



We make home possible®



## ARMs and Balloons Sales Tips

### ARMs and Balloon/Reset Mortgages in Any Market

Adjustable-rate mortgages (ARMs) and balloon/reset mortgages allow you to meet a variety of borrowers' mortgage needs in any market condition. Our product line and flow and bulk execution options help you increase your origination volume and maximize your profitability when selling ARMs and balloon/resets to Freddie Mac. We offer:

- Over 70 different ARM product variations, including CMT-indexed and LIBOR-indexed ARMs, all available without a specially negotiated contract
- 5- and 7-year Balloon/Reset Mortgages
- A full suite of Initial Interest<sup>SM</sup> ARMs with 3-, 5-, 7- and 10-year interest-only payment periods for borrowers who qualify for payments at the fully indexed rate
- Seasoned ARMs, up to our eligible conforming loan limits for a 1-unit primary residence – eligible for bulk sale through our Guarantor executions

### More Flexibility for Your Borrowers

Marketing ARMs and balloon/reset mortgages to your first-time and move-up borrowers looking for a lower start rate and payment, translates into:

- Cash flow savings— money to invest in other financial products
- Financial savings—when planning to move before the fixed-rate period ends
- Flexibility—reset option for balloon/reset mortgages and multiple product options for ARMs

### Competitive Freddie Mac Options for You

Originating more ARMs and balloon/reset mortgages and selling them to Freddie Mac means you'll:

- Diversify your product line—couple ARMs and balloon/resets with Streamlined Refinance Mortgages and our other offerings.
- Increase your profitability—sell flow or bulk with a competitive servicing-retained cash execution. Or, leverage the power of Freddie Mac PCs with our selling system Guarantor executions using a flow or bulk sale option
- Maximize your servicing value—with a minimum servicing spread of 0.250% for all ARMs and balloon/resets

### ARM Rate and Cap Structures

You can profitably sell your non-convertible Constant Maturity Treasury (CMT) or London Interbank Offered Rate (LIBOR)-indexed ARMs.

Initial Interest<sup>SM</sup> 3/1 CMT-indexed ARMs with 3/2/less than or equal to 6 cap structures also are eligible for sale under the WAC ARM Guarantor execution through the selling system. In addition, 5/1 CMT-indexed ARMs with a 5/2/5 cap structure and a 45-day lookback are eligible for sale under the WAC ARM Cash sale path in the selling system.

# ARMS AND BALLOON/RESET SALES TIPS

Freddie Mac Constant Maturity Treasury (CMT)-indexed ARMs					(Initial Interest ARMs not included**)	
Eligible ARM Product	Eligible Executions	Caps/Convertibility*		Minimum Contract Servicing Spread	Reach More Borrowers by Combining with	More Information
1-year ARM	Selling System – WAC ARM Cash	Non-convertible		0.250%-0.375%	Mortgages for Newly Constructed Homes, Streamlined Refinance Mortgages	<u>Property Types:</u> <ul style="list-style-type: none"> <li>• Primary residences and second homes</li> <li>• Investment property mortgages if the mortgage is secured by the borrower's only financed investment property</li> <li>• Mortgages secured by manufactured homes are not eligible</li> </ul> <u>Eligibility:</u> <ul style="list-style-type: none"> <li>• Loan Prospector and Non-Loan Prospector Mortgages</li> <li>• Purchase, no cash-out and cash-out refinance transactions</li> <li>• All ARMs sold under the WAC ARM Guarantor program through the selling system may be Prepayment Penalty Mortgages</li> <li>• 1-year and 3-year ARMs with margins of 400 basis points or more are <b>not</b> eligible for sale under flow purchase paths</li> <li>• Minimum Indicator Score of 620 unless otherwise specified in the Guide</li> <li>• All mortgages must meet the risk class and/or minimum Indicator Score requirements in Guide Exhibit 25A, where applicable.</li> <li>• Maximum debt-to-income ratio is 45 percent for manually underwritten mortgages</li> </ul> <u>Other Important Notes:</u> <ul style="list-style-type: none"> <li>• See pages 8-12 for delivery requirements, Uniform Instruments and other information</li> <li>• See Guide Chapter A13 for pooling and disclosure requirements for ARMs sold through the WAC ARM Guarantor execution</li> <li>• Exhibit 19 postsettlement delivery fees may apply</li> </ul>
		Initial Cap: 1% Periodic Cap: 1% Life Cap: 6%	Initial Cap: 2% Periodic Cap: 2% Life Cap: 6%			
1-year ARM	Selling System – WAC ARM Guarantor	Non-convertible		0.250%-2.000%	Mortgages for Newly Constructed Homes, Streamlined Refinance Mortgages, Temporary Subsidy Buydowns	
		Initial Cap: 1% Periodic Cap: 1% Life Cap: ≤6%	Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%			
3-year ARM	Selling System – WAC ARM Guarantor	Non-convertible Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%				
5-year ARM	Selling System – WAC ARM Guarantor	Non-convertible Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%				

See next page for more CMT-indexed ARMs

\* See pages 10-14 of this document and Guide Exhibit 17S for additional convertibility requirements. These requirements vary depending on the execution option you choose. Only non-convertible ARMs are eligible for sale through the selling system.

