



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
- Must be manually underwritten
- 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

REQUIREMENTS RELATED TO THE MORTGAGE PRIOR TO CONVERSION	
Eligible Property Types	<ul style="list-style-type: none"> ▪ 1- to 4-unit primary residences ▪ 1- to 4-unit investment properties ▪ 1-unit second homes
Eligible Mortgages	<ul style="list-style-type: none"> ▪ Occupancy type must not have changed since the note date or the effective date of permanent financing for Mortgages for Newly Constructed Homes. ▪ Mortgage was a conventional, fully amortizing mortgage and had an original amortization term no greater than 30 years from the note date or the effective date of permanent financing for Mortgages for Newly Constructed Homes. ▪ Mortgage must have met all underwriting and eligibility requirements on the note date or the effective date of permanent financing for Mortgages for Newly Constructed Homes. ▪ LTV/TLTV/HTLTV ratios did not exceed limits in Guide Section 23.4 as of the note date or the effective date of permanent financing for Mortgages for Newly Constructed Homes. ▪ The principal balance of the mortgage has not increased since the note date or the effective date of permanent financing for Mortgages for Newly Constructed Home; loan amount of the mortgage prior to conversion does not exceed the maximum loan amount in Guide Section 23.3 that was in effect on note date.
Mortgage Payment History	<ul style="list-style-type: none"> ▪ Mortgage was not in default and otherwise meets the requirements in Guide Section 22.9.
Ineligible Mortgages	<ul style="list-style-type: none"> ▪ Home Possible[®] Mortgages ▪ Initial Interest[®] Mortgages ▪ A-minus Mortgages ▪ Mortgages secured by manufactured homes ▪ Mortgages with temporary subsidy buydowns ▪ Seller-Owned Converted Mortgages are not eligible for Loan Prospector[®] representation and warranty relief. ▪ Super conforming mortgages ▪ Restructured mortgages
SELLER-OWNED CONVERTED MORTGAGE REQUIREMENTS	
Borrower Eligibility Requirements	<ul style="list-style-type: none"> ▪ The borrowers are the same as the borrowers on the mortgage prior to conversion, except that a borrower who contributed no qualifying income, assets or reserves may be removed.
Eligible Mortgages	<ul style="list-style-type: none"> ▪ Mortgage must have a fixed-rate of interest with level monthly principal and interest payments.
Underwriting Requirements	<ul style="list-style-type: none"> ▪ Mortgage must be manually underwritten and may not be submitted to Loan Prospector for evaluation. ▪ Mortgage must meet all eligibility and underwriting requirements in effect on the delivery date. ▪ The mortgage eligibility and underwriting requirements must be based on the loan purpose as of the note date. ▪ Mortgage is a conventional, fully amortizing mortgage and the mortgage term may not extend beyond 30 years from the note date or from the effective date of permanent financing for Mortgages for Newly Constructed Homes. ▪ LTV/TLTV/HTLTV ratios may not exceed the limits in Guide Section 23.4 as of the delivery date. ▪ The mortgage must comply with the maximum original loan amounts stated in Guide Section 23.3 in effect on the delivery date. ▪ The borrower must be qualified using the converted terms meeting all Freddie Mac's eligibility, underwriting and documentation requirements. ▪ Required documentation includes, but is not limited to: <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. ▪ Seller-Owned Converted Mortgages do not receive any representation and warranty relief relating to the evaluation of the mortgages being converted through Loan Prospector. ▪ Underwriting documentation must be obtained no more than 120 days prior to the conversion date. ▪ Prepayment penalties may not be assessed in connection with the conversion of the mortgage. ▪ The converted mortgage may not be an Initial Interest Mortgage, restructured mortgage, super conforming mortgage or a mortgage with a temporary subsidy buydown. ▪ Mortgage must meet minimum Indicator Score requirements in Exhibit 25 for an applicable mortgage product. <ul style="list-style-type: none"> ○ If the borrower doesn't have a usable credit score and as a result does not have an Indicator Score, the mortgage is not eligible for purchase as a Seller-Owned Converted Mortgage.
Collateral Assessment	<ul style="list-style-type: none"> ▪ Sellers must obtain a new appraisal with an effective date that is no more than 120 days prior to the conversion date and that meets the requirements in the Guide. ▪ Sellers must represent and warrant that the property value has not declined since the effective date of the most recent appraisal or value supported by the Loan Prospector Feedback Certificate.
Mortgage Insurance	<ul style="list-style-type: none"> ▪ Increasing existing mortgage insurance coverage is not required to comply with Guide Section 27.1 if Freddie Mac's minimum coverage amounts have increased between the note date or the effective date of permanent financing for Mortgages for Newly Constructed Homes and the delivery date. ▪ Sellers must represent and warrant that the conversion has not altered or impaired mortgage insurance coverage. See instructions in Guide Section 32.3 (c) if you cannot warrant that the insurance policy has not been impaired. ▪ Lender-paid mortgage insurance is permitted. ▪ Flexible mortgage insurance options and financed mortgage insurance premiums are not permitted.

Loan Instruments	<ul style="list-style-type: none"> ▪ Mortgages must be originated on Uniform Instruments consisting of a Security Instrument and a new note and/or the original note with an attached loan conversion agreement. ▪ The loan conversion agreement must be recorded if necessary to establish that the Seller-Owned Converted Mortgage is a first-lien mortgage. ▪ The Seller must warrant that all the original note, and security instrument terms for converting the mortgage to a fixed rate of interest, have been met. ▪ A fully enforceable due-on-sale clause, such as contained in Freddie Mac's current fixed-rate Uniform Instruments, must be in effect after conversion to a fixed rate.
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: original note date ○ Original Loan Amount: The loan amount as of the conversion date ○ Reference Code: 0005 ○ 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 ○ Seller-Owned Converted Mortgages will be considered seasoned mortgages if the conversion date is more than 12 months prior to their sale to Freddie Mac and may only be sold to Freddie Mac with prior approval through our bulk sales path.
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 freddiemac.com/singlefamily/pdf/ex19.pdf.

Learn more about Seller-Owned Converted Mortgages:

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