Responsible Lending Requirements

Freddie Mac

Freddie Mac actively opposes predatory lending and has implemented a number of policies designed to combat it, including purchase eligibility requirements, as well as the requirement that Freddie Mac-approved Seller/Servicers develop and implement policies designed to identify and deter predatory lending practices.

This quick reference summarizes what a Seller/Servicer must represent and warrant when selling a mortgage to Freddie Mac. It is not a replacement or substitute for requirements set forth in the Freddie Mac *Single-Family Seller/Servicer Guide* (Guide), and/or terms of other purchase documents (such as the Master Agreement and/or other Pricing Identifier terms). For additional information, refer to the Guide.

Topic	Requirement
Compliance with Applicable Law ***(Guide Section 4202.1)***	The mortgage and the servicing of the mortgage, mortgage transaction and the property securing the mortgage must be in compliance with all requirements of all federal, state and local laws, rules and regulations, including, without limitations: ▪ Truth-in-lending laws, ▪ Licensing laws, ▪ Doing-business laws ▪ Usury laws, and ▪ Anti-predatory lending and similar laws Any right of rescission involving the Mortgage under such laws, rules or regulations must have expired.
Home Ownership and Equity Protection Act of 1994 (HOEPA) ***(Guide Sections 4202.4 and 4301.2)***	Freddie Mac will not purchase any mortgage secured by a primary residence if the mortgage triggers one or more HOEPA thresholds, which are: ▪ The annual percentage rate exceeds the average prime offer rate by more than 6.5%; or ▪ The points and fees exceed 5% of the total loan amount for a transaction with a loan amount that is equal to or greater than $20,000 (or the points and fees exceed the lesser of 8% or $1,000 if loan amount is less than $20,000); or ▪ The prepayment penalties exceed 3 years or exceed more than 2% of the amount prepaid Refer to Guide Section 4202.3 for requirements effective for mortgages with application received dates prior to January 10, 2014.
State Specific Requirements ***(Guide Section 4202.2)***	Freddie Mac will not purchase mortgages that are designated as "high-cost," "high-risk" or similar mortgages in the following states: ▪ Arkansas ▪ Indiana ▪ New Jersey ▪ Rhode Island ▪ Colorado ▪ Kentucky ▪ New Mexico ▪ Tennessee ▪ Georgia ▪ Maine ▪ New York ▪ Illinois ▪ Massachusetts ▪ Oklahoma Such mortgages are ineligible for purchase by Freddie Mac regardless of whether the lender and/or Seller/Servicer qualifies for preemption based on its charter, or whether the law provides for an exemption for particular lenders and/or Seller/Servicers based on their charters, or for particular mortgages based on their purchase by Freddie Mac or another entity.

Topic	Requirement
Higher-Priced Mortgage Loans ***(Guide Section 4202.5)***	Freddie Mac will purchase a Higher-Priced Mortgage Loan (HPML) and Higher-Priced Covered Transaction (HPCT). A HMPL and HPCT are first-lien mortgages secured by a Primary Residence that has an annual percentage rate (APR) of 1.5% or more above the average prime offer rate (APOR) for a comparable transaction as of the rate lock date. A HPML or HPCT sold to Freddie Mac must be one of the following: ▪ A fixed-rate mortgage ▪ An ARM with an initial period of five, seven, or ten years (for example, 5/1, 7/1 or 10/1 ARMs) Freddie Mac requires Sellers to determine and deliver through Loan Selling Advisor, the rate spread percent on all mortgages that have a calculated rate spread percent equal to or greater than 1.5 percentage points, regardless of (1) whether the mortgage is secured by a primary residence; (2) whether the Seller originated the mortgage and/or; or (3) whether the Seller is a HMDA reporter. To determine the rate spread percent, you must calculate the difference between a mortgage APR and the Average Prime Rate Offer (APOR) for a comparable transaction. To assist in determining the rate spread percent, refer to the Federal Financial Institutions Examination Council's (FFIEC) rate spread calculator at www.ffiec.gov/ratespread/newcalc.aspx. Refer to the Guide Section 4202.5 for requirements effective for mortgages with Application Received Dates on or after October 1, 2009 and prior to October 15, 2014.
Steering ***(Guide Section 4202.3)***	Freddie Mac prohibits the "steering" of a borrower to a higher cost loan product when the borrower qualifies for a for a lower-cost loan product. A Seller should offer or direct applicants who seek financing through the Seller's higher-priced subprime or non-prime lending channel toward its standard mortgage line if the applicants qualify for one of the standard products.
Mandatory Arbitration ***(Guide Section 4202.9)***	Freddie Mac will not purchase any mortgage if any of the mortgage documents – including the Note, any Note addendum, the Security Instrument or any Security Instrument rider – contain a "mandatory arbitration" clause, that is, a clause that obligates the borrower to submit to arbitration any dispute arising out of or, relating in any way to the mortgage transaction.
Prepayment Penalty Mortgages	Freddie Mac will not purchase mortgages that include a prepayment penalty.

Topic	Requirement
Credit Insurance ***(Guide Section 4202.7)***	Freddie Mac will not purchase mortgages originated with the following policy types, regardless of whether the premium was financed in the mortgage amount or paid from the borrower's funds: ▪ Prepaid single-premium credit-life, ▪ Credit-disability, ▪ Credit-unemployment, ▪ Credit-property insurance policy, or ▪ Other such products