising or promotional activities that have the effect of encouraging a borrower to exercise, or discouraging a borrower from exercising, the conversion option with respect to any convertible ARM.
- You will implement the conversion option in accordance with the terms of the note and applicable law.
- The converted mortgage remains fully enforceable against the borrower and, in addition to the requirements of Guide the title insurance policy or attorney's opinion of title insures that the first lien priority of the mortgage will not be impaired because of the conversion to a fixed interest rate.

Convertible ARMs Sold with Recourse

A convertible ARM that was sold to us with recourse, as provided in the recourse obligation, ceases once the mortgage has been converted.

Adjustable-Rate Mortgages (ARMs)

Review

- An ARM is a mortgage where the note rate the borrower pays does not remain fixed over the term of the note.
- An ARM mortgage has specific date(s) when the interest rate will change and specific instructions on how to calculate the new note rate.
- ARMs sold to Freddie Mac may have been sold under any of the following programs:
 - WAC ARM Cash
 - WAC ARM Guarantor
 - ARM Cash (no longer available for new loan sales)
 - ARM Guarantor (no longer available for new loan sales)
- Begin reporting interest due Freddie Mac using the new ANY for the accounting cutoff in the month following the rate change date (interest in arrears).
- Round a new ANY using the same method that you use when rounding the note rate. The ANY is rounded according to the program under which the mortgage was sold to us.
- When we fund an ARM, the Funding Details Report includes the net mortgage margin, life cap, life floor, and rate adjustment date. Verify the accuracy of the information when you retrieve the report.
- Ensure data integrity, especially when calculating the ANY. You could have more than one ANY for a loan-level transaction, such as a reinstatement that had one or more rate changes during the period the loan was inactive.

Investor Accounting-Related Activities for Short Sales

Chapter 11

Introduction

This section provides an overview of the investor accounting-related activities for Freddie Mac Standard Short Sales.

Objectives

After you complete this chapter, you should be familiar with the investor accounting-related activities that you must perform for short sales.

For additional activities that must be completed to close short sales, refer to *Single-Family Seller/Service Guide* (Guide) Chapter 9204.

Investor Accounting-Related Activities for Short Sales

How to Complete a Short Sale

Ensure that your servicing or investor accounting area (or applicable department) completes the following steps to close a short sale.

1. Report the mortgage to us as paid in full-prepaid via the Service Loans application *within two business days after you receive the settlement proceeds*.
Ensure that:
 - The “Ending Gross UPB” field contains zero (0).
 - The “Principal Due” field contains the current balance (not the proceeds from the sale of the property).
 - The “Payoff Date” field contains the date you received the settlement proceeds.
 - The “DDLPI” field contains the due date of the last fully paid installment.
 - If the loan was inactivated, the “Inactivation Date” field contains the inactivation date.

The loan-level transaction we process will reflect the payoff amount on the Prepaid line (6) of the *Monthly Account Statement*. If the mortgage was previously inactivated via a loan-level transaction, the reinstatement interest will appear on the Reactivation line (50) of the *Monthly Account Statement*.

The total adjustment for the charge-off will appear on the *Detailed Adjustment* report. It will also be included on the “Adjustments Made by Freddie Mac” line of the *Monthly Account Statement*.

2. Remit through our electronic remittance system our proportionate share of the proceeds check you received from the sale (not the payoff total proceeds and monthly interest calculated via your loan-level transaction) *within five business days after you receive the settlement proceeds*.

The proceeds check may include cash contributions and any MI claim payment paid at settlement (if table funded). Do not deduct any attorney fees or other expenses from the proceeds. If you receive additional proceeds that were not included in the proceeds check (for example, property insurance premium rebate, refunded escrow advance prepayments), remit our proportionate share by check *within five business days of receipt*. Refer to Directory 5 in the Guide for address and fax information.

3. Submit the following documents to us. Include the Freddie Mac loan number on all documentation.
 - A copy of the settlement statement
 - A copy of the proceeds check
 - The original promissory note(s), if applicable (must be sent by overnight mail)
 - Copies of any addenda to the sales contract subsequent to our approval

Investor Accounting-Related Activities for Short Sales

Review

- Report the mortgage as paid in full-prepaid via the Service Loans application within two business days after you receive the settlement proceeds.
- Remit our proportionate share of the proceeds check you received from the sale (not the payoff total proceeds and monthly interest calculated via your loan-level transaction) through the automated cash remittance system *within five business days after you receive the settlement proceeds*.
- Submit the documents required to settlement to us.

