

> Freddie Mac's Standard Adjustable-Rate Mortgages

Freddie Mac's Multifamily Adjustable-Rate Mortgages (ARMs) are ideal for borrowers who expect rates to go down or those who prefer the flexibility of a short-term loan. An ARM is also attractive to borrowers who want to reposition their properties through a management change or moderate rehabilitation.

Borrowers who choose Freddie Mac's Standard ARM must purchase an interest-rate cap from a third-party cap provider. Freddie Mac also offers a Capped ARM product with a built-in Freddie Mac-financed interest-rate cap. See the Capped ARM fact sheet for more details.

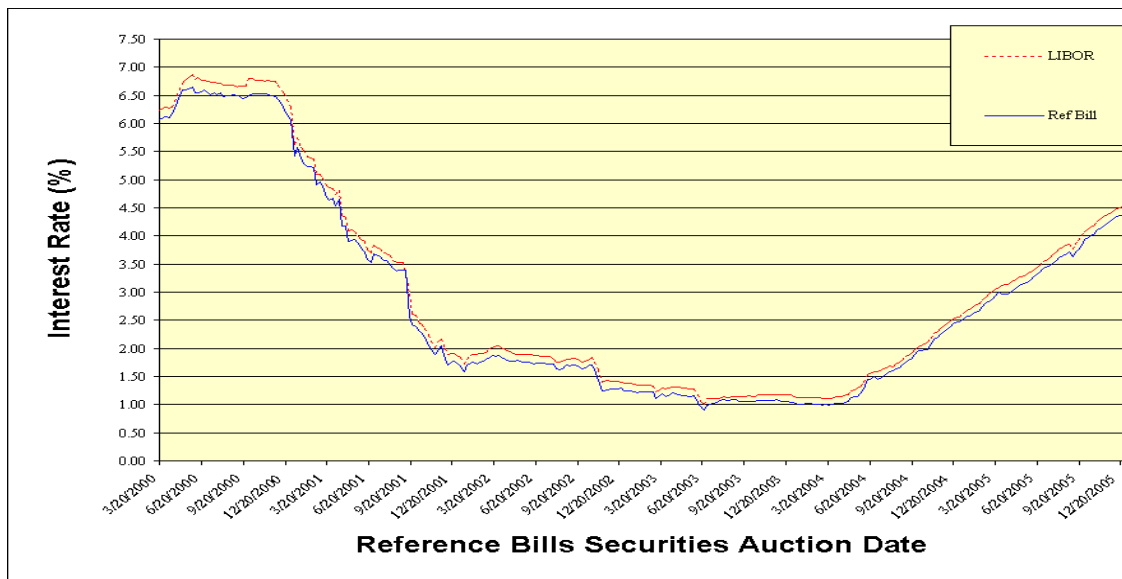
Advantages of our ARM products include:

- Choice of indices: 1-month or 3-month Freddie Mac Reference Bill® index or a 1-month or 3-month London Interbank Offered Rate (LIBOR) index
- Choice of 3-, 5-, 7- or 10-year loan term
- Up to 80 percent Loan-to-Value on loans with terms of 7 years or longer
- Interest-only option available
- Competitive pricing
- Convertible to a Freddie Mac fixed-rate loan at any time, unless lock-out applies
- Streamlined underwriting with only minor changes to loan documents at fixed-rate conversion

Indices

Freddie Mac Multifamily ARMs can be indexed to either Freddie Mac Reference Bills or the LIBOR. The following chart shows how Freddie Mac's 3-month Reference Bills have performed relative to the 3-month LIBOR.

**Historical Comparison of
Freddie Mac's 3-month Reference Bill Yield and 3-Month LIBOR**



Freddie Mac Reference Bills are short-term debt issued by the corporation in 1-, 3-, 6- and 12-month maturities. They are unsecured corporate obligations, similar to commercial paper issued by many corporations, and supplement the corporation's existing discount note program. Freddie Mac began issuing Reference Bills in 1999 in regular auctions in volumes of \$1 billion and up and is one of the world's largest nongovernment issuers of short-term debt, creating a stable, liquid market. Borrowers that choose to benchmark their loans to Reference Bills can be assured that they will receive one of the lowest short-term borrowing rates available in the nongovernment market.