\*\* For Initial Interest ARMs, see page 8.

## Home Possible® Mortgages

Home Possible Mortgages provide you with an easy and convenient way to expand your reach in rapidly growing markets including first-time homebuyers, minority, and low- to moderate-income borrowers. Home Possible 97 and Home Possible Neighborhood Solution® Mortgages offer you low down payment and flexible credit terms to make it easier for you to meet more of your borrowers' needs. Learn more at [www.FreddieMac.com/homepossible/](http://www.FreddieMac.com/homepossible/).

# ARMs AND BALLOON/RESET SALES TIPS

Freddie Mac CMT-indexed ARMs (cont.)			(Initial Interest ARMs not included**)			
Eligible ARM Product	Eligible Executions	Caps/Convertibility		Minimum Contract Servicing Spread	Reach More Borrowers by Combining with	More Information
3/1 ARM	Selling System – WAC ARM Cash	Non-convertible Initial Cap: 2% Periodic Cap: 2% Life Cap: 6%		0.250%-0.375%	Mortgages for Newly Constructed Homes, Streamlined Refinance Mortgages	<u>Property Types:</u> <ul style="list-style-type: none"> <li>Primary residences and second homes</li> <li>Investment property mortgages if the mortgage is secured by the borrower's only financed investment property</li> <li>Mortgages secured by manufactured homes must meet the requirements in Guide Section H33.3(a)</li> </ul> <u>Eligibility:</u> <ul style="list-style-type: none"> <li>Loan Prospector and Non-Loan Prospector Mortgages</li> <li>Purchase, no cash-out and cash-out refinance transactions</li> <li>All ARMs sold under the WAC ARM Guarantor program through the selling system may be Prepayment Penalty Mortgages</li> <li>3/1 ARMs with margins of 400 basis points or more are <b>not</b> eligible for sale under flow purchase paths</li> <li>Minimum Indicator Score of 620 unless otherwise specified in the Guide</li> <li>All mortgages must meet the risk class and/or minimum Indicator Score requirements in Guide Exhibit 25A, where applicable.</li> <li>Maximum debt-to-income ratio is 45 percent for manually underwritten mortgages</li> </ul> <u>Other Important Notes:</u> <ul style="list-style-type: none"> <li>See pages 8-12 for delivery requirements, Uniform Instruments and other information</li> <li>See Guide Chapter A13 for pooling and disclosure requirements for ARMs sold through the WAC ARM Guarantor execution</li> <li>Postsettlement delivery fees may apply. See Guide Exhibit 19</li> </ul>
	Selling System – WAC ARM Guarantor	Non-convertible Initial Cap: 2% or 3% Periodic Cap: 2% Life Cap: <6%		0.250%-2.000%		
5/1 ARM	Selling System – WAC ARM Cash	Non-convertible Initial Cap: 2% or 5% Periodic Cap: 2% Life Cap: 5%		0.250%-0.375%	Mortgages for Newly Constructed Homes, Streamlined Refinance, Financed Permanent Buydown, Home Possible 100 and 97 Mortgages	
	Selling System – WAC ARM Guarantor	Non-convertible	Initial Cap: 2% or 3% Periodic Cap: 2% Life Cap: ≤6%	Initial Cap: 5% Periodic Cap: 2% Life Cap: ≤6%		
7/1 ARM	Selling System – WAC ARM Cash	Non-convertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%		0.250%-0.375%	Mortgages for Newly Constructed Homes, Streamlined Refinance Mortgages, Financed Permanent Buydown, Temporary Subsidy Buydowns, Home Possible 97, Home Possible Neighborhood Solutions 97	
	Selling System – WAC ARM Guarantor	Non-convertible Initial Cap: Same as Life Cap Periodic Cap: 2% Life Cap: <6%*		0.250%-2.00%		
		Non-convertible Initial Cap: 2% or 3% Periodic Cap: 2% Life Cap: ≤6%		0.250%-2.00%		
		Non-convertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 6%		0.250%-2.00%		

\* For 7/1 and 10/1 ARMs sold under the WAC ARM Guarantor program through the selling system the initial cap must match the life cap.

\*\* For Initial Interest ARMs, see page 8.

Get more information about our CMT-indexed ARMs in Guide Chapters 8, 17 and 30, and online at [www.FreddieMac.com/sell/factsheets/tiarms.htm](http://www.FreddieMac.com/sell/factsheets/tiarms.htm).

Freddie Mac CMT-indexed ARMs (cont.)