Investor Accounting-Related Activities for Short Sales

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Answer Sheets for Exercises

Appendix A

Answer Sheets for Exercises

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Answer Sheets for Exercises

Chapter 3 – Exercise 1: Your Investor Reporting Responsibilities

Instructions

Use the following calendar to complete the statements below with the appropriate terms, dates, and amounts. There are no holidays in March. You should assume that all mortgage activity occurred in the March accounting cycle unless otherwise noted.

MARCH						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Statements to Complete

1. The majority of your loan-level transactions will be **monthly** processing.
2. Reporting for your monthly processing is due by **March 22**.
3. Remitting for your monthly processing is due by the loan's **remittance option due date**.
4. Remitting for a loan with the Gold remittance option must be completed by **9:00 p.m. Eastern time on March 19**.
5. A borrower makes three payments for March, April, and May with the March cycle. Each payment consists of \$750 for interest and \$100 for principal. Using the net yield method, how much interest should you report for the March cycle?
\$750.00

How much principal will you report for the March cycle? **\$300.00**

6. Funds for compensatory fees are automatically drafted from an **automated clearinghouse** account, which you set up.
7. What month's interest do you report for the March accounting cycle? **February's interest**

Answer Sheets for Exercises

8. What month's interest do you report for the March accounting cycle if no payment was received? **February's interest**

9. A borrower pays off his loan on March 7, xxxx.

When are you required to report the payoff activity to Freddie Mac? **March 11**

When is the remittance for the payoff proceeds due to Freddie Mac? **March 14**

When must you complete your remittance so that Freddie Mac receives it by the due date? **By 9:00 p.m. Eastern time on March 13.**

10. You must complete your Electronic Default Reporting by **March 5**, even if all loans in your portfolio are in a current status.

Answer Sheets for Exercises

Chapter 3 – Exercise 2: Your Investor Reporting Responsibilities

Instructions

Match the terms with the appropriate statements.

- | | |
|-------------------------------|-----------------------|
| A. LPRD | F. Monthly processing |
| B. Remitting | G. DDLPI |
| C. Accounting cycle | H. Net yield method |
| D. EDR | I. Interim processing |
| E. Prepaid or matured payoffs | |

- E 1. Reporting for these transactions is due within two business days of the exception date.
- I 2. Reporting and remitting that is event-driven and based on the exception date.
- A 3. This data element reflects the actual date you received the borrower's payment.
- H 4. Accounting method for which you remit one month's scheduled interest and actual principal received during the accounting cycle.
- F 5. Reporting and remitting that occurs every month at the same time.
- C 6. The 16th of the month through the 15th of the following month.
- D 7. This is the method you use to inform us of any delinquencies or foreclosures.
- B 8. Sending us funds for the loan-level transactions we have processed.
- G 9. This data element reflects the actual due date according to the terms of the note.

Answer Sheets for Exercises

Chapter 5 – Exercise 1: Example of a Participation Loan

Using the calendars and the information provided, calculate the principal and interest due, and determine the ending gross UPB for this participation loan. Note that May 27 is a holiday.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Activity.....The borrowers made their June payment for this participation mortgage.

Remittance Option.....Gold

Freddie Mac Loan Number....123456799

Accounting cycle06/xxxx

DDLPI.....06/01/xxxx

Participation Percentage95%

Beginning Gross UPB\$105,750.00

Ending Gross UPB\$105,000.00

ANY.....8.0%

- How much principal due will you report and remit for the June accounting cycle?
\$105,750 - \$105,000 = \$750 x .95 = \$712.50
- How much interest due will you report and remit for the June accounting cycle?
\$105,750 x .08 ÷ 12 = \$705 x .95 = \$669.75
- What is the ending gross UPB for the June accounting cycle? **Ending gross UPB is reported at 100 percent = \$105,000**
- When will you report the loan-level data to Freddie Mac? **June 21.**
- On what date is the principal and interest due? **\$1,382.25 is due on June 19.**

Answer Sheets for Exercises

Chapter 5 – Exercise 2: Example of a Newly Funded Loan

Using the calendars and the information provided, calculate the principal and interest due, and determine the ending gross UPB for this newly funded loan. Note that May 27 is a holiday.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Activity.....The borrowers made their June payment for this newly funded mortgage.

Remittance Option.....Gold

Freddie Mac Loan Number464938503

Accounting cycle06/xxxx

DDLPI.....06/01/xxxx

Funding date06/14/xxxx

Funded balance\$105,924.21

Ending Gross UPB.....\$105,558.62

ANY.....7.5%

- How much principal due will you report and remit for the June accounting cycle?
\$105,924.21 - \$105,558.62 = \$365.59
- How much interest due will you report and remit for the June accounting cycle?
There is no monthly interest due because the funding date is between the first and 15th of the month.
- What is the ending gross UPB for the June accounting cycle? **Ending gross UPB is reported at 100 percent = \$105,558.62**
- When will you report the loan-level data to Freddie Mac? **June 21.**
- On what date is the principal and interest due? **\$365.59 is due on June 19.**

Answer Sheets for Exercises

Chapter 5 – Exercise 3: Example of a Balance Correction

Using the calendars and the information provided, calculate the principal and interest due, and determine the ending gross UPB for this loan. Note that May 27 and July 4 are holidays.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Activity You received June's payment from the borrower.
 The principal portion of the payment was \$83.37.
 In May you applied \$96.00 in error to principal reduction that should have been applied to escrow.
 Reverse the \$96.00 principal reduction from last month and apply this month's \$83.37 principal reduction.

