



Affordable Merit Rate Mortgage

An incentive rate reduction for on-time payments

These mortgages provide more choices for credit-challenged homebuyers who are traditionally consigned to a limited choice of higher-cost financing options. With this offering, you can qualify more borrowers at an initial interest rate that may be closer to conventional rates. Borrowers have a four-year period to make 24 consecutive on-time mortgage payments, after which they'll qualify for a one-time, one percent interest rate reduction. As part of our A-minus offering, you can take advantage of Loan Prospector® automated underwriting technology to effectively and efficiently assess Affordable Merit Rate Mortgages.

> Borrower Profile

- Borrowers with less-than-perfect credit history

> Key Features

- May provide a lower initial interest rate than other, higher-cost financing options
- Automatic, one-time, one percent interest rate reduction after 24 consecutive on-time monthly payments
- Purchase and no cash-out refinances
- 1- to 2-unit primary residences
- 30-year fixed-rate mortgages

> Borrower Benefits

- Delivers home financing at a rate that may be lower than other higher-cost financing options
- Provides an additional rate reduction incentive for on-time payments that reduces the need to refinance and incur associated costs
- Helps establish a record of good credit management

ORIGINATION & UNDERWRITING REQUIREMENTS	
How it Works	<ul style="list-style-type: none"> With Affordable Merit Rate Mortgages, borrowers will have a four-year period to make 24 consecutive on-time¹ mortgage payments in order to qualify for a one-time, one percent interest rate reduction. If a late mortgage payment occurs in the first 24 months, borrowers will be re-evaluated on the 36- or 48-month anniversary of the payment due date. Borrowers who meet the eligibility requirements will automatically receive the one-time rate reduction, effective the month following the eligible anniversary date. <p>¹Freddie Mac defines on-time payment as any payment that does not go beyond 30-days past due.</p>
Eligible Property Types	<ul style="list-style-type: none"> 1-to 2-unit primary residences, including condominiums, PUDS, and manufactured homes
Eligible Mortgages	<ul style="list-style-type: none"> Purchase and no cash-out refinance 30-year fixed-rate mortgages only Loans must have a LTV/TLTV ratio that complies with Freddie Mac's <i>Single-Family Seller/Servicer Guide</i> (Guide) Section 23.4.1 Affordable Merit Rate Mortgages must not be: <ul style="list-style-type: none"> Seasoned mortgages Mortgages with temporary subsidy buydowns Prepayment Protection mortgages Mortgages with an interest-only option Other mortgages as listed in Guide Chapter E33 Super conforming mortgages <p>All mortgages that are identified as A-minus eligible by Loan Prospector and meet the requirements of Guide Chapter C33 will be considered A-minus Mortgages by Freddie Mac. Mortgages identified as A-minus eligible but do not meet the requirements of Guide Chapter C33 or E33 are not eligible for sale to Freddie Mac as Affordable Merit Rate Mortgages.</p>
Secondary Financing	Mortgages with secondary financing, including Home Equity Lines of Credit (HELOCs) per the Guide, are eligible for delivery as Affordable Merit Rate Mortgages.
Borrower Eligibility Requirements	Loan Prospector Caution Mortgages that receive a special purchase eligibility code and the following feedback message: "500 Freddie Mac Eligible. LP A-minus Offering."
Mortgage Insurance Requirements	<ul style="list-style-type: none"> Refer to standard mortgage insurance coverage in Guide Section 27.1 (a). Freddie Mac approval is required for annual and monthly premium lender-paid mortgage insurance.
Special Underwriting Requirements	<ul style="list-style-type: none"> If all mortgage payment histories for each qualifying borrower are not verified on the Loan Prospector credit reports, the Seller must directly verify and document in the mortgage file any mortgage payment histories during the last 12-month period. If the borrower was 30 days or more delinquent more than twice, or was 60 days or more delinquent on any combination of mortgages, the mortgage is ineligible for delivery to Freddie Mac. A Loan Prospector Caution Mortgage that receives loan evaluation results of eligible for A-minus and that does not meet the requirements of Guide Chapter E33 may be eligible for sale as an A-minus Mortgage if the requirements of Guide Chapter C33 are met. Affordable Merit Rate Mortgages must be originated using Uniform Instruments and the Freddie Mac Form 3294, <i>Multistate Affordable Merit Rate Addendum To Note</i>, and Form 3194, <i>Multistate Affordable Merit Rate Rider</i>.
DELIVERY REQUIREMENTS	
Eligible Executions	<ul style="list-style-type: none"> Servicing-released cash Servicing-retained cash
Delivery Requirements	<ul style="list-style-type: none"> Cash Offer Product Number: 689 You are required to deliver the Loan Prospector Key Number for all Loan Prospector mortgages. Mortgages with delivery or settlement dates more than 120 days after the note date require an appraisal update meeting Chapter 44 requirements with an effective date no more than 60 days prior to the delivery or settlement date. If the property value has declined since the effective date of the original appraisal, the mortgage is eligible only for negotiated sale through our bulk sales path.
Delivery Fees	A Loan Prospector Caution Mortgage that receives an A-minus assessment will not be assessed the CS/LTV postsettlement delivery fee if it meets the requirements of Guide Chapter E33 and is delivered as an Affordable Merit Rate Mortgage. Visit Guide Exhibit 19, <i>Postsettlement Delivery Fees</i> , online at http://www.FreddieMac.com/singlefamily/pdf/ex19.pdf .
SERVICING REQUIREMENTS	
<ul style="list-style-type: none"> To be eligible to service Affordable Merit Rate Mortgages, you must be a Freddie Mac Tier 1 or Tier 2 Servicer in both Performing loans and Non-performing loans. The Servicer must review the borrower's mortgage payment history on the second, third, and fourth anniversary dates of the first payment to determine if the borrower meets all of the following conditions: <ul style="list-style-type: none"> Has no payments that are delinquent 90 days or more since the origination date. Has made 24 consecutive monthly payments on the review date, with none of these payments delinquent 30 days or more. If the borrower meets the above requirements, the Servicer must reduce the mortgage interest rate one percent. If these requirements are not met within the first 48 months of the mortgage, the mortgage becomes ineligible for a rate reduction. 	

Learn more about Affordable Merit Rate Mortgages:

- Refer to Chapter E33 of the *Single-Family Seller/Servicer Guide*
- Call (800) FREDDIE
- Visit www.FreddieMac.com