

General Operating Principles

Best Efforts Contracts, Mandatory Contracts, and Servicing Released Sales Process

THIS TOOL IS NOT INTENDED AS A SUBSTITUTE FOR REQUIREMENTS FOUND IN THE SINGLEFAMILY SELLER/SERVICER GUIDE OR THE SELLING SYSTEM USER GUIDE.

Best Efforts Contracts

Overview:

If you take out a Best Efforts Contract in the selling system, and you close and fund the loan, you must deliver the loan to Freddie Mac under your original selling system commitment. Pulling the loan out of the selling system and delivering it to another investor, or recommitting the same loan in the selling system at a higher price, or even delivering the loan to Freddie Mac under a different commitment is a violation of the Freddie Mac Single-Family Seller/Servicer Guide and your eligibility for the Best Efforts contracting may be immediately terminated.

You may not substitute a Mortgage with different Borrowers or a different property address for the Mortgage specified in a Best Efforts Contract.

Pull-Through Rate:

Your pull-through rate is a percentage that measures the dollar volume of loans that you close versus the dollar volume of loans that you contract for using the Best Efforts offering. The more loans that you close and fund and deliver, the higher your pull-through percentage will be. Any loan that has expired or been withdrawn will adversely affect your pull-through rate. Freddie Mac will consider your pull-through rate, and its consistency in different market conditions, when determining your pricing.

Re-Price:

- If any of the loan characteristics change, you must modify the original loan that is allocated to a contract and you must re-price the loan through the contract. For example, if the Borrower decides to switch from a 30-year fixed-rate Mortgage to a 5-year Balloon/reset Mortgage, you must modify your original loan (without allocating to a new contract).
- Please note: when you accept a re-price for a Servicing Released contract, there is the possibility that a new Servicing Buyer bid will be accepted. The Contract Confirmation provides you with the most current Servicing Buyer; you must confirm the identity of the Servicing Buyer.
- Your loan will be re-priced using prices in effect on the original "Accept" date. Note: Primary Borrower, Social Security and Property loan data can only be corrected by contacting 800-FREDDIE.

Extensions:

You may extend your Best Efforts contract at any time prior to funding through the web-based application for a flat fee. You can find Best Efforts extension fee schedule on FreddieMac.com at the following link:

<http://www.FreddieMac.com/singlefamily/extension-fees.html>

A maximum of two extensions are allowed. The maximum number of days that a contract can be in the "Accept" state, including two extensions, is 150 days.

Relock:

If a Best Efforts Contract has expired or has been withdrawn and is in the “unfulfilled” contract status for less than 30 days, you may relock the original loan by extending the contract. The relock will be re-priced at the lower of:

- the original accepted price minus an extension fee, or
- the current market price

Reactivation:

If a Best Efforts Contract has expired or has been withdrawn and is in the “unfulfilled” contract status for more than 30 days, you may reactivate the original loan by extending the contract. The reactivation will be priced at the current market price. Failure to follow these principles may result in your eligibility for Best Efforts contracting being terminated without notice.

Important Dates for Best Efforts Contracts:

Freddie Mac hedges all Best Efforts Contracts from the time a contract is taken out until either a Withdrawn Date or Note Date is entered into the selling system. By entering these status notification dates in a timely manner, you help us to better hedge our pipeline and control our hedge costs, which can result in better pricing for you.

- **Withdraw Loan:** Once you determine that the mortgage specified in a Best Efforts Contract will not close, you must notify us by selecting “Withdraw Loan” in the selling system no later than the close of business on the Business Day following the day on which you deny the Borrower’s application, the Borrower withdraws a Mortgage application, or the Borrower exercises his/her right of rescission.
- **Set Docs Drawn Date:** No later than the close of business on the Business Day following the day on which the loan documents have been drawn up and the date for funding the Mortgage to the Borrower has been set, you must enter the Set Docs Drawn Date in the selling system.
- **Note Date:** No later than the close of business on the Business Day following the day on which you have funded the Mortgage to the Borrower, you must enter the Note Date in the selling system.

Duplicate Contracts:

Multiple contracts with the same Borrower, social security number and property address are not allowed and will be cancelled without notice. Contracts with “dummy” or fictitious data, such as a social security number of 123-45-6789 or a property address of “123 Anywhere Street” are also subject to cancellation without notice.

Mandatory Contracts (also known as Mandatory Cash Contracts)

If you take out a Mandatory Contract in the selling system, you are required to deliver against the commitment regardless of what Servicing option you select. If you are unable to deliver, you will be subject to a pair-off fee.

Individual loans can be allocated to the contract. The characteristics of the allocated loans can be changed prior to delivery. Loans can also be unallocated prior to delivery. Please be sure that all appropriate loans are allocated prior to the Purchase Contract Expiration Date so that a pair-off fee will not be assessed.

Pair-offs:

Freddie Mac may automatically pair off contracts that are not fulfilled and funded by the Purchase Contract Expiration Date. If you know that you will not be able to fulfill the terms of your contract, you can pair off the contract in the selling system.

Freddie Mac currently offers "two-way" pair-offs that may result in a fee due Freddie Mac from you or a fee due you from Freddie Mac, depending on market conditions. Freddie Mac reserves the right to amend the selling system pair-off process without prior notice.

Freddie Mac recognizes that there are times when you may not be able to fulfill the terms of your mandatory contract; therefore, we allow you a purchase tolerance. If you deliver below the purchase tolerance, you may incur a pair-off fee or receive funds as a result of the two-way pair-off process described above. The purchase tolerance for contracts under the cash program is the greater of \$10,000 or 2.5 percent of the contract amount.

Servicing Released Sales Process

Net Funding:

On the Funding Date, Freddie Mac will deduct the amount of certain funding adjustments from the sales proceeds paid to you for the purchase of each Mortgage you sell to Freddie Mac. You are responsible for reconciling any funding discrepancies that occur due to missing or incorrect loan data in the selling system directly with the Servicing Buyer.

Servicing Released Premium Repayment:

Mortgages (purchases and refinances) sold under the Servicing Released Sales Process that are paid in full within 90 days of the Freddie Mac Funding Date are subject to 100 percent SRP recovery by the Servicer. You must refund/repay the full SRP paid by Freddie Mac to the Servicer. Servicers will bill you for the correct SRP to be repaid. Refer to Exhibit 28A, Section 6.4(a) for confirmation.

Screening Out Transferee Servicers:

Sellers can request a particular transferee Servicer not be permitted to purchase Servicing rights for Mortgages Freddie Mac purchases from Seller by providing notice to Freddie Mac by facsimile or overnight mail to:

Freddie Mac
Mailstop 341
8200 Jones Branch Drive
McLean, VA 22102-3110
Attn: Customer Support Manager
Facsimile Number: (703) 880-0534

Such notice is NOT effective unless the Seller confirms Freddie Mac's receipt of the notice by telephoning (800) FREDDIE. Freddie Mac has two Business Days after Seller confirms our receipt of the notice to complete the termination of the transferee Servicer from acquiring the Servicing rights to Mortgages sold by the Seller.

Note: Requests will not affect Mortgages for which you have already entered into a Contract under the Servicing Released Sales Process, and cannot be made on a loan-by-loan basis.