Remittance Option First Tuesday

Freddie Mac Loan Number ... 464936594

Accounting cycle 06/xxxx

DDLPI 06/01/xxxx

Beginning Gross UPB \$95,008.21

ANY 9.65%

Answer Sheets for Exercises

1. How much principal due will you report and remit for the June accounting cycle?
Beginning gross UPB – Ending gross UPB = Principal Due
\$95,008.21 - \$95,020.84 = (\$12.63) Negative net amount of principal reduction
2. How much interest due will you report and remit for the June accounting cycle?
Beginning gross UPB x ANY ÷ 12 months = Monthly Interest Due
\$95,008.21 x .0965 ÷ 12 = \$764.02 Amount of monthly interest due.
There is no exception interest due.
3. What is the ending gross UPB for the June accounting cycle?
\$95,008.21 + \$12.63 = \$95,020.84
Always report 100 percent of the ending gross UPB.
4. When will you report the loan-level data to Freddie Mac? **Report the transaction no later than June 21st (five business days after the accounting cutoff)**
5. On what date is the principal and interest due? **First Tuesday remittance of \$751.39 is due on July 2.**

Answer Sheets for Exercises

Chapter 5 - Exercise 4a: Example of a Prepaid Payoff with an Exception Date Between the Second and 15th of the Month

Using the calendars and the information provided, calculate the principal and interest due, and determine the ending gross UPB for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Borrower pays off the mortgage in full.

Activity The borrower paid off (pre-paid) the mortgage in the June cycle.

Remittance Option..... Gold

Freddie Mac Loan Number ... 319682129

Accounting cycle 06/xxxx

DDLPI..... 05/01/xxxx

Payoff date..... 06/07/xxxx

Beginning Gross UPB..... \$113,579.20

ANY 9.25%

- How much principal due will you report and remit for the payoff?

$$\begin{aligned} &\text{Beginning gross UPB} - \text{Ending gross UPB} = \text{Principal Due} \\ &\$113,579.20 - 0 = \$113,579.20 \end{aligned}$$

- How much monthly interest due will you report and remit for the payoff?

$$\text{Beginning gross UPB} \times \text{ANY} \div 12 \text{ Months} = \text{Monthly interest}$$

$$\begin{array}{r} \$113,579.20 \quad \text{Beginning gross UPB} \\ \times .0925 \quad \text{ANY} \\ \hline \div 12 \quad \underline{\text{Number of months in one year}} \\ = \$875.51 \quad \text{Amount of monthly interest due} \end{array}$$

Answer Sheets for Exercises

3. How much exception interest will you report and remit?

Beginning gross UPB x ANY ÷ 365 x # days = Exception Interest

\$113,579.20	Beginning gross UPB
x .0925	ANY
x 6	Number of days the mortgage was active in June, counting from the first of the month up to, but not including, the payoff date
÷ 365	<u>Number of days in a year</u>
= \$172.70	Amount of exception interest due

4. What are the total payoff proceeds?

The calculation for the total payoff proceeds amount is due within five business days after the payoff date.

Principal Due + Exception Interest = Total Payoffs Proceeds remittance

\$113,579.20	Principal due
+ 172.70	<u>Exception interest</u>
= \$113,751.90	Total payoff proceeds remittance

5. When will you report the payoff to Freddie Mac? **Report the payoff transaction within two business days of the payoff date (no later than June 11).**
6. On what date are the payoff proceeds due? **The payoff proceeds of \$113,751.90 are due within five business days after receipt of the payoff funds, which means they are due by June 14.**
7. On what date is the monthly interest due? **Monthly interest of \$875.51 is due on June 19, three business days after the accounting cutoff.**

Answer Sheets for Exercises

Chapter 5 - Exercise 4b: Example of a Prepaid Payoff with an Exception Date Between the 16th and End of the Month

Using the calendars and the information provided, calculate the principal and interest due, and the ending gross UPB for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Borrower pays off the mortgage in full.

Activity.....The borrower paid off (pre-paid) the mortgage in the June cycle.