(Initial Interest ARMs not included\*\*)

Eligible ARM Product	Eligible Executions	Caps/Convertibility	Minimum Contract Servicing Spread	Reach More Borrowers by Combining with	More Information
10/1 ARM	Selling System – WAC ARM Cash	Non-convertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%	0.250%-0.375%	Mortgages for Newly Constructed Homes, Streamlined Refinance Mortgages	<u>Property Types:</u> <ul style="list-style-type: none"> <li>• Primary residences and second homes</li> <li>• Investment property mortgages if the mortgage is secured by the borrower's only financed investment property</li> <li>• Mortgages secured by manufactured homes must meet the requirements in Guide Section H33.3(a)</li> </ul> <u>Eligibility:</u> <ul style="list-style-type: none"> <li>• Loan Prospector and Non-Loan Prospector Mortgages</li> <li>• Purchase, no cash-out and cash-out refinance transactions</li> <li>• All ARMs sold under the WAC ARM Guarantor program through the selling system may be Prepayment Penalty Mortgages</li> <li>• Minimum Indicator Score of 620 unless otherwise specified in the Guide</li> <li>• All mortgages must meet the risk class and/or minimum Indicator Score requirements in Guide Exhibit 25A, where applicable.</li> <li>• Maximum debt-to-income ratio is 45 percent for manually underwritten mortgages</li> </ul> <u>Other Important Notes:</u> <ul style="list-style-type: none"> <li>• See pages 8-12 for delivery requirements, Uniform Instruments and other information</li> <li>• See Guide Chapter A13 for pooling and disclosure requirements for ARMs sold through the WAC ARM Guarantor execution</li> <li>• Postsettlement delivery fees may apply. See Guide Exhibit 19</li> </ul>
	Selling System – WAC ARM Guarantor	Non-convertible Initial Cap: Same as Life Cap Periodic Cap: 2 % Life Cap: ≤6%*	0.250%-2.000%		
		Non-convertible Initial Cap: 2% or 3% Periodic Cap: 2% Life Cap: ≤6%	0.250%-2.00%		
		Non-convertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 6%	0.250%-2.00%		

\* For 7/1 and 10/1 ARMs sold under the WAC ARM Guarantor program through the selling system the initial cap must match the life cap.

\*\* For Initial Interest ARMs, see page 8.

**Freddie Mac LIBOR-indexed ARMs**

(Initial Interest ARMs not included\*)

Eligible ARM Product	Eligible Executions	Caps/Convertibility			Minimum Contract Servicing Spread	Reach More Borrowers by Combining with	More Information
6-month ARM	Selling System – WAC ARM Guarantor	Non-convertible Initial Cap: 1% Periodic Cap: 1% Life Cap: ≤ 6%			0.250%-2.000%	Mortgages for Newly Constructed Homes, Streamlined Refinance Mortgages	<p><u>Property Types:</u></p> <ul style="list-style-type: none"> <li>• Primary residences and second homes</li> <li>• Investment property mortgages if the mortgage is secured by the borrower's only financed investment property</li> <li>• Mortgages secured by manufactured homes are not eligible</li> </ul> <p><u>Eligibility:</u></p> <ul style="list-style-type: none"> <li>• Loan Prospector and Non-Loan Prospector Mortgages</li> <li>• Purchase, no cash-out and cash-out refinance transactions</li> <li>• All ARMs sold under the WAC ARM Guarantor program through the selling system may be Prepayment Penalty Mortgages</li> <li>• 6-month and 3/6-month ARMs with margins of 400 basis points or more are <b>not</b> eligible for sale under flow purchase paths</li> <li>• Minimum Indicator Score of 620 unless otherwise specified in the Guide</li> <li>• All mortgages must meet the risk class and/or minimum Indicator Score requirements in Guide Exhibit 25A, where applicable.</li> <li>• Maximum debt-to-income ratio is 45 percent for manually underwritten mortgages</li> </ul> <p><u>Other Important Notes:</u></p> <ul style="list-style-type: none"> <li>• See pages 8-12 for delivery requirements, Uniform Instruments and other information</li> <li>• See Guide Chapter A13 for pooling and disclosure requirements for ARMs sold through the WAC ARM Guarantor execution</li> <li>• Postsettlement delivery fees may apply. See Guide Exhibit 19</li> </ul>
3/6-month ARM	Selling System – WAC ARM Guarantor	Non-convertible			0.250%-2.00%		
		Initial Cap: 3% Periodic Cap: 1% Life Cap: ≤6%	Initial Cap: 6% Periodic Cap: 2% Life Cap: 6%				
5/6-month ARM	Selling System – WAC ARM Guarantor	Non-convertible			0.250%-2.00%		
		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	Selling System – WAC ARM Guarantor	Non-convertible Initial Cap: 5% Periodic Cap: 1% Life Cap: ≤6%			0.250%-2.00%		
10/6-month ARM	Selling System – WAC ARM Guarantor	Non-convertible Initial Cap: 5% Periodic Cap: 1% Life Cap: ≤6%			0.250%-2.00%		

See next page for more LIBOR-indexed ARMs

**About LIBOR-Indexed ARMs**

LIBOR-indexed ARMs are part of our standard Guide line-up, eliminating the need for specially negotiated contracts. As you seek new ARM varieties to increase your origination volume, our LIBOR ARMs offer an attractive alternative for your borrowers looking for lower start rates and payments. Find out more online at [www.FreddieMac.com/sell/factsheets/liborarms.htm](http://www.FreddieMac.com/sell/factsheets/liborarms.htm).

\* For Initial Interest ARMs, see page 8.

