

Getting Started with Investor Accounting



When you service loans for Freddie Mac, you will perform the following investor accounting activities:

- Report principal and interest collection activity for each mortgage on a monthly basis.
- Remit funds due to Freddie Mac.
- Resolve reporting and remitting discrepancies.
- Reconcile your Freddie Mac custodial accounts.

This quick reference highlights information you need to know as you get started with your investor accounting activities for your Freddie Mac portfolio.

Please note that this quick reference does not reflect all of the investor reporting requirements that you must adhere to when servicing mortgages for Freddie Mac. For additional information about Investor Accounting, refer to Chapters 76 through 78 of the *Single-Family Seller/Servicer Guide* (the Guide).

When You Sell a Mortgage to Freddie Mac

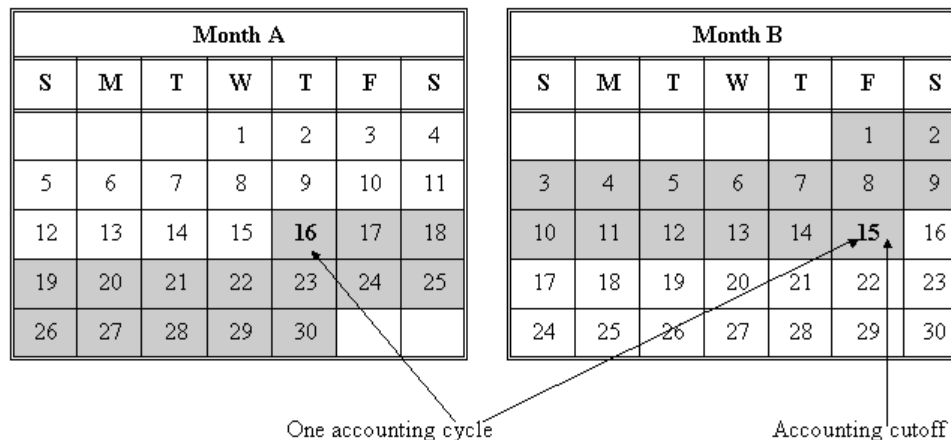
After you sell a mortgage to Freddie Mac, we refer to it as a *new funding* or a *newly funded mortgage*. Once Freddie Mac successfully processes the purchase transaction, you will receive funding documentation and either cash or a PC. You will receive a *Funding Detail* report and a *Loan Purchase Statement* via the Selling System.

Use the *Funding Detail* report to set-up the loan on your investor reporting system. The *Funding Detail* report provides all of the information you need to set up the mortgage with Freddie Mac as the investor.

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

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 cycle cutoff.



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 following table highlights the four types of accounting methods.

Accounting Method	Description
Net Yield	<p>With the net yield accounting method, you will</p> <ul style="list-style-type: none"> ▪ Calculate interest based on the beginning unpaid principal balance (BUPB) 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. <p>Most mortgages sold to Freddie Mac use the net yield accounting method.</p>
Alternate	<p>With the alternate accounting method, you will</p> <ul style="list-style-type: none"> ▪ Calculate interest based on the beginning unpaid principal balance (BUPB) 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. <p>Freddie Mac will allow you to use the alternate method of accounting only if one of the following conditions exists:</p> <ul style="list-style-type: none"> ▪ Applicable law prohibits the use of the net yield method. ▪ You have accepted a partial reinstatement on a mortgage and opted to report under the alternate method. ▪ Freddie Mac has instructed you to use the alternate method. <p>For additional information, see Section 76.10 of the Guide.</p>
Scheduled/Scheduled Guaranteed Timely Principal and Interest	<p>With the scheduled/scheduled accounting method, and guaranteed timely principal and interest, you will</p> <ul style="list-style-type: none"> ▪ Calculate interest in arrears based on the beginning unpaid principal balance (BUPB) and the accounting net yield (ANY). The ANY equals the note rate less the servicing fee. ▪ Report and remit the scheduled interest and principal. Report curtailments in the cycle in which they occur. Remit curtailments for timely P&I loans in they cycle they occur. Remit curtailments for Super ARC loans one month after they occur.

