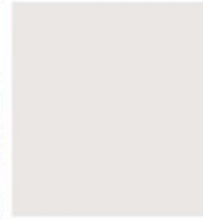




We make home possible.™



Initial InterestSM Mortgages*

Single Family

With Freddie Mac's Initial Interest Mortgages, you now have the additional solutions you need to meet the needs of borrowers looking for interest-only mortgage options. Initial Interest mortgage products allow your borrowers to pay only monthly interest payments for an initial period of the loan, then principal and interest payments for the remainder of the loan.

When you add Initial Interest Mortgages to your product line, you'll have more options to meet the needs of financially savvy borrowers looking for the benefits of a shorter-term ARM with interest-only payments from three to 10 years, or fixed-rate options that extend the interest-only period even further.

We've coupled over a dozen Initial Interest ARM options and two fixed-rate mortgages with Loan Prospector and selling system advantages and a full set of Initial Interest loan instruments for a complete, profitable and easy secondary market sale solution to meet your individual business needs.

Initial Interest mortgages are not for everyone, but can be an appropriate fit for those looking for an interest-only mortgage option and who clearly understand that their payment will increase after the initial interest only period.

Initial Interest mortgages will help you:

- **Increase your origination volume** from financially savvy borrowers looking for the benefits of a shorter-term ARM with interest-only payments from three to ten years
- **Cross-sell other financial services** to borrowers looking for home financing that frees their cash flow for investment opportunities or tax advantages
- **Add flexibility** to your product line and diversify your borrower base with over a dozen Initial Interest fixed-rate and adjustable rate options for 1-unit primary residences and second homes
- **Easily assess** all our Initial Interest products through Loan Prospector®
- **Profitably sell** Initial Interest mortgages through a securities execution and get the balance sheet and other benefits of holding a Freddie Mac PC in your investment portfolio

Get more details on the following pages...

* Please refer to our November 15 and December 21 *Single Family Seller/Service Guide* Bulletins for a revised delivery fee rate structure and delivery fee rates for Initial Interest Mortgages with certain secondary financing structures effective on March 1, 2008 and May 1, 2008, respectively.

Initial Interest ARMs

- Purchase, no cash-out and cash-out refinances
- 1-unit primary residences, including condominiums, PUDs and Leasehold Estates; and second homes
- May be originated with Financed Permanent Buydown Mortgages and Newly Built Home Mortgages (Site-built only)

Product	Interest-only Period	Cap Structures/ Convertibility	Executions	Other Key Information
3/1 ARM	3 years	2/2/6 (2/2/5, 3/2/5 and 3/2/6 Guarantor only) Non-convertible	<ul style="list-style-type: none"> • WAC ARM Guarantor • WAC ARM Cash 	<ul style="list-style-type: none"> ▪ The borrower is qualified using monthly housing expense that includes, but is not limited to, the principal and interest payment on the mortgage that is calculated as described in <i>Single-Family Seller Servicer Guide</i> (Guide) Section 37.15. ▪ 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. ▪ 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, rounded to the nearest one-eighth of 1%(0.125%). ▪ The initial note rate cannot be more than three percentage points below the fully indexed rate. ▪ Must be submitted to Loan Prospector® . ▪ Use Loan Prospector Offering Identifier 232. ▪ Deliver Reference Code 0012 on Form 13SF. ▪ Refer to Guide Chapter J33.5 for information regarding required uniform instruments. In addition to the current applicable Initial Interest Uniform Instruments, Form 3890, <i>Multistate Second Home Rider</i>, is required for mortgages secured by second homes. ▪ Initial Interest postsettlement fees may apply according to Guide Exhibit 19. ▪ Special servicing requirements in Guide Chapters 8, 51 and 59.
5/1 ARM	5 years	2/2/6 or 5/2/6 Non-convertible	<ul style="list-style-type: none"> • WAC ARM Guarantor • WAC ARM Cash 	
7/1 ARM	7 years	5/2/6 Non-convertible	<ul style="list-style-type: none"> • WAC ARM Guarantor • WAC ARM Cash 	
10/1 ARM	10 years	5/2/6 Non-convertible	<ul style="list-style-type: none"> • WAC ARM Guarantor • WAC ARM Cash 	

You must represent and warrant that you have implemented processes and controls to ensure that borrowers with Initial Interest Mortgages received written disclosure addressing payment shock, negative amortization (if any), prepayment penalties and the cost of reduced documentation loans, as appropriate, and that such disclosure is provided in a timely manner as discussed in the [Interagency Guidance](#).