Freddie Mac LIBOR-indexed ARMs						(Initial Interest ARMs not included*)	
Eligible ARM Product	Eligible Executions	Caps/Convertibility		Minimum Contract Servicing Spread	Reach More Borrowers by Combining with	More Information	
1-year ARM	Selling System – WAC ARM Cash	Non-convertible		0.250%-0.375%	Mortgages for Newly Constructed Homes, Streamlined Refinance Mortgages	<u>Property Types:</u> <ul style="list-style-type: none"> <li>• Primary residences and second homes</li> <li>• Investment property mortgages if the mortgage is secured by the borrower's only financed investment property</li> <li>• Mortgages secured by manufactured homes are not eligible</li> </ul>	
		Initial Cap: 2% Periodic Cap: 2% Life Cap: 6%	Initial Cap: 3% Periodic Cap: 3% Life Cap: 6%				
	Selling System – WAC ARM Guarantor	Non-convertible		0.250%-2.000%			
		Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%	Initial Cap: 3% Periodic Cap: 3% Life Cap: ≤6%				
3/1 ARM	Selling System – WAC ARM Cash	Non-convertible		0.250%- 0.375%	<u>Eligibility:</u> <ul style="list-style-type: none"> <li>• Loan Prospector and Non-Loan Prospector Mortgages</li> <li>• Purchase, no cash-out and cash-out refinance transactions</li> <li>• All ARMs sold under the WAC ARM Guarantor program through the selling system may be Prepayment Penalty Mortgages</li> <li>• 1-year and 3/1 ARMs with margins of 400 basis points or more are <b>not</b> eligible for sale under flow purchase paths</li> <li>• Minimum Indicator Score of 620 unless otherwise specified in the Guide</li> <li>• All mortgages must meet the risk class and/or minimum Indicator Score requirements in Guide Exhibit 25A, where applicable.</li> <li>• Maximum debt-to-income ratio is 45 percent for manually</li> </ul>		
		Initial Cap: 2% Periodic Cap: 2% Life Cap: 5% or 6%	Initial Cap: 3% Periodic Cap: 2% Life Cap: 6%				
	Selling System – WAC ARM Guarantor	Non-convertible		0.250%-2.000%			
		Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%	Initial Cap: 3% Periodic Cap: 2% Life Cap: ≤6%				

**The WAC ARM Cash Execution**  
 Weighted Average Coupon (WAC) ARM Cash lets you deliver ARMs with various margin and cap structures in a single, flexible contract that's not limited by tight contracting terms. You can reduce your exposure to interest rate fluctuations and the corresponding changes in ARM pricing on your ARMs that have not yet closed. WAC ARM Cash, offered exclusively through the Freddie Mac selling system, offers you a liquid pipeline management tool for CMT- and LIBOR-indexed ARMs. Learn more at [www.FreddieMac.com/sell/factsheets/wacarm\\_cash.html](http://www.FreddieMac.com/sell/factsheets/wacarm_cash.html).

\* For Initial Interest ARMs, see page 8.

**Freddie Mac LIBOR-indexed ARMs (cont.)**

(Initial Interest ARMs not included\*)

Eligible ARM Product	Eligible Executions	Caps/Convertibility			Minimum Contract Servicing Spread	Reach More Borrowers by Combining with	More Information
5/1 ARM	Selling System – WAC ARM Cash	Non-convertible Initial Cap: 2% Periodic Cap: 2% Life Cap: 5% or 6%			0.250%-0.375%	Mortgages for Newly Constructed Homes, Streamlined Refinance Mortgages, Financed Permanent Buydown	Same as LIBOR-indexed 6-month, 1-year and 3/1 ARMs
	Selling System – WAC ARM Guarantor	Initial Cap: 3% Periodic Cap: 2% Life Cap: 6%	Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%	Initial Cap: 6% Periodic Cap: 2% Life Cap: 6%			
7/1 ARM	Selling System – WAC ARM Cash	Non-convertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%			0.250%-0.375%	Mortgages for Newly Constructed Homes, Streamlined Refinance Mortgages, Financed Permanent Buydown, Temporary Subsidy Buydowns, Home Possible 97, and Home Possible Neighborhood Solutions 97	Same as CMT-indexed 7/1 and 10/1 ARMs
	Selling System – WAC ARM Guarantor	Initial Cap: 2% or 5% Periodic Cap: 2% Life Cap: ≤6%	Initial Cap: 3% Periodic Cap: 2% Life Cap: ≤6%	Initial Cap: 5% Periodic Cap: 2% Life Cap: ≤6%			
10/1 ARM	Selling System – WAC ARM Cash	Non-convertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%			0.250%-0.375%		
	Selling System – WAC ARM Guarantor	Initial Cap: 2% or 5% Periodic Cap: 2% Life Cap: ≤6%	Initial Cap: 3% Periodic Cap: 2% Life Cap: ≤6%	Initial Cap: 5% Periodic Cap: 2% Life Cap: ≤6%			

**Financed Permanent Buydown Mortgages**

For your financially savvy borrowers, the Financed Permanent Buydown Mortgage lowers your borrowers' monthly payments without requiring additional cash at closing. With this offering, your borrowers can permanently reduce their interest rate by financing up to 3 discount points into the loan amount up front. Learn more about the Financed Permanent Buydown Mortgage at [www.freddiemac.com/sell/factsheets/fin\\_perm\\_buydown.htm](http://www.freddiemac.com/sell/factsheets/fin_perm_buydown.htm)

**Get more information about our LIBOR-indexed ARMs in Guide Chapters 8, 17 and 30, or online at [www.FreddieMac.com/sell/factsheets/liborarms.htm](http://www.FreddieMac.com/sell/factsheets/liborarms.htm).**

\* For Initial Interest ARMs, see page 8.