Remittance Option.....Gold

Freddie Mac Loan Number ...344348415

Accounting cycle06/xxxx

DDLPI.....05/01/xxxx

Payoff date.....05/24/xxxx

Beginning Gross UPB\$67,306.53

ANY.....7.00%

- How much principal due will you report and remit for the payoff?

Beginning gross UPB – Ending gross UPB= Principal Due

\$67,306.53 – 0 = \$67,306.53

- How much monthly interest due will you report and remit for the payoff?

Beginning gross UPB x ANY ÷ 12 Months = Monthly interest

\$67,306.53	Beginning gross UPB
x .07	ANY
÷ 12	Number of months in one year
= \$392.62	Amount of monthly interest due

Answer Sheets for Exercises

3. How much exception interest will you report and remit?

Beginning gross UPB x ANY ÷ 365 x # days = Exception Interest

\$67,306.53	Beginning gross UPB
x .07	ANY
x 23	Number of days the mortgage was active in May, counting from the 1st of the month up to, but not including, the payoff date
÷ 365	<u>Number of days in a year</u>
= \$296.89	Amount of daily exception interest
- \$392.62	<u>Amount of monthly interest due</u>
= (\$95.73)	Amount of exception interest due

A full month's interest was paid but the mortgage was not active for entire month. The total payoff remittance is the payoff principal due plus the negative exception interest.

4. What are the total payoff proceeds?

The calculation for the total payoff proceeds amount is due within five business days after the payoff date.

Principal Due + Exception Interest = Total Payoffs Proceeds remittance

\$67,306.53	Principal due
+ (95.73)	<u>Exception interest</u>
= \$67,210.80	Total payoff proceeds remittance

5. When will you report the payoff to Freddie Mac? **Report the payoff transaction within two business days of the payoff date (no later than May 29, since May 27 is a holiday).**
6. On what date are the payoff proceeds due? **The payoff proceeds of \$67,210.80 are due within five business days after receipt of the payoff funds, which means they are due by June 3, since May 27 is a holiday.**
7. On what date is the monthly interest due? **Monthly interest of \$392.62 is due on June 19, three business days after the accounting cutoff.**

Answer Sheets for Exercises

Chapter 5 - Exercise 4c: Example of a Prepaid Payoff with an Exception Date Between the Second and 15th of the Month: Monthly Payment and Prepaid Payoff in the Same Cycle

We require that you use the beginning gross UPB to calculate the payoff. Since you summarize the monthly payment and the payoff (all loan activity) into one transaction, you will have an amortization difference.

Since you calculated the borrower's payoff based on a UPB slightly lower than what we have on our records, the interest you collect from the borrower at the time of the payoff is slightly lower than the payoff interest we require you to report and remit to us. This is called an amortization difference. You will need to deposit the amortization difference into your custodial account. Refer to our publication, *Understanding Custodial Accounts*, for more information.

When you post a borrower's monthly payment and subsequently pay off the mortgage in the same cycle, calculate the borrower's payoff amount based on the principal balance of the mortgage after you subtract this month's payment.

Using the calendars and the information provided, calculate the principal, interest, and ending gross UPB for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

The borrower pays June payment.

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

The borrower pays off the mortgage in full.

Answer Sheets for Exercises

ActivityThe borrower paid off (pre-paid) the mortgage after making the June payment in the same cycle.

Remittance OptionGold

Freddie Mac Loan Number....344745031

Accounting cycle.....06/xxxx

DDLPI.....06/01/xxxx

Payoff date06/14/xxxx

Principal from 06/01/xxxx payment.....\$125.31

Beginning Gross UPB\$45,132.28

ANY.....8.16%

1. How much principal due will you report and remit for the payoff?

$$\text{Beginning gross UPB} - \text{Ending gross UPB} = \text{Principal Due}$$

$$\$45,132.28 - 0 = \$45,132.28$$

2. How much monthly interest due will you report and remit for the payoff?

$$\text{Beginning gross UPB} \times \text{ANY} \div \text{Number of month in a year} = \text{Monthly Interest}$$

$$\begin{array}{r} \$45,132.28 \quad \text{Beginning gross UPB} \\ \times .0816 \quad \text{ANY} \\ \hline \div 12 \quad \underline{\text{Number of months in one year}} \\ = \$306.90 \quad \text{Amount of monthly interest due} \end{array}$$

3. How much exception interest will you report and remit?

$$\text{Beginning gross UPB} \times \text{ANY} \div 365 \times \# \text{ days} = \text{Exception Interest}$$

$$\begin{array}{r} \$45,132.28 \quad \text{Beginning gross UPB} \\ \times .0816 \quad \text{ANY} \\ \times 13 \quad \text{Number of days the mortgage was active in June, counting from the} \\ \quad \text{first of the month up to, but not including, the payoff date.} \\ \hline \div 365 \quad \underline{\text{Number of days in a year}} \\ = \$131.17 \quad \text{Amount of exception interest} \end{array}$$

Answer Sheets for Exercises

4. What is the total payoff proceeds

The calculation for the total payoff proceeds amount is due within five business days after the payoff date.

