



Understanding Custodial Accounts

Cumulative Variances



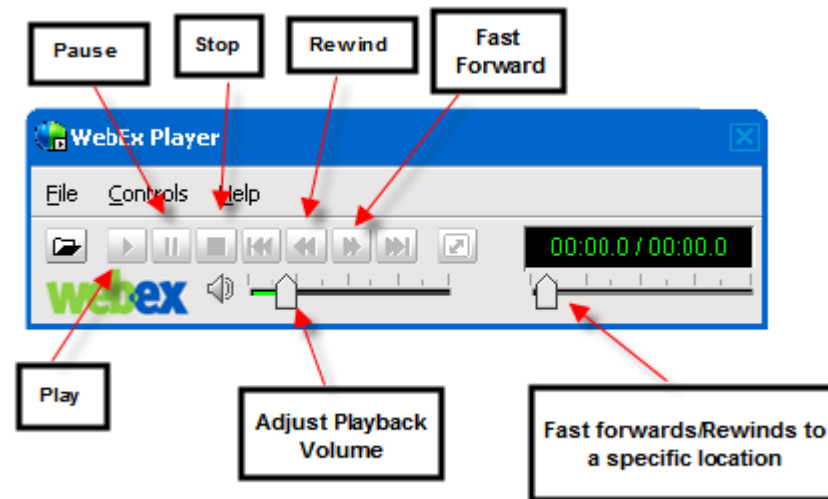
Your Freddie Mac presenter is...

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Agenda

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✓ Compare your current cycle variance logs to each other	
✓ Cross off any transactions that offset	
✓ Record transactions that are not crossed off onto a new cumulative Log	
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Reconcile P&I Custodial Account Process

1. Complete form 59, P&I reconciliation worksheet
2. Calculate your cash receipts variance
3. Calculate your cash disbursements variance
4. Verify that your worksheets are correct by using the numbers check formula
5. Identify transactions causing cash receipts variance and record on a current cycle variance log
6. Identify transactions causing cash disbursements variance and record on a current cycle variance log
- 7. Record all outstanding variances on the cumulative variance log and designate as cash or paper
8. Repeat the above steps for each previous cycle until the total cumulative variance is identified



Current Cycle's Total Cumulative Variance

The Cumulative Variance Log:

- ✓ Total should equal the total cumulative variance (Line 6a) from the Principal and Interest Custodial Account Reconciliation Worksheet
- ✓ Itemizes all transactions outstanding as of the current accounting cutoff
- ✓ Includes both identified and unidentified variances



Principal and Interest Custodial Account Reconciliation Worksheet - *Monthly Account Statement*

AS OF: 15-Feb

Seller/Servicer Number: 999999 Seller/Servicer Name: Mongol Mortgage

Section 1 - Adjusted Bank Balance

1a) Bank balance as of	<u>15-Feb</u>		741,395.99
1b) Subtract: Outstanding debits		0.00	
1c) Add Deposits in transit		1,860.50	
1) Adjusted bank balance			743,256.49

Section 2 - Total Liability

2) Ending Balance from the	<u>15-Feb</u> <i>Monthly Account Statement</i>		211,275.43
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Subtract cumulative totals for:

3a) Delinquent interest on active mortgages		8,885.13	
3b) Delinquent interest on inactive mortgages		0.00	
3c) Delinquent principal on Timely Principal & Interest and scheduled/scheduled mortgages		0.00	
3) Subtotal for Delinquents (Lines 3a+3b+3c)			8,885.13

Add cumulative totals for :

4a) Prepaid interest		1,566.62	
4b) Prepaid principal on Timely Principal & Interest and scheduled/scheduled mortgages		0.00	
4c) Minority principal and interest collected but not reported as of <u>15-Feb</u>		0.00	
4) Subtotal for Prepaids (Lines 4a+4b+4c)			1,566.62
5) Total Liability Lines 2-3+4			203,956.92

Section 3 - Total Variance

6a) Current cycle's total cumulative variance (Line 1 less Line 5)			539,299.57
6b) Previous cycle's total cumulative variance (Line 6a from previous cycle)			3,898.10
6c) Current cycle variance (Line 6a less 6b)			535,401.47





Cumulative Variance Log

February

Orig Cycle	Transaction/Description	C/P	Date Adjustment Was Made	Dollar Amount (indicate if positive or negative amount)
	Identified Variances			
	Total variance			539,299.57
	Unidentified			