# ARMs AND BALLOON/RESET SALES TIPS

## Freddie Mac Initial Interest<sup>®</sup> ARMs (CMT and LIBOR indexes)

Eligible ARM Product	Eligible Executions	Caps/Convertibility	Minimum Contract Servicing Spread	Reach More Borrowers by Combining with	More Information		
Initial Interest 3/1 3-year Interest Only Period ARM	Selling System – WAC ARM Cash  Selling System – WAC ARM Guarantor (\$1,000 minimum commitment amount for Initial Interest ARMs only)	Non-convertible	0.250%-2.000%	Financed Permanent Buydown	<u>Property Types:</u> <ul style="list-style-type: none"> <li>Primary residences only, including condos, PUDs and Leasehold Estates</li> <li>Mortgages secured by manufactured homes and co-ops are not eligible</li> </ul> <u>Eligibility:</u> <ul style="list-style-type: none"> <li>Loan Prospector Accept only</li> <li>Purchase, no cash-out and cash-out refinance transactions</li> <li>Cannot be originated with any other Freddie Mac mortgage product except Financed Permanent Buydown mortgages</li> <li>For the purpose of qualifying the borrower, the principal and interest payment must be based on a fully amortizing payment schedule for the term of the mortgage</li> <li>Borrower is qualified using payments calculated at the higher of the Note Rate or the fully indexed rate. The fully indexed rate is the sum of the Margin plus a value of the applicable Index at any time within 90 days preceding the note date, rounding to the nearest one-eighth of 1% (0.125%)</li> <li>The initial Note Rate cannot be more than three percentage points below the fully indexed rate</li> <li>3/1, and 3-year ARMs with margins of 400 basis points or more are <b>not</b> eligible for sale under flow purchase paths</li> <li>Minimum Indicator Score of 620 unless otherwise specified in the Guide</li> <li>All mortgages must meet the risk class and/or minimum Indicator Score requirements in Guide Exhibit 25A, where applicable.</li> <li>Maximum debt-to-income ratio is 45 percent for manually</li> </ul> <u>Other Important Notes:</u> <ul style="list-style-type: none"> <li>See pages 8-12 for delivery requirements, Uniform Instruments and other information</li> <li>Principal curtailments are permitted at any time</li> <li>See Guide Chapter A13 for pooling and disclosure requirements</li> <li>Postsettlement delivery fees may apply. See Exhibit 19</li> </ul>		
Initial Interest 5/1 5-year Interest Only Period ARM		Non-convertible				<u>WAC ARM Cash</u> Initial Cap: 2% Periodic Cap: 2% Life Cap: 6%	<u>WAC ARM Guarantor</u> Initial Cap: 3% or 2% Periodic Cap: 2% Life Cap: ≤6%
Initial Interest 7/1 7-year Interest Only Period ARM		Non-convertible				Initial Cap: 2% Periodic Cap: 2% Life Cap: 5% or 6%	Initial Cap: 5% Periodic Cap: 2% Life Cap: ≤6%
Initial Interest 10/1 10-year Interest Only Period ARM		Non-convertible				Initial Cap: 5% Periodic Cap: 2% Life Cap: 5% or 6%	
Initial Interest 3/1 10-year Interest Only Period		Non-convertible					
Initial Interest 5/1 10-year Interest Only Period		Non-convertible				<u>WAC ARM Cash</u> Initial Cap: 2% Periodic Cap: 2% Life Cap: 6%	<u>WAC ARM Guarantor</u> Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%
Initial Interest 7/1 10-year Interest Only Period		Non-convertible				Initial Cap: 2% Periodic Cap: 2% Life Cap: 5% or 6%	Initial Cap: 5% Periodic Cap: 2% Life Cap: ≤6%
Initial Interest 7/1 10-year Interest Only Period		Non-convertible				Initial Cap: 5% Periodic Cap: 2% Life Cap: 5% or 6%	

