



Constant Maturity Treasury-Indexed (CMT) ARMs

Expand your origination volume and maintain your competitive position in any market

CMT-indexed ARMs offer a fixed rate for a specified time and an annual adjustment over the remaining term – providing options for prime borrowers who do not intend to stay in their homes for long periods, but who understand that their rate will increase. With dozens of different Freddie Mac ARMs available, we purchase 1-year, 3/1, 5/1, 7/1, and 10/1 CMT-indexed ARMs for cash or through our WAC ARM Guarantor program.

> Borrower Profile

- Borrowers looking for lower initial rates and monthly payments
- Homebuyers who only plan to stay in their homes a short period of time
- Borrowers who understand their rate will increase

> Key Features

- 1-year, 3/1, 5/1, 7/1, and 10/1 CMT-indexed ARMs with various rate and cap structures
- WAC ARM Cash and WAC ARM Guarantor execution options
- Purchase or refinance
- Convertible and nonconvertible options
- Minimum servicing spread 0.250%

> Borrower Benefits

- Financing alternatives for homebuyers looking for lower initial rates and monthly payments, and who understand that their rate will increase
- Cost savings for borrowers who only plan to stay in their homes a short period of time

ORIGINATION & UNDERWRITING REQUIREMENTS	
Eligible Property Types	<ul style="list-style-type: none"> ▪ 1- to 4-unit owner-occupied primary residence ▪ 1- to 4-unit investment property ▪ Second home
Eligible Mortgages	<ul style="list-style-type: none"> ▪ Purchase, no cash-out, and cash-out refinance mortgages ▪ Loan Prospector® and Non-Loan Prospector Mortgages ▪ Originate with Home Possible® Mortgages (5/1, 7/1, and 10/1 ARMs only), Financed Permanent Buydown (5/1, 7/1, and 10/1 CMT ARMs only), Streamlined Refinance, A-minus Mortgages, Mortgages for Newly Constructed Homes, and temporary subsidy buydowns. Plus, investigate additional ARM opportunities through a full suite of Initial Interest® 3/1, 5/1, 7/1 and 10/1 ARMs and many ARMs that are eligible for sale as Prepayment Penalty Mortgages and sold through the selling system WAC ARM Guarantor execution. ▪ For manufactured homes, only 7/1 and 10/1 ARMs are eligible for sale to Freddie Mac. ▪ ARMs secured by investment properties are eligible for sale if the borrower owns only one financed investment property. If the borrower owns more than one financed investment property, the investment property mortgage sold to Freddie Mac must be a 7/1 or 10/1CMT ARM. ▪ All ARMs eligible for sale under the WAC ARM Guarantor program through the selling system are eligible for sale as Prepayment Penalty Mortgages. ▪ 1-year, 3/1, and 3-year ARMs with margins of 400 basis points or more are not eligible for sale under flow purchase paths. ▪ Super conforming mortgages with 5/1, 7/1, or 10/1 ARMs and 5/1, 7/1, 10/1 Initial Interest ARMs with an interest-only period of 10 years. See Guide Chapter L33 for requirements.
Eligibility Requirements	See Guide Chapter 30 and Exhibits 17/17S for ARM eligibility requirements.
Special Underwriting Requirements	<ul style="list-style-type: none"> ▪ Minimum Indicator Score of 620 unless otherwise specified in the Guide (Loan Prospector® A-minus Mortgages are exempt). ▪ All mortgages must meet the risk class and/or minimum Indicator Score requirements in Guide Exhibit 25A, where applicable. ▪ Maximum debt-to-income ratio of 45 percent for manually underwritten mortgages except Streamlined Refinance Mortgages. ▪ See Guide Chapter 30.16 for special underwriting requirements including: <ul style="list-style-type: none"> ○ For 1-year, 3-year, 5-year, 3/1, and 5/1 ARMs that are less than one year old at the time of delivery, the initial note rate cannot be more than three percent below the fully indexed rate. ○ For Accept Mortgages and A-minus Mortgages, Loan Prospector has determined the borrower ratios that are acceptable. ▪ Loan Prospector Caution Mortgages and Non-Loan Prospector mortgages must be manually underwritten per Guide Chapter 37.
Uniform Instruments/Lookback Period	<ul style="list-style-type: none"> ▪ All ARMs must be closed on the Fannie Mae/Freddie Mac or Freddie Mac Uniform Instruments. ▪ The current version of the Uniform Instruments is available in Guide Exhibit 4 and online at www.freddiemac.com/uniform/ ▪ The form number, current version date and title for the multistate version of the ARM note and rider required for each ARM product is listed in Guide Section 30.12. ▪ The due-on-sale clauses included in the Uniform Instruments are detailed in Guide Section 8.1.2. ▪ ARM notes and riders support CMT indices with a 45-day lookback period for ARMs eligible for sale through the selling system WAC ARM Guarantor execution.
Execution Options	<ul style="list-style-type: none"> ▪ WAC ARM Cash (nonconvertible only) ▪ WAC ARM Guarantor (nonconvertible only in selling system)
Remittance Options	<ul style="list-style-type: none"> ▪ First Tuesday – our standard cycle ▪ Accelerated Remittance Cycle (ARC)
DELIVERY REQUIREMENTS	
Delivery Requirements	<p>See Guide Chapter 17 for special delivery requirements for ARMs, including:</p> <ul style="list-style-type: none"> ▪ You must deliver all documentation and mortgage data prior to the delivery due date of each purchase contract on Form 13SF, including: <ul style="list-style-type: none"> ○ Mandatory SCCs, Indicator Score, Index Source Code, Index Lookback Days, First Rate Adjustment Min. Rate, and First Rate Adjustment Max. Rate. ▪ If you choose to use a custodian other than Freddie Mac Document Custody Services, Form 1034A must be completed and requirements met from Guide Sections 18.2-18.5. ▪ 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.
Pooling and Disclosure Requirements	<ul style="list-style-type: none"> ▪ See Guide Chapter A13 for the ARM pooling and disclosure requirements related to issuing WAC ARM PCs under the WAC ARM Guarantor execution. ▪ The underlying ARMs in each WAC ARM PC Pool can be assumable either during the life of the loan or assumable after the initial period.
Delivery Fees	Postsettlement delivery fees may apply based on certain characteristics of the mortgage. See Guide Exhibit 19 for details. Guide Exhibit 19 is available online at http://www.FreddieMac.com/singlefamily/pdf/ex19.pdf .
SERVICING REQUIREMENTS	
The minimum servicing spread is 0.250% (25 basis points) and is subject to requirements in Guide Section 8.2.2.	