Initial Interest ARMs – 10-year Interest-Only Period

- Purchase, no cash-out and cash-out refinances
- 1-unit primary residences, including condominiums, PUDs and Leasehold Estates; and second homes
- May be originated with Financed Permanent Buydown Mortgages and Newly Built Home Mortgages (Site-built only)

Product	Interest-only Period	Cap Structures/ Convertibility	Executions	Other Key Information
3/1 ARM	10 years	2/2/6 (2/2/5, 3/2/5 and 3/2/6 Guarantor only) Non-convertible	<ul style="list-style-type: none"> • WAC ARM Guarantor • WAC ARM Cash 	<ul style="list-style-type: none"> ▪ The borrower is qualified using monthly housing expense that includes, but is not limited to, the principal and interest payment on the mortgage that is calculated as described in <i>Single-Family Seller Servicer Guide (Guide) Section 37.15</i>. ▪ 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. ▪ 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, rounded to the nearest one-eighth of 1%(0.125%). ▪ The initial note rate cannot be more than three percentage points below the fully indexed rate. ▪ Must be submitted to Loan Prospector®. ▪ Use Loan Prospector Offering Identifier 233. ▪ Deliver Reference Code 0012 on Form 13SF. ▪ Any Initial Interest ARM that is available for sale under the WAC ARM Guarantor program through the selling system may be a Prepayment Penalty Mortgage. ▪ See Guide Chapter J33.5 for information regarding required uniform instruments. In addition to the current applicable Initial Interest Uniform Instruments, Form 3890, <i>Multistate Second Home Rider</i>, is required for mortgages secured by second homes ▪ Initial Interest postsettlement fees may apply according to Guide Exhibit 19. ▪ Special servicing requirements in Guide Chapters 8, 51 and 59.
5/1 ARM	10 years	2/2/6 or 5/2/6 Non-convertible	<ul style="list-style-type: none"> • WAC ARM Guarantor • WAC ARM Cash 	
7/1 ARM	10 years	5/2/6 Non-convertible	<ul style="list-style-type: none"> • WAC ARM Guarantor • WAC ARM Cash 	

You must represent and warrant that you have implemented processes and controls to ensure that borrowers with Initial Interest Mortgages received written disclosure addressing payment shock, negative amortization (if any), prepayment penalties and the cost of reduced documentation loans, as appropriate, and that such disclosure is provided in a timely manner as discussed in the [Interagency Guidance](#).

Initial Interest Fixed-rate Mortgages

- Purchase, no cash-out and cash-out refinances
- 1-unit primary residences, including condominiums, PUDs and Leasehold Estates; and second homes
- 30-year term mortgages only
- May be originated with Financed Permanent Buydown Mortgages and Newly Built Home Mortgages (Site-built only)

Product	Interest-only Period	Executions	Other Key Information
10/20 Fixed-rate	10 years	<ul style="list-style-type: none"> • Servicing-retained Cash • Servicing-released Cash • Fixed-rate Guarantor • MultiLender Swap 	<ul style="list-style-type: none"> ▪ The borrower is qualified using monthly housing expense that includes, but is not limited to, the principal and interest payment on the mortgage that is calculated as described in <i>Single-Family Seller Servicer Guide</i> (Guide) Section 37.15. ▪ 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. ▪ The borrower must be qualified using payments calculated using the note rate. ▪ Must be submitted to Loan Prospector® ▪ Use Loan Prospector Offering Identifier 230 for 10/20 and 231 for 15/15 ▪ Deliver Reference Code 0012 on Form 13SF ▪ Any Initial Interest ARM that is available for sale under the WAC ARM Guarantor program through the selling system may be a Prepayment Penalty Mortgage ▪ Refer to Guide Chapter J33.5 for information regarding required uniform instruments. In addition to the current applicable Initial Interest Uniform Instruments, Form 3890, <i>Multistate Second Home Rider</i>, is required for mortgages secured by second homes ▪ Initial Interest postsettlement fees may apply according to Exhibit 19 ▪ Special servicing requirements in Guide Chapters 8, 51 and 59
15/15 Fixed-rate	15 years	<ul style="list-style-type: none"> • Servicing-retained Cash • Servicing-released Cash • Fixed-rate Guarantor • MultiLender Swap 	

Get more details:

- View our online fact sheet at www.FreddieMac.com
- Refer to the *Single-Family Seller/Servicer Guide* Chapter J33

You must represent and warrant that you have implemented processes and controls to ensure that borrowers with Initial Interest Mortgages received written disclosure addressing payment shock, negative amortization (if any), prepayment penalties and the cost of reduced documentation loans, as appropriate, and that such disclosure is provided in a timely manner as discussed in the [Interagency Guidance](#).

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