Principal Due + Exception Interest = Total Payoffs Proceeds remittance	
\$45,132.28	Principal due
<u>\$131.17</u>	<u>Exception interest</u>
= \$45,263.45	Total payoff proceeds remittance

Amortization Difference

\$45,132.28	Beginning gross UPB
<u>- \$125.31</u>	<u>Principal reduction from 06/01/xxxx payment</u>
= \$45,006.97	Balance on 06/14/xxxx when borrower paid off the mortgage

\$131.17	Daily interest due to us ($\\$45,132.28 \times .0816 \times 13 \div 365 = \\131.17)
	Daily interest collected from borrower at ANY
<u>-\$130.80</u>	<u>($\\$45,006.97 \times .0816 \times 13 \div 365 = \\130.88)</u>
= \$0.37	Amortization difference

5. When will you report the payoff to Freddie Mac? **Report the payoff transaction within two business days of the payoff date (no later than June 18).**
6. On what date are the payoff proceeds due? **The payoff proceeds of \$45,263.45 are due within five business days after receipt of the payoff funds, which means they are due by June 21.**
7. On what date is the monthly interest due? **Monthly interest of \$306.90 is due on June 19, three business days after the accounting cutoff.**

Answer Sheets for Exercises

Chapter 5 – Exercise 5: Inactivation

Using the calendars and the information provided, calculate the principal and interest due, and determine the ending gross UPB for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Activity The borrower is now delinquent for 120 days. You have initiated foreclosure and reported default action code 43, Referred to Foreclosure, via Electronic Default Reporting (EDR).

Remittance Option..... Gold

Freddie Mac Loan Number ... 464933838

Accounting cycle 06/xxxx

DDLPI..... 01/01/xxxx

Beginning Gross UPB..... \$87,207.58

ANY 11.15%

- How much principal due will you report and remit for the June accounting cycle?
The principal due for inactivations is always zero.

Answer Sheets for Exercises

2. How much interest due will you report and remit for the June accounting cycle?

Beginning Gross UPB x ANY ÷ 12 Months = Monthly interest

$$\begin{array}{r} \$87,207.58 \text{ Beginning Gross UPB} \\ \times .11150 \text{ ANY} \\ \hline \div 12 \text{ Number of months in one year} \\ = \$810.30 \text{ Amount of monthly interest due} \end{array}$$

One month of interest is due since interest is in arrears and the mortgage was active in May. Report the mortgage as a P&I - Inactive transaction for the July accounting cycle. No additional interest will be due until the mortgage is reinstated.

There is no exception interest due for inactivations.

3. What is the ending gross UPB for the June accounting cycle?

Always report 100 percent of the ending gross UPB.

\$87,207.58

4. When will you report the loan-level data to Freddie Mac? **Report the transaction no later than June 21 (five business days after the accounting cutoff).**
5. On what date is the monthly interest due? **Monthly interest of \$810.30 is due on June 19, three business days after the accounting cutoff.**

Answer Sheets for Exercises

Chapter 5 – Exercise 6: Example of a Full Reinstatement

Using the calendars and the information provided, calculate the principal and interest due, and determine the ending gross UPB for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Activity..... The borrower made seven payments to bring the inactive mortgage current (full reinstatement).

Remittance Option..... First Tuesday

Freddie Mac Loan Number ...376937173

Accounting cycle 06/xxxx

DDLPI..... 11/01/xxxw (The borrower paid October's interest.)

Inactivation cycle 03/xxxx (You remitted February's interest.)

Total time inactive 3 months (March, April and May)

Principal collected..... \$110.11

Beginning Gross UPB..... \$48,398.02

Ending UPB..... \$48,287.91

ANY 10.645%

Answer Sheets for Exercises

1. How much principal due will you report and remit for the June accounting cycle?

$$\text{Beginning gross UPB} - \text{Ending gross UPB} = \text{Principal Due} \\ \$48,398.02 - \$48,287.01 = \$110.11$$

2. How much interest due will you report and remit for the June accounting cycle?

$$\text{Beginning gross UPB} \times \text{ANY} \times \# \text{ months inactivated} \div 12 = \text{Reinstatement (Monthly) Interest}$$

\$48,398.02	Beginning gross UPB
x .10645	ANY
x 3	Number of months inactive
<u>÷ 12</u>	<u>Number of months in a year</u>
= \$1,287.99	Amount of reinstatement interest based on

- Number of months the mortgage was inactive (March, April and May)
- No funds remitted to Freddie Mac.