Key Features

This table summarizes the Freddie Mac-eligible CMT-indexed ARMs (not Initial Interest)

Eligible ARM Product	Eligible Executions	Caps/Convertibility *Convertible ARMs are not eligible for sale through the selling system	Minimum Contract Servicing Spread	
1-year ARM	Cash	Convertible and Nonconvertible	0.250%-0.375%	
		Initial Cap: 1% Periodic Cap: 1% Life Cap: 5% or 6%		Initial Cap: 2% Periodic Cap: 2% Life Cap: 5% or 6%
	WAC ARM Guarantor	Convertible and Nonconvertible	0.250%-2.00%	
		Initial Cap: 1% Periodic Cap: 1% Life Cap: ≤6%		Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%
3-year ARM	WAC ARM Guarantor	Nonconvertible Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%	0.250%-0.375%	
5-year ARM	WAC ARM Guarantor	Nonconvertible Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%		
3/1 ARM	Cash	Nonconvertible Initial Cap: 2% Periodic: 2% Life Cap: 6%	0.250%-0.375%	
	WAC ARM Guarantor	Convertible* and Nonconvertible Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%	Nonconvertible Initial Cap: 3% Periodic Cap: 2% Life Cap: ≤6%	0.250%-2.00%
5/1 ARM	Cash	Nonconvertible Initial Cap: 2% Periodic Cap: 2% Life Cap: 5%	Nonconvertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%	0.250%-0.375%
	WAC ARM Guarantor	Convertible* and Nonconvertible Initial Cap: 2% or 5% Periodic: 2% Life Cap: ≤6%	Nonconvertible Initial Cap: 3% Periodic: 2% Life Cap: ≤6%	0.250%-2.00%
7/1 ARM	Cash	Nonconvertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%	0.250%-0.375%	
	WAC ARM Guarantor	Convertible* and Nonconvertible Initial Cap: Must be same as Life Cap Periodic Cap: 2% Life Cap: ≤6%	Nonconvertible Initial Cap: 2% or 3% Periodic: 2% Life Cap: ≤6%	Nonconvertible Initial Cap: 5% Periodic: 2% Life Cap: 6%
10/1 ARM	Cash	Nonconvertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%	0.250%-0.375%	
	WAC ARM Guarantor	Convertible* and Nonconvertible Initial Cap: Must be same as Life Cap Periodic Cap: 2% Life Cap: ≤6%	Nonconvertible Initial Cap: 2% or 3% Periodic: 2% Life Cap: ≤6%	Nonconvertible Initial Cap: 5% Periodic: 2% Life Cap: 6%

Learn more about Freddie Mac CMT-indexed ARMs:

- Review Guide Chapter 8, 17, and 30
- Call (800) FREDDIE
- Visit FreddieMac.com