**Get more information about Initial Interest mortgages in Guide Chapter J33.**

**Freddie Mac Balloon/Reset Mortgages**

Product	Eligible Executions	Key Requirements	Minimum Contract Servicing Spread	Reach More Borrowers by Combining with	More Information
5-year Balloon/Reset	<p>Servicing-released and servicing-retained for cash through the selling system</p> <p>Selling System Fixed-rate Guarantor</p>	<ul style="list-style-type: none"> <li>Must have monthly payments based on 30-year amortization schedules, with the monthly payment due date and balloon/maturity date the first day of the month</li> <li>Freddie Mac only purchases balloon mortgages with a reset provision</li> </ul>	<p>For Cash: 0.250%-0.500%</p> <p>For Fixed-rate Guarantor: 0.250%-2.000%</p> <p>For MultiLender Swap: 0.250%-1.250%</p>	<p>Streamlined Refinance Mortgages, Temporary Subsidy Buydowns</p>	<p><b>Uniform Instruments:</b> Originators should use the Security Instrument and Note, and the combination of Balloon Note Addendum and Balloon Rider, specified in Guide Section 33.4. A Servicer must use the Multistate Balloon Loan Modification, Form 3293, to evidence a borrower's exercise of the reset option and the terms of the reset mortgage.</p> <p>Postsettlement delivery fees apply. See Guide Exhibit 19.</p>
7-year Balloon/Reset	<p>Selling System MultiLender Swap</p>	<ul style="list-style-type: none"> <li>Reset Note Rate cannot be more than 5% above the original balloon Note Rate</li> <li>Seasoned balloon/reset mortgages are not eligible for sale to Freddie Mac</li> </ul>		<p>Streamlined Refinance Mortgages, Temporary Subsidy Buydowns</p>	

**Get more information about our balloon/reset mortgages in Guide Chapter 33 (origination) and Chapter 83 (servicing), and online at [www.FreddieMac.com/sell/factsheets/brm.htm](http://www.FreddieMac.com/sell/factsheets/brm.htm).**

Balloon/reset mortgages originated on Fannie Mae forms with the taglines 1/01 (rev. 9/01) are not eligible for sale to Freddie Mac. See Guide section 33.3 for Balloon/Reset Mortgage document requirements.

**Lower Start Rates and Payments with 5- and 7-year Balloon/Reset Mortgages**

If you're looking for more alternatives to offer your financially savvy borrowers, think about adding balloon/reset mortgages to your product line. For some borrowers, balloon/resets provide a variety of benefits, particularly for those not planning to stay in their home longer than 5 or 7 years. For these customers, they'll get the benefit of a lower rate and a lower monthly payment. And, if their plans change or rates drop, they'll have the option to reset. Freddie Mac only purchases balloon mortgages that have a reset provision.

## ARMs At-A-Glance

You'll also find the information on the following pages in *Single-Family Seller/Service Guide* Exhibit 17S.

<b>ARMs Eligible Under WAC ARM Cash (Initial Interest Mortgages not included) Selling System Only</b>									
<b>ARM Product</b>	<b>ARM Index Source Code</b>	<b>Lookback<sup>7</sup> Period (days)</b>	<b>Initial Period<sup>8</sup> (months)</b>	<b>Subsequent Adjustment Period (months)</b>	<b>Initial Cap %</b>	<b>Periodic Cap %</b>	<b>Life Cap %</b>	<b>Convertible (Yes or No)</b>	<b>Conversion Process</b>
<b>1-Year Weekly Constant Maturity Treasury (CMT) Index</b>									
1-year	004	45	12	12	1	1	6	No	N/A
1-year	004	45	12	12	2	2	6	No	N/A
3/1	004	45	36	12	2	2	6	No	N/A
5/1	004	45	60	12	2	2	5	No	N/A
5/1	004	45	60	12	5	2	5	No	N/A
7/1	004	45	84	12	5	2	5	No	N/A
10/1	004	45	120	12	5	2	5	No	N/A
<b>1-Year LIBOR Index</b>									
1-year	041	45	12	12	2	2	6	No	N/A
1-year	041	45	12	12	3	3	6	No	N/A
3/1	041	45	36	12	2	2	5 or 6	No	N/A
3/1	041	45	36	12	3	2	6	No	N/A
5/1	041	45	60	12	2	2	5 or 6	No	N/A
5/1	041	45	60	12	3	2	6	No	N/A
5/1	041	45	60	12	5	2	5	No	N/A
7/1	041	45	84	12	5	2	5	No	N/A
10/1	041	45	120	12	5	2	5	No	N/A

### Legends:

- 7 Lookback Period—"45" means 45 days preceding the Interest Change Date  
 8 The Initial Period may be shorter or longer than the number of months specified, see Section 30.7(a)

ARMs Eligible Under WAC ARM Guarantor <sup>9</sup> (Initial Interest Mortgages not included) Selling System Only									
ARM Product	ARM Index Source Code	Lookback <sup>7</sup> Period (days)	Initial Period <sup>8</sup> (months)	Subsequent Adjustment Period (months)	Initial Cap %	Periodic Cap %	Life Cap %	Convertible (Yes or No)	Conversion Process
<b>1-Year Constant Maturity Treasury (CMT) Index</b>									
1-year	004	45	12	12	1	1	Less than or equal to 6	No	N/A
1-year	004	45	12	12	2	2	Less than or equal to 6	No	N/A
3/1	004	45	36	12	2	2	Less than or equal to 6	No	N/A
3/1	004	45	36	12	3	2	Less than or equal to 6	No	N/A
5/1	004	45	60	12	2	2	Less than or equal to 6	No	N/A
5/1	004	45	60	12	3	2	Less than or equal to 6	No	N/A
5/1	004	45	60	12	5	2	Less than or equal to 6	No	N/A
7/1	004	45	84	12	2	2	Less than or equal to 6	No	N/A
7/1	004	45	84	12	3	2	Less than or equal to 6	No	N/A
7/1	004	45	84	12	5	2	6	No	N/A
7/1	004	45	84	12	*	2	Less than or equal to 6	No	N/A
10/1	004	45	120	12	2	2	Less than or equal to 6	No	N/A
10/1	004	45	120	12	3	2	Less than or equal to 6	No	N/A
10/1	004	45	120	12	5	2	6	No	N/A
10/1	004	45	120	12	*	2	Less than or equal to 6	No	N/A
<b>3-Year Weekly Constant Maturity Treasury (CMT) Index</b>									
3-Year	002	45	36	36	2	2	Less than or equal to 6	No	N/A
<b>5-Year Weekly Constant Maturity Treasury (CMT) Index</b>									
5-Year	003	45	60	60	2	2	Less than or equal to 6	No	N/A

