



London Interbank Offered Rate-Indexed ARMs

Offer borrowers greater flexibility with LIBOR-indexed ARMs

Our LIBOR-indexed ARM product options, including convertible and non-convertible variations, are geared to provide an attractive alternative for your borrowers seeking ARM advantages, enhance your product line as a companion to Constant Maturity Treasury-indexed (CMT) ARMs, and improve your competitive position in any market condition. We purchase 1-year, 3/1, 5/1, 7/1, and 10/1 LIBOR-indexed ARMs through our WAC ARM Cash or our WAC ARM Guarantor execution; and 6-month, 3/6-month, 5/6-month, 7/6-month, and 10/6-month LIBOR-indexed ARMs through our WAC ARM Guarantor execution in the selling system.

> Borrower Profile

- Borrowers looking for lower initial rates and mortgage payments
- Financially savvy borrowers
- First-time or move-up homebuyers

> Key Features

- 6-month, 1-year, 3/6-month, 5/6-month, 7/6-month, 10/6-month, 3/1, 5/1, 7/1, and 10/1 LIBOR-indexed ARMs with various cap structures
- Purchase or refinance
- Convertible and nonconvertible options
- Minimum servicing spread 0.250%
- Expanded lookback options

> Borrower Benefits

- Flexible options for your financially savvy borrowers who plan to move before the initial fixed-rate period ends
- Financial savings for your first-time homebuyers looking for lower initial rates and monthly payments, and who understand that their rate will increase
- More financing alternatives for your refinance or move-up borrowers who want to purchase a bigger home or prefer to put their money in other areas

ORIGINATION & UNDERWRITING REQUIREMENTS	
Eligible Property Types	<ul style="list-style-type: none"> ▪ 1- to 4-unit owner-occupied primary residence and investment properties ▪ Second homes
Eligible Mortgages	<p>See Guide Section 25.4 for eligible ARMs, including:</p> <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 (5/6-month, 7/6-month, 10/6-month, 5/1, 7/1 and 10/1 ARMs only), and A-minus Mortgages, Mortgages for Newly Constructed Homes, and temporary subsidy buydowns. ▪ Only 7/1 and 10/1 ARMs secured by manufactured homes 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 10/1 ARM. ▪ Adjustable-rate Prepayment Penalty Mortgages are not eligible for sale unless specially negotiated. ▪ 6-month, 3/6-month, 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. See guide Chapter L33 for requirements.
Eligibility Requirements	<ul style="list-style-type: none"> ▪ See Guide Chapter 30 for special eligibility requirements for ARMs.
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. ▪ See Guide Chapter 30.16 for special underwriting requirements, including: <ul style="list-style-type: none"> ○ For 6-month, 1-year, 3/1, 5/1, 3/6-month and 5/6-month 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 Loan Prospector Accept Mortgages and A-minus Mortgages, Loan Prospector has determined the borrower ratios are acceptable. ○ Loan Prospector Caution Mortgages and Non-Loan Prospector Mortgages must be manually underwritten per Guide Chapter 37 and 30.16(b), <i>Calculating Borrower Ratios for ARMs</i>.
Uniform Instruments/Lookback Period	<ul style="list-style-type: none"> ▪ All ARMs and Convertible ARMs must be closed on the Fannie Mae/Freddie Mac or Freddie Mac Uniform Instruments. ▪ The most current version of the Uniform Instruments is available in Guide Exhibit 4 and online at http://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 LIBOR indices with a 45-day lookback period and a first business day of the preceding month lookback period for ARMs eligible for sale through the selling system WAC ARM Guarantor execution.
Minimum Servicing Spread	<ul style="list-style-type: none"> ▪ The minimum servicing spread is 0.250%.
Execution Options	<ul style="list-style-type: none"> ▪ WAC ARM Cash (nonconvertible only) ▪ WAC ARM Guarantor (nonconvertible only through the 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 the Form 13SF, including: <ul style="list-style-type: none"> ⊙ Mandatory SCCs, Indicator Score, Index Source Code, Index Lookback Days, First Rate Adjustment Min Rate, First Rate Adjustment Max. ▪ 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 only eligible 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	<ul style="list-style-type: none"> ▪ 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 www.FreddieMac.com/singlefamily/pdf/ex19.pdf.

Key Features

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

10/1 ARM	Cash	Non-convertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%		0.250%-0.375%
	WAC ARM Guarantor	Non-convertible Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤ 6%	Initial Cap: 5% Periodic Cap: 2% Life Cap: ≤ 6%	0.250%-2.00%

Learn more about Freddie Mac Initial LIBOR-indexed ARMs:

- Review Chapters 8, 17 and 30 of the *Single-Family Seller/Service Guide*
- Call (800) FREDDIE
- Visit www.FreddieMac.com