



Freddie Mac Adjustable-Rate Mortgages (ARM)

Ideal product for borrowers who want to take advantage of lower short-term rates with prepayment flexibility

Key Benefits

- Convertible to a new Freddie Mac fixed-rate or fixed-to-float mortgage at any time after lockout with streamlined underwriting
- Flexible choice of indices
- Choice of interest rate cap coverage
- Four prepayment provision options available

At-a-Glance

Product Summary	
Index Choices	1-month or 3-month Freddie Mac Reference Bills® index or a 1-month or 3-month LIBOR index
Prepayment Options	Four prepayment options available (see chart below). Option four available only for 10-year capped ARM.
Spread Lock	Early spread lock for 60 or 120 days available
Loan Terms	5, 7, and 10 year
Interest-Only Period	Partial interest-only and full term interest-only available
Interest Rate Cap	Choice of the Freddie Mac Embedded Interest Rate Cap or you may obtain your own cap coverage from a third-party provider; no cap necessary for loans less than 60% LTV

Prepayment Provisions

You can choose from four prepayment provisions when structuring Freddie Mac standard, capped or uncapped ARMs. The fourth option is only available for a 10-year capped ARM. Each option offers no prepayment premium for the last 90 days of the loan term.

Prepayment Premium	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Option 1	Locked out	1%; waived if converted	--	--	--	--	--	--
Option 2	3%	2%	1%	If ≥ 4, waived if converted	--	--	--	--
Option 3	5%	4%	3%	2%	1%	If ≥ 6, waived if converted	--	--
Option 4 (10 yr capped ARM)	7%	6%	5%	4%	3%	2%	1%	If ≥ 8, waived if converted

Maximum Loan-to-Value Ratio and Minimum Amortizing¹ Debt Coverage Ratio

ARM	LTV/DCR (at max note rate)		
	Amortizing	Partial Interest-Only ²	Interest-Only (using amortizing payment)
Acquisition and No Cash-Out Refinance			
≥ 7 Year Term	80% / 1.05x	80% / 1.05x	65% / 1.15x
< 7 Year Term	70% / 1.05x	60% / 1.10x	60% / 1.15x
Cash-Out Refinance			
≥ 7 Year Term	75% / 1.10x	75% / 1.10x	60% / 1.20x
< 7 Year Term	65% / 1.10x	60% / 1.15x	60% / 1.20x

¹ The debt coverage ratio (DCR) calculated for the Partial Interest-Only and Interest-Only period uses an amortizing payment.

² For partial term Interest-Only loans, there must be a minimum amortization period of 5 years for greater than 5-year loan terms and 4 years for a 5-year loan term.

For more information, visit FreddieMac.com/Multifamily