



Seller-owned Converted Mortgage

Offering you a streamlined process for selling converted ARMs

Our requirements for these mortgages provide a streamlined process for selling converted ARMs, so that when market conditions change or you look to restructure your balance sheet, your sale process is quick, easy, and profitable. Through this offering, loans must have been originated as convertible ARMs and converted to fixed-rate mortgages prior to sale to Freddie Mac.

> Borrower Profile

- Borrowers who want to convert their ARMs to a stable, fixed rate mortgage

> Key Features

- ARMs that have converted to a fixed rate of interest
- Non-Loan Prospector® Mortgages with a minimum Indicator Score of 680 for primary residences and second homes; minimum Indicator Score of 720 for investment properties
- Seasoned mortgages determined using the conversion date and not the original note date
- Must have been originated as a convertible ARM

> Borrower Benefits

- An easier process to convert to the security of a fixed-rate mortgage when interest rates rise
- Convenience with reduced borrower documentation requirements in most cases

ORIGINATION & UNDERWRITING REQUIREMENTS	
Eligible Property Types	<ul style="list-style-type: none"> ▪ 1 to 4-unit primary residence ▪ 1 to 4-unit investment property ▪ Second home
Eligible Mortgages	<ul style="list-style-type: none"> ▪ Original mortgage must be a convertible ARM that has converted to a fully amortizing fixed-rate mortgage prior to sale to Freddie Mac. The term may not extend beyond 30 years from the note date or effective date of Permanent Financing for a mortgage originated as a Mortgage for Newly Constructed Home. ▪ Meet <i>Single-Family Seller/Servicer Guide</i> (Guide) underwriting and eligibility standards at the origination date or effective date of Permanent Financing for a mortgage originated as a Mortgage for a Newly Constructed Home. ▪ LTV/TLTV/HTLTV ratios didn't exceed Guide limits on the note date or effective date of Permanent Financing for a mortgage originated as a Mortgage for a Newly Constructed Home; current LTV/TLTV/HTLTV ratios do not exceed Guide limits as of the delivery date. ▪ The principal balance of the mortgage has not increased since the note date or effective date of Permanent Financing for a mortgage originated as a Mortgage for a Newly Constructed Home; original loan amount does not exceed the maximum amount specified in Guide Section 23.3 in effect on the delivery date. ▪ Seasoned mortgages determined using the conversion date and not the original note date. Seller-owned Converted Mortgages with a selling system settlement date more than 12 months after the conversion date will be subject to our seasoned mortgage requirements in Guide Chapter 36, including seasoned mortgage delivery limitations and postsettlement delivery fees. ▪ Home Possible[®] Mortgages, Initial Interest Mortgages, Loan Prospector A-minus mortgages and mortgages with temporary subsidy buydowns are not eligible for sale as Seller-owned Converted Mortgages. ▪ Seller-owned Converted Mortgages are not eligible for Loan Prospector representation and warranty relief.
Borrower Eligibility Requirements	<ul style="list-style-type: none"> ▪ Non-Loan Prospector mortgages with the following minimum Indicator Scores: <ul style="list-style-type: none"> > 680 for 1- to 4-unit primary residence and second homes > 720 for 1- to 4-unit investment property ▪ The minimum Indicator Score for the Seller-owned Converted Mortgage cannot be more than 120 days old at the time of delivery. ▪ The borrower's monthly payment must not have been more than 30-days delinquent in the last 12 months before the selling system settlement date.
Special Underwriting Requirements	<ul style="list-style-type: none"> ▪ At least one qualifying borrower on the mortgage at the origination date must be an occupant borrower on the Seller-owned Converted Mortgage. ▪ Borrower must be requalified with new documentation at the Seller-owned Converted Mortgage interest rate using Freddie Mac's underwriting requirements in effect as of the delivery date if any of the following apply: <ul style="list-style-type: none"> > The principal and interest payment on the Seller-owned Converted Mortgage is more than 20 percent greater than the payment at which the borrower was originally qualified. > A borrower who contributed qualifying income, assets or reserves to the mortgage was removed from the mortgage. > The conversion date is less than 12 months after the note date or after the effective date of Permanent Financing if the mortgage was originated as a Mortgage for a Newly Constructed Home. ▪ Existing credit documentation in the mortgage file can be used to requalify the borrower. If the borrower does not requalify using the existing documentation, obtain new documentation as outlined in Guide Section 32.2 (c). <ul style="list-style-type: none"> > If the borrower is requalified for the Seller-owned Converted Mortgage with new credit documentation, you must maintain the following in the new mortgage file: <ul style="list-style-type: none"> ○ New Uniform Residential Loan Application ○ New credit report meeting the requirements of Guide Section 37.10 ○ Verification of income and employment ▪ You'll need to represent and warrant that: <ul style="list-style-type: none"> > The property value has not declined since the note date or since the effective date of the most recent appraisal report if the mortgage was originated as a Mortgage for a Newly Constructed Home. (See instructions in Guide Section 32.3 (a) if you cannot warrant that the property value has not declined.) > Conversion has not altered or impaired mortgage insurance. (See instructions in Guide Section 32.3 (b) if you cannot warrant that the insurance policy has not been impaired.) > Conversion hasn't altered or impaired coverage under the title insurance policy or attorney's opinion of title. > All the original note and security instrument terms for converting the mortgage to a fixed rate of interest have been met. > A Seller-owner Converted Mortgage is a first lien.
Loan Instruments	<p>The original convertible ARM may have been originated on Uniform Instruments or nonstandard documents that meet the requirements stated in Guide Section 32.5. Freddie Mac strongly encourages the use of Uniform Instruments when originating convertible ARMs. The Seller-owned Converted Mortgage must consist of:</p> <ul style="list-style-type: none"> ▪ The original Security Instrument and Convertible Adjustable Rate Rider. ▪ An ARM conversion agreement. <i>Freddie Mac Multistate Agreement to Convert</i>, Uniform Instrument Form 3180 may be used to evidence conversion. The conversion agreement must be recorded if necessary to establish that the Seller-owned Converted Mortgage is a first lien. ▪ The original Convertible Adjustable Rate Note with the conversion agreement attached or a new Fannie Mae/Freddie Mac Uniform Fixed-rate Note. <p>For a Seller-Owned Converted Mortgage originated as a Mortgage for a Newly Constructed Home, the conversion of Interim Construction Financing to Permanent Financing must have occurred prior to the conversion from a Convertible ARM to a fixed-rate mortgage and must have been documented in accordance with Guide Section K33.4. For complete documentation requirements see Guide Section 32.5.</p>

