



Freddie Mac Fixed-to-Float Option

Freddie Mac offers a Fixed-to-Float Option for newly originated fixed-rate mortgages with terms of between 5 and 15 years. Borrowers who choose this option will realize a cost savings at pricing and gain additional flexibility at maturity. The price reduction is approximately 5 basis points on average, depending on market conditions and the term of the fixed-rate period.

With the Fixed-to-Float Option, borrowers agree to a yield maintenance provision that applies to the full loan term. (For example, a 10-year loan would have a full 10-year yield maintenance provision.) In return, borrowers get a reduced interest rate and can extend their loan term for one year, at which time the mortgage rate converts to a floating-rate equal to 250 basis points (gross) over the 1-month Freddie Mac Reference Bill[®] index. The extended term gives borrowers more time to seek refinancing, while enjoying a rate based on an index that has historically traded at a 15- to 25-basis point discount to LIBOR. During the 1-year floating-rate period, borrowers can pay off their loan at anytime at par.

Guidelines During Fixed-Rate Period

Eligible Mortgages

Fixed-rate mortgages

Eligible Mortgage Products

- Conventional Mortgages (Including Interest-Only Mortgages)
- Other products eligible on a case-by-case basis

Loan Term

5 to 15 years

Prepayment Provisions

- Prepayable in full, subject to the greater of yield maintenance or 1% of UPB
- Yield maintenance premium applies during the entire fixed-rate term

Conversion to Extended 1-Year Floating-Rate Term

Automatic if loan is not paid off at maturity. Loan will not be re-underwritten at conversion.

Other Terms and Conditions

Other terms and conditions of chosen mortgage product apply (i.e., Conventional Mortgage guidelines)

Guidelines for 1-Year Floating-Rate Period

Loan Term

1 year past fixed-rate term maturity date

Amortization

- Amortizing mortgages will continue with same amortization schedule as fixed-rate term
- Interest-Only Mortgages will remain interest-only

Prepayment Provisions

Prepayable at par

Pricing

- Spread of 250 basis points (gross) over the 1-month Freddie Mac Reference Bill index

Interest-Rate Cap

Not required

Transfers/Assumptions

Not permitted

Servicing Fee

Servicing fee from fixed-rate period applies