MIDANET® for the PC

The Mortgage Information Direct Access Network (MIDANET®) is our automated reporting network that enables you to send mortgage accounting and servicing information to Freddie Mac. It is the link between your servicing/investor reporting software and our system.

Use MIDANET® for the PC or other mediums depending on your system capabilities. MIDANET® for the PC is a menu driven software package that enables your IBM compatible personal computer to exchange information with us. The software is provided free of charge by Freddie Mac. Obtain a separate copy of the software for each PC you've selected for installation.

You can use MIDANET for the PC to

- Transmit loan-level activity
- Receive transmission confirmations
- Receive Purchase Statements, Funding Details, and other reports from Freddie Mac

Reporting and Remitting to Freddie Mac

The reporting and remitting process is comprised of monthly and interim processing.

Monthly processing refers to all loan-level transactions except liquidations (payoffs and third-party foreclosure sales). You will report your monthly loan-level transactions within 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.

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

Investor Accounting Reports

Freddie Mac provides you with monthly and daily reports to help you manage your investor accounting activities.

Monthly Reports

Monthly Report	Description
<i>Monthly Account Statement</i>	<p>The <i>Monthly Account Statement</i> identifies the following for the accounting cycle:</p> <ul style="list-style-type: none"> ▪ 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 <p>The <i>Monthly Account Statement</i> is available via MIDANET for the PC and Investor Accounting Manager (IAM) on FreddieMac.com at the end of the month after we close our books and process a loan-level transaction for every mortgage you service for us. Use the <i>Monthly Account Statement</i> to reconcile your principal and interest custodial account.</p>
<i>Detailed Adjustment Report</i>	<p>The <i>Detailed Adjustment</i> report lists adjustments we make for RTC minority principal, interest billings, Servicemembers Civil Relief Act (SCRA) adjustments, fees and other billings.</p> <p>You will receive the <i>Detailed Adjustment</i> report via IAM at the end of the month after we process a transaction for every mortgage you service for Freddie Mac.</p>

Monthly Report	Description
<p><i>Loan Reconciliation Difference Report</i></p>	<p>The <i>Loan Reconciliation Difference</i> report summarizes every transaction our system did not immediately accept during the cycle due to a reporting discrepancy or simulation of a transaction. This report identifies</p> <ul style="list-style-type: none"> ▪ Transactions that Freddie Mac adjusted because we did not receive a revised transaction or your revised transaction was not accepted ▪ Mortgages where you transmitted more than one transaction or a revised transaction, and we accepted one of the transactions ▪ Loan numbers you reported that our system did not recognize as valid ▪ Loan numbers that our systems show belong to a different Servicer number <p>The <i>Loan Reconciliation Difference</i> report is available via MIDANET for the PC and IAM at the end of the month after we process a transaction for every mortgage you service for us.</p>
<p><i>Seller/Servicer Remittance Analysis</i></p>	<p>The <i>Seller/Servicer Remittance Analysis</i> is a summary report Freddie Mac sends you that can help you manage and monitor your remittance process. The report summarizes the following:</p> <ul style="list-style-type: none"> ▪ 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 <p>A final <i>Seller/Servicer Remittance Analysis</i> is available via IAM the first week in the calendar month following the accounting cutoff.</p>

Daily Reports

Daily Report	Description
<p><i>Loan-level Missing</i></p>	<p>The <i>Loan-level Missing</i> report lists mortgages you did not report to us this accounting cycle and mortgages with unresolved edits on the <i>Edits To Be Cleared</i> report. Once our system accepts a transaction for a mortgage, it drops off the report.</p> <p>“Zero (0) loans missing” message appears when a transaction has been processed for every loan in your portfolio.</p> <p>The <i>Loan-level Missing</i> report is available via MIDANET for the PC and IAM.</p>