DELIVERY REQUIREMENTS	
Eligible Executions	<ul style="list-style-type: none"> ▪ Servicing-retained Cash ▪ Fixed-rate Guarantor ▪ MultiLender Swap (non-seasoned mortgages only)
Delivery Requirements	<p>The following special data must be delivered on Form 11, <i>Mortgage Submission Schedule</i>:</p> <ul style="list-style-type: none"> ▪ Date of Note: the original note date ▪ Original Loan Amount: The loan amount as of the conversion date ▪ Reference Code: 0005 ▪ Modification/Conversion Date: The date on which conversion documentation was effective. ▪ Credit Score Value (CSV): The Indicator Score ▪ Credit Score Type (CST): The Indicator Score selection method, using a numeric value as listed on Form 11
Delivery Fees	<ul style="list-style-type: none"> ▪ Delivery fees may apply based on loan attributes such as loan purpose, mortgaged premises, or seasoning, and include CS/LTV delivery fees for Non-Loan Prospector mortgages. See Guide Exhibit 19 for more details or access Guide Exhibit 19 online at http://www.FreddieMac.com/singlefamily/pdf/ex19.pdf.

Learn more about Seller-owned Converted Mortgages:

- Refer to Chapter 32 of the *Single-Family Seller/Servicer Guide*
- Call (800) FREDDIE
- Visit www.FreddieMac.com