**Legends:**

- 7 Lookback Period—"45" means 45 days preceding the Interest Change Date
- 8 The Initial Period may be shorter or longer than the number of months specified, see Section 30.7(a)
- 9 All ARM products sold under the WAC ARM Guarantor program through the selling system may be Prepayment Penalty Mortgages.  
Prepayment Penalty ARMs require an Additional Supplement, see Section 17.12 and Exhibit 22
- \* The Initial Cap must be the same as the Life Cap

IPS

**ARMs Eligible Under WAC ARM Guarantor<sup>9</sup> (Initial Interest Mortgages not included)  
Selling System Only**

ARM Product	ARM Index Source Code	Lookback <sup>7</sup> Period (days)	Initial Period <sup>8</sup> (months)	Subsequent Adjustment Period (months)	Initial Cap %	Periodic Cap %	Life Cap %	Convertible (Yes or No)	Conversion Process
<b>1-Year LIBOR Index</b>									
1-year	041	FBD or 45	12	12	2	2	Less than or equal to 6	No	N/A
1-year	041	FBD or 45	12	12	3	3	Less than or equal to 6	No	N/A
3/1	041	FBD or 45	36	12	2	2	Less than or equal to 6	No	N/A
3/1	041	FBD or 45	36	12	3	2	Less than or equal to 6	No	N/A
5/1	041	FBD or 45	60	12	2	2	Less than or equal to 6	No	N/A
5/1	041	FBD or 45	60	12	3	2	Less than or equal to 6	No	N/A
5/1	041	FBD or 45	60	12	5	2	Less than or equal to 6	No	N/A
5/1	041	FBD or 45	60	12	6	2	6	No	N/A
7/1	041	FBD or 45	84	12	2	2	Less than or equal to 6	No	N/A
7/1	041	FBD or 45	84	12	5	2	Less than or equal to 6	No	N/A
10/1	041	FBD or 45	120	12	2	2	Less than or equal to 6	No	N/A
10/1	041	FBD or 45	120	12	5	2	Less than or equal to 6	No	N/A
<b>6-Month LIBOR Index</b>									
6-Month	007	FBD	6	6	1	1	Less than or equal to 6	No	N/A
3/6-Month	007	FBD	36	6	3	1	Less than or equal to 6	No	N/A
3/6-Month	007	FBD	36	6	6	2	6	No	N/A
5/6-Month	007	FBD	60	6	5	1	Less than or equal to 6	No	N/A
5/6-Month	007	FBD	60	6	5	2	Less than or equal to 6	No	N/A
5/6-Month	007	FBD	60	6	6	2	6	No	N/A
7/6-Month	007	FBD	84	6	5	1	Less than or equal to 6	No	N/A
10/6-Month	007	FBD	120	6	5	1	Less than or equal to 6	No	N/A

IPS

Initial Interest ARMs Eligible Under the WAC ARM Cash Program Selling System only										
ARM Product	ARM Index Source Code	Lookback Period (days) <sup>7</sup>	Initial Period <sup>8</sup> (months)	Subsequent Adjustment Period (months)	Initial Cap %	Periodic Cap %	Life Cap %	Interest Only Period (months) <sup>10</sup>	Convertible (Yes or No)	Conversion Process
<b>1-Year Weekly Constant Maturity Treasury (CMT) Index</b>										
3/1	004	45	36	12	2	2	6	36	No	N/A
3/1	004	45	36	12	2	2	6	120	No	N/A
5/1	004	45	60	12	2	2	5 or 6	60	No	N/A
5/1	004	45	60	12	2	2	5 or 6	120	No	N/A
5/1	004	45	60	12	5	2	5 or 6	60	No	N/A
5/1	004	45	60	12	5	2	5 or 6	120	No	N/A
7/1	004	45	84	12	5	2	5 or 6	84	No	N/A
7/1	004	45	84	12	5	2	5 or 6	120	No	N/A
10/1	004	45	120	12	5	2	5 or 6	120	No	N/A

