

The following best practices have proved successful in preventing interest rate adjustment problems for adjustable-rate mortgages (ARMs). These best practices have been created using tips received from Servicers and from industry information gathered at roundtables. Use these best practice suggestions, along with our investor reporting educational materials and workshops, to help you correct and prevent data discrepancies between your internal system and ours.

Contact us at (800) FREDDIE if you would like to obtain a copy of our educational materials, sign up for a class, or ask questions about ARMs. You can also visit us on the Learning Center at <http://www.freddiemac.com/learn/>.

## Verify Loan Setup

- Verify loan setup data by reviewing the Funding Detail Report. When we fund an ARM, we send the Funding Detail Report to you via MIDANET® for the PC. This report includes loan-level data elements such as the accounting net yield, accounting net margin, accounting net life cap, accounting net life floor, and rate adjustment date information that we received from you. You can prevent ARM data discrepancies from occurring by ensuring the data on the Funding Detail Report matches information on the mortgage note and your internal system.
- When acquiring ARMs from another Servicer, obtain a copy of the Funding Detail Report from the transferor for each mortgage loan you will be servicing. This report will help you verify your loan setup data and aid in the ARM audit of the portfolio.
- Call or email your Freddie Mac Investor Accounting Specialist if you discover any discrepancies during loan setup. Complete this setup process each time you sell us a mortgage or obtain one of our mortgages through a transfer of servicing.

## Verify Rate Changes

Freddie Mac mails you a Notification of ARM Loans Net Yield Adjustment for each rate change. You may also obtain this information via our Investor Accounting ManagerSM application on GoldWorks®. Although your system should also have this information already programmed, we send you a notification after we calculate our new net yield, which is based on the new index.

The adjusted net yield is based on data provided by you or the Seller/Servicer who originally delivered the loan, and includes data such as index, change date, availability of the index, and lookback period (number of calendar days you count back from the rate change date to determine the current index). The format of the Notification of ARM Loans Net Yield Adjustment will vary based on the ARM product (e.g., ARM Cash, ARM Guarantor Swap, WAC ARM Guarantor Swap).

- Verify a net yield adjustment by comparing the data elements shown on the Notification of ARM Loans Net Yield Adjustment against the information shown on the mortgage note and in your internal system.

- Identify and resolve discrepancies:
  - Download the ARM Detail Report, available via Investor Accounting Manager, to run a comparison of data elements.
  - Identify discrepancies by comparing each data element on the Funding Detail Report or the Notification of ARM Loans Net Yield Adjustment to the information on the mortgage note and the data in your internal system.
  - Resolve a discrepancy according to where the data error resides:

| <b>If your system data is incorrect</b>  | <b>If Freddie Mac's system data is incorrect</b>   |
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| <p>Make the necessary corrections on your servicing system prior to:</p> <ul style="list-style-type: none"> <li>▪ The next accounting cycle cutoff, or</li> <li>▪ The rate change effective date (whichever occurs first)</li> </ul> | <p>Contact your Freddie Mac Investor Accounting Specialist to determine the documentation you will need to send so that we can research and correct our system error.</p> <p>At a minimum, you will need the following:</p> <ul style="list-style-type: none"> <li>▪ A copy of the mortgage note</li> <li>▪ A Master Agreement or Purchase Contract</li> <li>▪ A copy of the <i>Funding Detail Report</i> and Form 15</li> <li>▪ Description of the discrepancy</li> </ul> |