

FREDDIE MAC GNMA-BACKED REMICS AND STRIPS



BACKGROUND

- ▶ The Government National Mortgage Association, also known as GNMA, is a wholly-owned government corporation created in 1968. GNMA certificates are backed by the full faith and credit of the U.S. government.
- ▶ GNMA guarantees privately issued securities backed by pools of FHA or VA mortgages certificates which are known as GNMA certificates.
- ▶ Freddie Mac issued its first GNMA-backed REMIC in October 1992.
- ▶ The collateral for these REMICs and Strips consists of GNMA certificates. Although the certificates are guaranteed by GNMA, once they are resecuritized by Freddie Mac they carry the Freddie Mac guarantee.

CHARACTERISTICS

- ▶ Freddie Mac GNMA-backed REMICs and Strips are transferred in minimum original principal amounts of \$1 (or \$1,000 for residual tranches) and additional increments of \$1.
- ▶ They are sold, maintained and transferred electronically on the book-entry system of the Federal Reserve Bank with some exceptions. Retail and large coupon tranches (1200% coupon and higher) will be issued in definitive form through the Depository Trust Company (DTC); residual tranches will be issued in definitive form through Freddie Mac directly.

RECORD/PAYMENT DATE

- ▶ Principal and interest are paid on the 25th day of each month, to the holder of record on the last day of the month prior to payment. If the 25th falls on a weekend or holiday, then the payment is made on the next business day.

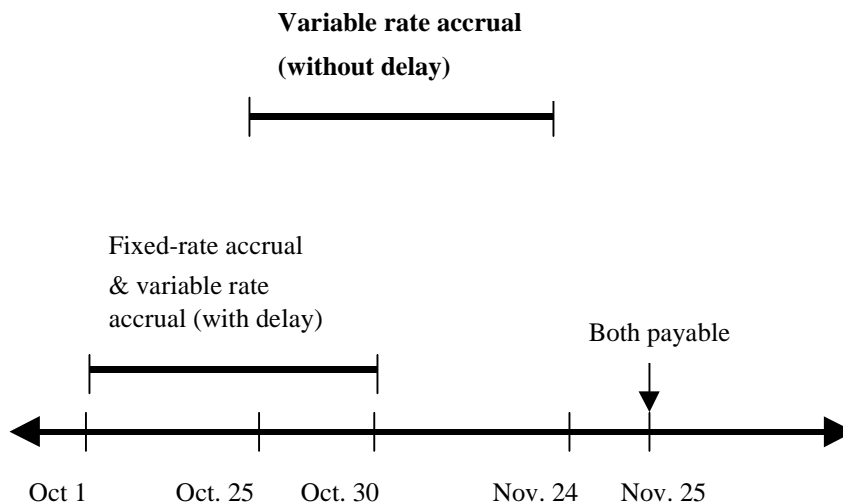
- ▶ Monthly payments can be calculated using the following equations:

$$\begin{aligned} \text{Interest} &= (\text{Original par value} \times \text{October factor} \times \text{October coupon}) / 12 \\ \text{Principal} &= (\text{November factor} - \text{October factor}) \times \text{Original par value} \end{aligned}$$

Examples based upon record date of October 30th and payment date of November 25th.

INTEREST ACCRUAL PERIOD

- ▶ For fixed-rate tranches interest will accrue from the 1st through the 30th of the month and is payable on the 25th of the following month.
- ▶ For variable rate tranches, based off an index, interest can accrue two different ways:
 - For variable rate tranches without a delay, interest will accrue from the 25th of each month through the 24th of the next month and is payable the following day.
 - For variable rate tranches with lay, interest will accrue from the 1st through the 30th of the month and is payable the 25th of the following month.



- ▶ Freddie Mac will make available the class coupons for all variable rate tranches by the first day of the accrual period.

POOL FACTORS

- ▶ Factors for GNMA-backed REMICs and Strips will be made available on or about the tenth business day of each month.

GNMA pool factors will be available through GNMA.

ELIGIBLE COLLATERAL

- ▶ Single-family fixed-rate loan pools issued under the GNMA I and II programs will be eligible collateral for Freddie Mac GNMA-backed REMICs and Strips.

MODELING ASSUMPTIONS

- ▶ For the purpose of resecuritization, Freddie Mac will make certain assumptions about the collateral using information made available to us.

For settlement and disclosure purposes:

- ▶ The assumed WAC will be 50 basis points higher than the collateral pass-through rate for deals that assume all or substantially all of the collateral delivered at settlement will be GNMA Is.
- ▶ The implied WAM can be derived from the Bond Buyer tape by decrementing the "original issue" WAM (i.e., the number of months between the pool issue date and the pool maturity date) to the current month.

INFORMATION SOURCES

- ▶ Underlying collateral information for Freddie Mac GNMA-backed REMICs and Strips will be available on www.freddiemac.com.
- ▶ For more information on Freddie Mac securities, please call Investor Inquiry at **(800) 336-3672**.

This fact sheet is not an offer to sell nor a solicitation of an offer to buy any Freddie Mac securities. Offers for any given security are made only through the applicable offering circular and related supplements, which incorporate Freddie Mac's information statement and related supplements.