3. What is the ending gross UPB for the June accounting cycle?

Always report 100% of the ending gross UPB.

\$48,287.91

4. When will you report the loan-level data to Freddie Mac? **Report the transaction no later than June 21 (five business days after the accounting cutoff).**
5. On what date is the principal and interest due? **Principal due of \$110.11 and reinstatement (monthly) interest of \$1,287.99 is due on July 2, the first Tuesday in July.**

Answer Sheets for Exercises

Chapter 5 – Exercise 7: Third-Party Foreclosure Sale for an Inactive Loan

Using the calendars and the information provided, calculate the principal and interest due, and determine the ending gross UPB for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Activity..... Proceeds have been received for a third-party foreclosure sale.
 Inactivation cycle 02/xxxx
 DDLPI..... 11/01/xxxw
Foreclosure Proceeds
 Receipt Date 6/13/xxxx
 Foreclosure Sale Date 6/06/xxxx
Accounting cycle to
report activity..... 06/xxxx
 ANY 8.00%
 Beginning Gross UPB..... \$75,000.00
 Remittance Option..... Gold

1. How much principal due will you report and remit for the June accounting cycle?

Beginning gross UPB – Ending gross UPB =Principal Due
\$75,000.00 - \$0.00=\$75,000 (principal due)

2. How much monthly interest due will you report and remit for the June accounting cycle?

Beginning gross UPB x ANY x # of months inactivated ÷ 12 months =
Reinstatement (Monthly) Interest

\$75,000.00 x 8.00% x 4 ÷ 12 =\$2,000.00 Reinstatement (Monthly) Interest for the
months of February, March, April and May.

Answer Sheets for Exercises

3. How much daily exception interest will you report and remit?

Beginning gross UPB x ANY ÷ 365 x number of days from the first of the month up to but not including the foreclosure sale date= Daily Exception interest

$$\text{\$75,000} \times 8.00\% \div 365 \times 5 = \text{\$82.19}$$

4. What is the total proceeds amount due?

Principal due + Exception interest=Total Proceeds Due

$$\text{\$75,000.00} + \text{\$82.19} = \text{\$75,082.19}$$

5. What is the EUPB?

Always report 100% of the ending gross UPB (zero on a liquidation).

Ending gross UPB=\$0.00

6. When will you report the third party foreclosure sale to Freddie Mac?

Report the third-party foreclosure sale transaction and foreclosure proceeds of \$75, 082.19 no later than June 17.

7. When are the total proceeds due to Freddie Mac?

Total proceeds are due no later than June 20.

8. When is the monthly interest due to Freddie Mac?

Reinstatement (monthly) interest is due to Freddie Mac on June 19.

Answer Sheets for Exercises

Chapter 5 – Exercise 8: REO

Using the calendars and the information provided, calculate the principal and interest due, and determine the ending gross UPB for this loan. Note that May 27 is a holiday. This mortgage has not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Activity The foreclosure sale is complete. We have acquired the property and it will be transferred to REO in the current accounting cycle.

Remittance Option.....Gold

Freddie Mac Loan Number376753080

Accounting cycle 06/xxxx

DDLPI..... 08/01/xxxw (The borrower paid July’s interest.)

Number of months delinquent prior to inactivation.....6 months (August, September, October, November, December and January)

Inactivation cycle date.....02/xxxx (January’s interest was sent to us.)

Foreclosure sale date05/24/xxxx

Beginning Gross UPB\$79,992.19

ANY.....8.64%

- How much principal due will you report and remit for the June accounting cycle?
There is no principal due on REO.
- How much monthly interest due will you report and remit for the June accounting cycle?
There is no monthly interest due to us.

Answer Sheets for Exercises

3. How much exception interest will you report?

**Beginning gross UPB x ANY x Number of months delinquent prior to inactivation ÷
12 = Monthly Exception interest**

$$\begin{array}{r} \$79,992.19 \text{ Beginning gross UPB} \\ \times .0864 \text{ ANY} \\ \times 6 \text{ Number of months mortgage was delinquent prior to inactivation} \\ \hline \div 12 \text{ Number of months in a year} \\ = (\$3,455.66) \text{ Amount of exception interest} \end{array}$$

4. When will you report the REO to Freddie Mac?

Report the mortgage no later than June 21 (five business days after the accounting cutoff).

5. When will the credit for interest advanced be posted to your account?

A credit of \$3,455.66 will be posted on June 19. You may reduce your remittance for this amount.

Answer Sheets for Exercises

Chapter 5 – Review Exercise 1:

Use the following calendars to complete the exercises on the following pages. Note that May 27 and July 4 are holidays. The mortgages in the following exercises have not been modified.