Documentation for Cumulative Variance Log

To complete the Cumulative Variance Log you need:

- ✓ The Cumulative Variance Log from the previous cycle
- ✓ All of the variance logs from the current cycle



Current Cycle Variance Log

Cash Receipts February			
Transaction/Description	C/P	Date Adjustment Was Made	Dollar Amount (indicate if positive or negative amount)
<i>Deposit error analysis</i>			
Deposit Error - 2/14			(540,000.00)
<i>Manual Deposit Analysis</i>			
December Interest for Garcia		13-Feb	(672.92)
<i>Loan Level analysis Step #1 - deposited to reported</i>			
20259782 Fox			(110.58)
20400555 Ortega New funding interest			724.17
20412566 Weir			(66.66)
<i>Loan Level analysis Step #2 - reported to MAS</i>			
20291458 Smithe			(12.74)
20400555 Ortega			(11.46)
20412566 Weir			66.66
20259782 Fox			110.58
Identified Variances			(539,972.95)
Total variance			539,972.49
Unidentified			0.46



Clearing Previous Cycles' Variances

- Compare your previous cycle's Cumulative Log to your logs for the current cycle
- Cross off any transactions that offset, making sure to cross the transactions off of both logs



Clearing Current Cycle Variances

- Compare your current cycle variance logs to each other
- Cross off any transactions that offset, on both logs or on the same log



Current Cycle Variance Log

Cash Receipts February			
Transaction/Description	C/P	Date Adjustment Was Made	Dollar Amount (indicate if positive or negative amount)
<i>Deposit error analysis</i>			
Deposit Error - 2/14			(540,000.00)
<i>Manual Deposit Analysis</i>			
December Interest for Garcia		13-Feb	(672.92)
<i>Loan Level analysis Step #1 - deposited to reported</i>			
20259782 Fox			(110.58)
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20400555 Ortega			(11.46)
20412566 Weir			66.66
20259782 Fox			110.58
Identified Variances			(539,972.95)
Total variance			539,972.49
Unidentified			0.46



Completing the New Cumulative Log

- Record onto a new Cumulative Log all transactions that are not crossed off the previous cycle's cumulative log and the current cycle logs
- The new Cumulative Log total should equal Line 6a of the P&I worksheet



Cumulative Variance Log

Orig Cycle	Type	Transaction/Description	C/P	Date Adjustment Was Made	Dollar Amount (indicate if positive or negative amount)
2/15	CR	Deposit Error			(540,000.00)
2/15	CR	20400555 Ortega New funding interest			724.17
2/15	CR	20291458 Smithe			(12.74)
2/15	CR	20400555 Ortega			(11.46)
2/15	CR	amortization difference			0.46
		Identified Variances			(539,299.57)
		Total variance			539,299.57
		Unidentified			0.00



Cumulative Variance Log

Orig Cycle	Type	Transaction/Description	C/P	Date Adjustment Was Made	Dollar Amount (indicate if positive or negative amount)
2/15	CR	Deposit Error	Cash		(540,000.00)
2/15	CR	20400555 Ortega New funding interest	Cash		724.17
2/15	CR	20291458 Smithe	Cash		(12.74)
2/15	CR	20400555 Ortega	Cash		(11.46)
2/15	CR	amortization difference	Cash		0.46
		Identified Variances			(539,299.57)
		Total variance			539,299.57
		Unidentified			0.00



Resolving Cash Adjustments

- To resolve a cash adjustment, you must make the applicable deposits and/or withdrawals
- You must make adjustments within 90 days of the cycle your are reconciling



Summary

- The Cumulative Variance Log:
 - ✓ Should equal the total cumulative variance (Line 6a) from the Principal and Interest Custodial Account Reconciliation Worksheet
 - ✓ Itemizes all transactions outstanding as of the current accounting cutoff
 - ✓ Includes both identified and unidentified variances
- Compare your previous cycle's cumulative log to your current cycle logs and cross off any transactions that offset
- All variances must be resolved within 90 days of the originating cycle



Resources

- The Learning Center – Servicing Home Page
 - ✓ <http://www.freddiemac.com/learn/service>
- (800)FREDDIE (373-3343)
- Single-Family Seller/Servicer Guide



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