Daily Report	Description
<i>Edits to be Cleared</i>	<p>The <i>Edits to be Cleared</i> report lists transactions with edits our system cannot resolve. Once our system accepts a transaction for a mortgage, it drops off the report, except for the following:</p> <ul style="list-style-type: none"> ▪ 101 Invalid Freddie Mac loan number—stays on the Edits to be Cleared report until our system has closed for the cycle ▪ 303 Partial Duplicate/Possible Correction—appears on the Edits to be Cleared report the following business day only <p>The “No data in error” message appears when you have no transactions for this report.</p> <p>The <i>Edits to be Cleared</i> report is available via MIDANET for the PC and Investor Accounting Manager.</p>
<i>System Cleared Edits</i>	<p>The <i>System Cleared Edits</i> report Lists transactions with edits our system was able to resolve and process. Our system will</p> <ul style="list-style-type: none"> ▪ 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 non-exception transactions to match what we expect if the difference is less than or equal to +/- \$3,000. ▪ Change the principal due and/or interest due reported for exceptions if the difference is less than or equal to +/- \$5.00. <p>The “No data in error” message appears when you have no transactions for this report.</p> <p>The <i>System Cleared Edits</i> report is available via MIDANET for the PC and Investor Accounting Manager.</p>

Resolving Loan-Level Edits

Freddie Mac uses edit and warning codes to identify discrepancies that occur when you report investor accounting activity to us. Each discrepancy (or edit) is listed on our daily edit reports with an edit code that identifies and explains the discrepancy. We expect you to resolve the edits listed on your daily edit reports and ensure that you have given us accurate information. For a complete listing of loan-level edit and warning codes, and information on how to resolve them, refer to our quick reference guide, *Resolving Loan-Level Edits*.

Electronic Default Reporting

Servicers with an active Freddie Mac Seller/Servicer number must report delinquency and default information to us monthly via our Electronic Default Reporting (EDR) system. You must report for all Freddie Mac single-family mortgages

- That are 30 days or more delinquent
- That are in bankruptcy, regardless of whether the mortgage is current or delinquent
- That were last reported as 90 days or more delinquent and have since reinstated

If you have no activity to report under one or more Seller/Servicer numbers, you must send Freddie Mac a monthly EDR transmission to indicate “No Activity” for each Seller/Servicer number that has no activity for the month.

When to Report

You must send us your monthly EDR transmission between the first and third business day of each month to report all activity that occurred in the previous month. Data must be reported by 7:00 p.m. Eastern time to be credited as received on that day.

For additional information about EDR, refer to our *Electronic Default Reporting Quick Reference Guide*.

Your Servicer Performance Profile

The Servicer Performance Profile (Profile) is a confidential electronic report that Freddie Mac sends you providing detailed information on how well you are doing relative to our servicing guidelines, requirements, criteria, and standards.

There are two parts to your Profile: Investor Reporting and Remitting, and Default Management.

1. Investor Reporting and Remitting provides feedback on your investor accounting performance.
2. Default Management provides feedback on your collection, workout, and foreclosure performance, as well as the accuracy and timeliness of your delivery of data through Electronic Default Reporting (EDR).

How to Access

You can access your Profile electronically on FreddieMac.com or MIDANET® for the PC. The latest Profile information becomes available by the fifth business day of each month.

Investor Reporting and Remitting Criteria

The following table identifies the criteria that comprise your Investor Reporting and Remitting tier rating on the Servicer Performance Profile, and steps you can take to maximize your performance.

Daily Report	Description
Shortage Percentage (30%)	Monitor your cash position daily to avoid any cash shortages.
Custodial Account Review (15%)	Reconcile your custodial accounts each month no later than 45 days from the accounting cycle cutoff. Resolve and fund any shortages no later than 90 days from the accounting cycle cutoff in which the variance(s) occurred. Freddie Mac may send you an audit request letter every year.
Percentage of Aged Applied Transactions in Error (15%)	Review the <i>Edits to be Cleared</i> and <i>System Cleared Edits</i> reports one business day after you report your monthly accounting transactions to Freddie Mac. Research any errors immediately. If you determine the error is the result of a discrepancy in your system, make the appropriate corrections to avoid edits in future cycles. If the error is due to a discrepancy in Freddie Mac's system, contact your Freddie Mac performing loan specialist to discuss the correction process.
Percentage of Applied Transactions in Error (25%)	
Average Number of Days to Report Payoffs (15%)	Report your payoff activity to Freddie Mac prior to the second business day after the payoff date or receipt of funds date.

This document is not a replacement or substitute for the information found in the *Single-Family Seller/Servicer Guide*, and /or terms of your Master Agreement and/or Master Commitment. © Freddie Mac