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Answer Sheets for Exercises

Example 1:

Freddie Mac funds a new mortgage with the Gold remittance option on 05/13/xxxx. The first payment from the borrower is due on 07/01/xxxx.

1. What is the first cycle you will be required to report this mortgage to Freddie Mac?

The first cycle you will need to report this mortgage to us is the June accounting cycle, unless the borrower makes a first payment before 05/15/xxxx. If this happens, you will be required to report the principal to us in the May accounting cycle.

2. On what day is the remittance for May's interest due to Freddie Mac?

May's interest is due on 06/19/xxxx.

Example 2:

A borrower paid off (pre-paid) his mortgage on 05/30/xxxx. The DDLPI of the mortgage prior to the payoff was 05/01/xxxx. The mortgage was sold to us with the Gold remittance option.

1. On what date will the remittances for the following be due to Freddie Mac?

Payoff proceeds: **06/06/xxxx**

Monthly interest: **06/19/xxxx**

2. By what date must you report the payoff to Freddie Mac? **06/03/xxxx**

Example 3:

A borrower paid off (pre-paid) her mortgage on 07/12/xxxx. The DDLPI of the mortgage prior to the payoff was 07/01/xxxx. The mortgage was sold to us with the Gold remittance option.

1. On what date will the remittances for the following be due to Freddie Mac?

Payoff proceeds: **07/19/xxxx**

Monthly interest: **07/18/xxxx**

2. By what date must you report the payoff to Freddie Mac? **07/16/xxxx**

Answer Sheets for Exercises

Example 4:

A delinquent borrower paid off (pre-paid) his mortgage on 05/20/xxxx. The last payment the borrower made before the payoff was on 01/02/xxxx and the loan was inactivated with the April cycle. The mortgage was sold to us with the First Tuesday remittance option.

1. On what date will the remittances for the following be due to Freddie Mac?

Payoff proceeds: **05/28/xxxx** (Note that 05/27 is a holiday.)

Reinstatement (Monthly) Interest: **07/02/xxxx**

2. By what date must you report the payoff to Freddie Mac? **05/22/xxxx**

Example 5:

The last payment a borrower made was on 03/01/xxxx. You have begun foreclosure proceedings on the mortgage and want to inactivate the mortgage during the June accounting cycle. The mortgage was sold to us with the First Tuesday remittance option.

1. By what date must you report the inactivation to Freddie Mac? **You must report the inactivation to Freddie Mac by 06/21/xxxx.**
2. Is monthly interest due to Freddie Mac for the June accounting cycle? If so, on what date is the interest due? If not, why?

Yes, monthly interest is due on 07/02/xxxx because interest is due in arrears (May's interest).

Example 6:

A borrower whose mortgage has been delinquent since 01/01/xxxx comes into your office on 06/01/xxxx and brings the mortgage current. You inactivated the mortgage during the May xxxx accounting cycle. The mortgage was sold to us with the Gold remittance option.

1. By what date must you report the reinstatement to Freddie Mac?

You must report the reinstatement to Freddie Mac by 06/21/xxxx.

2. On what date is the remittance for the delinquent principal due to Freddie Mac?

The remittance for the delinquent principal is due on 06/19/xxxx.

3. On what date is the remittance for the reinstatement (monthly) interest due to Freddie Mac?

The remittance for the reinstatement (monthly) interest is due on 06/19/xxxx.

Answer Sheets for Exercises

Example 7:

A mortgage has been delinquent since 11/01/xxxx (the previous year). You initiated foreclosure in February and inactivated the mortgage during the 03/xxxx accounting cycle. The property **did not** sell at foreclosure sale on 05/24/xxxx. The mortgage was originally sold to us with the First Tuesday remittance option.

1. By what date must you report the REO to Freddie Mac?

Between 06/17/xxx and 06/21/xxxx

2. When will you receive the credit for interest advanced on your *Seller/Service Remittance Analysis*?

07/02/xxxx

Answer Sheets for Exercises

Chapter 5 – Review Exercise 2:

Using the information provided, complete the exercises on the following pages. The mortgages in the following exercises have not been modified.

Example 1:

A borrower makes their monthly payment. The following information has been posted to the mortgage history.

- Payment received 06/03/xxxx: \$1,015.96
- Principal paid: \$115.48
- Total interest paid at the note rate: \$900.48
- Principal balance remaining: \$143,960.57
- The borrower is paying a note rate of 7.50%. The ANY for the mortgage is 7.25%.

How much principal and interest is due to Freddie Mac?