LIBOR is a rate at which foreign banks lend money to one another. It is considered a stable, international rate, which is attractive to many commercial borrowers.

Eligible Loans

Refinance, acquisition or moderate rehabilitation financing

Eligible Properties

Garden, mid-rise and high-rise apartments

Eligible Borrowers

Partnerships (general or limited), corporations, trusts, joint ventures, limited liability companies or individuals

Eligible Seller/Service

Program Plus[®] Seller/Service

Maximum LTV

Up to 80% for amortizing loans with terms of 7 years or longer; 75% for loans with terms of less than 7 years; 70% for interest-only loans

Minimum DCR

1.25x underwritten at the index (Reference Bill or LIBOR) plus the quoted spread, including the servicing fee, plus a stress of 100 basis points

Minimum Loan Amount

\$2 million

Maximum Loan Amount

\$100 million

Available Loan Terms

3, 5, 7 or 10 years

Amortization

- Maximum 30 years, based on fixed amortization schedule
- Amortization adjusts with each payment to match the remaining amortization period
- Interest-only option is available on a case-by-case basis

Prepayment Provisions

Option One:

- 1-year lock-out period
- 1% prepayment premium if paid off after the lock-out period
- No prepayment premium for last 90 days of loan term
- Starting in year 2, Freddie Mac will waive the 1% prepayment premium if the loan is converted to a Freddie Mac fixed-rate loan

Option Two:

Year	Prepayment Premium
1	3%
2	2%
3 and beyond	1%

- No prepayment premium for last 90 days of loan term
- Starting in year 4, Freddie Mac will waive the remaining 1% prepayment premium if the loan is converted to a Freddie Mac fixed-rate loan.

Option Three:

Year	Prepayment Premium
1	5%
2	4%
3	3%
4	2%
5 and beyond	1%

- No prepayment premium for last 90 days of loan term
- Starting in year 6, Freddie Mac will waive the remaining 1% prepayment premium if the loan is converted to a Freddie Mac fixed-rate loan.

Supplemental Mortgages

Both fixed- and adjustable-rate Freddie Mac supplemental mortgages are permitted

Recourse Requirements

Nonrecourse except for standard carve-out provisions

Minimum Occupancy

85% for 90 days prior to closing

Appraisal, Environmental Report and Engineering Report

Required

Real Estate Tax Escrow

Generally required

Property Insurance Escrows

Generally required

Replacement Reserve Escrow

Generally required

Transfers/Assumptions

- Generally not assumable
- Related-party transfers may be allowed

Application Fee

Greater of \$2,000 or 0.1% of loan amount

Servicing Fee

Sliding scale between 3 and 10 bps based upon actual loan amount

Pricing

- Risk-based pricing
- Actual/360 interest calculations
- Early remittance may be required

Early Spread-Lock Option

- Loan amount and gross mortgage spread to the index may be locked for 60 days prior to anticipated purchase of the loan by Freddie Mac
- The total good faith deposit is 3% of the mortgage amount, of which 2.9% is refundable and 0.1% is a nonrefundable application fee

Interest-Rate Cap

- The borrower must purchase an interest-rate cap with a strike rate generally 300 basis points above the initial yield of the index. Since there is not yet a liquid market for interest rate caps based on our Reference Bills, borrowers must purchase a LIBOR-based cap regardless of the index selected.
- The third-party cap provider must be rated at least AA minus by Standard & Poor's or have an equivalent rating from Moody's.
- The cap must be assigned to Freddie Mac.
- The term of the cap must be equal to the term of the loan.

Conversion to New Fixed-Rate Loan

- To be eligible for conversion, the ARM must have no existing monetary or nonmonetary defaults and no past monetary defaults.
- The standard streamlined conventional cash mortgage requirements in effect *at the time of conversion* will apply to the new fixed-rate loan.
- No Freddie Mac exit or conversion fee will be charged starting in year 2, 4, or 6, depending on the prepayment option chosen
- Standard 10 bps Freddie Mac application fee is payable
- Only minor changes needed for the fixed-rate loan documents
- Applications for the fixed-rate loan are made through the Freddie Mac Program Plus lender
- Cash out to the borrower is permitted at conversion, as long as the LTV and DCR requirements are met. Increasing the loan amount or extending the term will affect the conversion process; more Freddie Mac due diligence is required in such instances