**Legends:**

7 Lookback Period—"45" means 45 days preceding the Interest Change Date

8 The Initial Period may be shorter or longer than the number of months specified, see Section 30.7(a) and Section J33.4

10 The Interest Only Period may be shorter or longer than the number of months specified, see Section J33.4

Initial Interest ARMs Eligible Under the WAC ARM Cash Program Selling System only											
ARM Product	ARM Index Source Code	Lookback Period (days) <sup>7</sup>	Initial Period <sup>8</sup> (months)	Subsequent Adjustment Period (months)	Initial Cap %	Periodic Cap %	Life Cap %	Interest Only Period (months) <sub>10</sub>	Convertible (Yes or No)	Conversion Process	Comments
<b>1-Year LIBOR Index</b>											
3/1	041	45	36	12	2	2	6	36	No	N/A	
3/1	041	45	36	12	2	2	6	120	No	N/A	
5/1	041	45	60	12	2	2	5 or 6	60	No	N/A	
5/1	041	45	60	12	2	2	5 or 6	120	No	N/A	
5/1	041	45	60	12	5	2	5 or 6	60	No	N/A	
5/1	041	45	60	12	5	2	5 or 6	120	No	N/A	
7/1	041	45	84	12	5	2	5 or 6	84	No	N/A	
7/1	041	45	84	12	5	2	5 or 6	120	No	N/A	
10/1	041	45	120	12	5	2	5 or 6	120	No	N/A	

**Legends:**

7 Lookback Period—"45" means 45 days preceding the Interest Change Date.

8 The Initial Period may be shorter or longer than the number of months specified, see Section 30.7(a) and Section J33.4

10 The Interest Only Period may be shorter or longer than the number of months specified, see Section J33.4

**Initial Interest ARMs Eligible Under the WAC ARM Guarantor Program  
Selling System only<sup>11</sup>**

ARM Product	ARM Index Source Code	Lookback Period (days) <sup>7</sup>	Initial Period (months) <sup>8</sup>	Subsequent Adjustment Period (months)	Initial Cap %	Periodic Cap %	Life Cap %	Interest Only Period (months) <sup>10</sup>	Convertible (Yes or No)	Conversion Process
<b>1-Year Weekly Constant Maturity Treasury (CMT) Index</b>										
3/1	004	45	36	12	2	2	Less than or equal to 6	36	No	N/A
3/1	004	45	36	12	2	2	Less than or equal to 6	120	No	N/A
3/1	004	45	36	12	2	2	Less than or equal to 6	36	No	N/A
5/1	004	45	60	12	2	2	Less than or equal to 6	60	No	N/A
5/1	004	45	60	12	2	2	Less than or equal to 6	120	No	N/A
5/1	004	45	60	12	5	2	Less than or equal to 6	60	No	N/A
5/1	004	45	60	12	5	2	Less than or equal to 6	120	No	N/A
7/1	004	45	84	12	5	2	Less than or equal to 6	84	No	N/A
7/1	004	45	84	12	5	2	Less than or equal to 6	120	No	N/A
10/1	004	45	120	12	5	2	Less than or equal to 6	120	No	N/A

**Legends:**

- 7 Lookback Period—"45" means 45 days preceding the Interest Change Date
- 8 The Initial Period may be shorter or longer than the number of months specified, see Section 30.7(a) and Section J33.4
- 10 The Interest Only Period may be shorter or longer than the number of months specified, see Section J33.4
- 11 Initial Interest ARM products sold under the WAC ARM Guarantor program through the Selling System may be Prepayment Penalty Mortgages. Prepayment Penalty ARMs require an Additional Supplement, see Section 17.12 and Exhibit 22.

**Initial Interest ARMs Eligible Under the WAC ARM Guarantor Program  
Selling System only<sup>11</sup>**

ARM Product	ARM Index Source Code	Lookback Period (days) <sup>7</sup>	Initial Period <sup>8</sup> (months)	Subsequent Adjustment Period (months)	Initial Cap %	Periodic Cap %	Life Cap %	Interest Only Period (months) <sup>10</sup>	Convertible (Yes or No)	Conversion Process	Comments
<b>1-Year LIBOR Index</b>											
3/1	041	45	36	12	2	2	Less than or equal to 6	36	No	N/A	
3/1	041	45	36	12	2	2	Less than or equal to 6	120	No	N/A	
5/1	041	45	60	12	2	2	Less than or equal to 6	60	No	N/A	
5/1	041	45	60	12	2	2	Less than or equal to 6	120	No	N/A	
5/1	041	45	60	12	5	2	Less than or equal to 6	60	No	N/A	
5/1	041	45	60	12	5	2	Less than or equal to 6	120	No	N/A	
7/1	041	45	84	12	5	2	Less than or equal to 6	84	No	N/A	
7/1	041	45	84	12	5	2	Less than or equal to 6	120	No	N/A	
10/1	041	45	120	12	5	2	Less than or equal to 6	120	No	N/A	

**Legends:**

- 7 Lookback Period—"45" means 45 days preceding the Interest Change Date
- 8 The Initial Period may be shorter or longer than the number of months specified, see Section 30.7(a) and Section J33.4
- 10 The Interest Only Period may be shorter or longer than the number of months specified, see Section J33.4
- 11 Initial Interest ARM products sold under the WAC ARM Guarantor program through the Selling System may be Prepayment Penalty Mortgages. Prepayment Penalty ARMs require an Additional Supplement, see Section 17.12 and Exhibit 22.

**The information in this document is not a replacement or substitute for information found in the *Single-Family Seller/Service Guide* and/or the terms of your Master Agreement and/or Master Commitment.**