Principal due **\$115.48**

Monthly interest **\$870.46**

Calculations:

$\$143,960.57$ (Ending gross UPB) + $\$115.48$ = $144,076.05$ (Beginning gross UPB)

$\$144,076.05 \times 7.25\% \div 12 = \870.46

Example 2:

A borrower paid off (pre-paid) the outstanding balance of her mortgage on 06/12/xxxx. The balance on 06/12/xxxx is \$131,970.12. The note rate is 10.00% and the ANY is 9.625%.

How much principal and interest is due to Freddie Mac? What is the ending UPB?

Principal due **\$131,970.12**

Monthly interest **\$1,058.51**

Exception interest **\$382.80**

Ending gross UPB **\$0.00**

Answer Sheets for Exercises

Calculations:

$$\$131,970.12 \times 9.625\% \div 12 = \$1,058.51 \text{ (Monthly interest)}$$

$$\$131,970.12 \times 9.625\% \times 11 \div 365 = \$382.80 \text{ (Exception interest)}$$

Note: Total interest reported will be \$1,441.31.

Example 3:

A borrower does not make his monthly payment during June. The outstanding balance of the mortgage as of 06/01/xxxx is \$90,122.22 with a note rate of 6.25%. Your servicing fee is .25%.

How much principal and interest is due to Freddie Mac?

Principal due **\$0.00**

Monthly interest **\$450.61**

Calculation:

$$\$90,122.22 \times 6.00\% \div 12 = \$450.61$$

Example 4:

On 06/03/xxxx a borrower brings his mortgage current. The DDLPI of the mortgage was 11/01/xxxx. You inactivated the mortgage during the 02/xxxw accounting cycle at a UPB of \$203,500.00. The ANY is 8.35%.

How much interest is due to Freddie Mac?

Reinstatement (monthly) interest **\$5,664.08**

Calculation:

$$\$203,500 \times 8.35\% \div 12 \times 4 \text{ (Interest for February, March, April and May)} =$$
$$\$5,664.08$$

Example 5:

An inactive mortgage was sold through a third-party foreclosure sale on 06/13/xxxx. The mortgage has been inactive since the 01/15/xxxx accounting cutoff at a balance of \$71,001.99. The ANY is 8.90%.

How much principal and interest is due to Freddie Mac? What is the ending UPB?

Principal reduction **\$71,001.99**

Reinstatement (Monthly) interest **\$2,840.74**

Ending UPB **\$0.00**

Answer Sheets for Exercises

Calculations:

Daily exception interest: $\$71,001.99 \times 8.90\% \div 365 \times 12 = \207.75

Monthly exception interest: $\$71,001.99 \times 8.90\% \div 12 \times 5$ (Interest for January, February, March, April and May) = $\$2,632.99$

Total Interest: $\$2,840.74$

Example 6:

An FHA/VA mortgage is not sold to a third party at the foreclosure sale on 06/03/xxxx. The DDLPI is 11/01/xxxw (previous year). The mortgage was inactivated in the 03/xxxw cycle at a UPB of \$68,660.25. The ANY is 7.75%.

How much interest is due to Freddie Mac?

Exception interest (**$\$1,773.73$**)

Calculation:

$\$68,660.25 \times 7.75\% \div 12 \times 4$ (Interest for November, December, January and February)

Note: No interest is due to us. You will receive a credit for the amount of interest you advanced to us.

Example 7:

The DDLPI on the mortgage is 12/01/xxxw (the previous year). The mortgage was inactivated in the 04/xxxx accounting cycle at a UPB of \$33,795.94. The ANY for the mortgage is 8.00%. You report the mortgage to us for the 06/xxxx cycle as a transfer to REO.

How much interest is due to Freddie Mac?

Exception interest (**$\$901.23$**)

Calculation:

$\$33,795.94 \times 8.00\% \div 12 \times 4$ (Interest for December, January, February, and March)

Note: No interest is due to us. You will receive a credit for the amount of interest you advanced to us.

Answer Sheets for Exercises

Example 8:

A borrower makes their monthly payment on 05/01/xxxx for \$822.68 (\$65.78 principal, \$756.90 interest) reducing the UPB to \$98,126.67. The note rate is 9.25% and the servicing fee is .35%. During the next cycle's reporting, you notice that the borrower's \$65.78 principal payment was incorrectly posted to the mortgage as a \$657.80 principal payment, incorrectly reducing the UPB to \$97,534.65. The borrower does not make a payment for the 06/xxxx accounting cycle.

How much principal and interest is due to Freddie Mac? What is the ending UPB?

Principal reduction (**\$592.02**)

Monthly interest **\$723.38**

Ending UPB **\$98,126.67**

Calculations:

Beginning UPB: \$97,534.65

Ending gross UPB: \$98,126.67

Principal Due: \$97,534.65 - 98,126.67 = (592.02)

Interest Due \$97,534.65 x 8.90% ÷ 12 = \$723.38