Freddie Mac

We make home possible.℠

Single Family

London Interbank Offered Rate (LIBOR)-indexed ARMs

Greater variety and flexibility with Freddie Mac LIBOR ARMs

We're bringing you greater variety and flexibility with our line of ARMs in our *Single-Family Seller/Servicer Guide*, including a full variety of London Interbank Offered Rate (LIBOR)-indexed ARMs with a variety of rate and cap structures.

As you seek new ARM products to increase your origination volume, Freddie Mac's LIBOR-indexed ARMs deliver an attractive alternative for your borrowers looking for lower initial rates and mortgage payments. Freddie Mac LIBOR ARM product variations, including convertible and non-convertible variations, are geared to meet your needs, round out your product line as a companion to Constant Maturity Treasury (CMT)-indexed ARMs, and enhance your competitive position in any market environment. Plus, when you combine the features of a LIBOR-indexed ARM with other Freddie Mac mortgage product advantages, like Home Possible® Mortgages or Initial Interest℠ ARMs, you have additional opportunities to increase your origination volume by matching mortgage products to the specific needs of your borrowers.

Take advantage of efficiencies with Loan Prospector® automated underwriting technology to assess your LIBOR-indexed ARMs. Freddie Mac purchases 6-month, 1-year, 3/1, 5/1, 7/1 and 10/1 LIBOR-indexed ARMs through our WAC ARM Cash or our WAC ARM Guarantor execution; and 3/6-month, 5/6-month, 7/6-month, and 10/6-month LIBOR-indexed ARMs through our WAC ARM Guarantor execution in the selling system.

Lender Benefits

When you originate LIBOR-indexed ARMs, you can:

- Increase your origination volume and meet the needs of more qualified homebuyers looking for ARM advantages.
- Take advantage of a cash sale or the benefits of a securities execution, based on your individual balance sheet and risk-based capital needs.
- Enhance your ARM product line with a competitive option to CMT-indexed ARMs.
- Commingle ARMs with different assumability periods to increase your competitive execution.

Borrower Benefits

When you offer LIBOR-indexed ARMs, you provide:

- Flexible options for your financially savvy borrowers who plan to move before the initial fixed-rate period ends.
- Financial savings for your first-time homebuyers looking for lower initial rates and monthly payments, and who understand that their rate will increase.
- More financing alternatives for your refinance or move-up borrowers who want to purchase a bigger home or prefer to put their money in other areas.

Key Features:

- **6-month, 1-year, 3/6-month, 5/6-month, 7/6-month, 10/6-month, 3/1, 5/1, 7/1 and 10/1 LIBOR-indexed ARMs with various cap structures**
- **Convertible and non-convertible options**
- **Minimum servicing spread 0.250%**
- **Sell through the WAC ARM Cash or the WAC ARM Guarantor execution**
- **Expanded lookback options**

Looking for More Flexible Options for Your Borrowers?

Visit FreddieMac.com for more information on:

- **Home Possible Mortgages**
- **CMT-indexed ARMs**
- **Initial Interest ARMs**
- **Seller-Owned Modified Mortgage**
- **Seller-Owned Converted Mortgages**

See reverse for more details.

Key Features

Eligible ARM Product	**Eligible Executions**	**Caps/Convertibility** ***Convertible ARMs are not eligible for sale through the selling system**	**Minimum Contract Servicing Spread**
6-month ARM	WAC ARM Guarantor	Non-convertible Initial Cap: 1% Periodic Cap: 1% Life Cap: ≤ 6%	0.250%-2.00%
3/6-month ARM	WAC ARM Guarantor (selling system only)	Non-convertible Initial Cap: 3% Periodic Cap: 1% Life Cap: 5% or 6% Initial Cap: 6% Periodic Cap: 2% Life Cap: 6%	
5/6-month ARM	WAC ARM Guarantor (selling system only)	Non-convertible Initial Cap: 5% Periodic Cap: 1% Life Cap: 5% or 6% Initial Cap: 5% Periodic Cap: 2% Life Cap: 5% or 6% Initial Cap: 6% Periodic Cap: 2% Life Cap: 6%	
7/6-month ARM	WAC ARM Guarantor (selling system only)	Non-convertible Initial Cap: 5% Periodic Cap: 1% Life Cap: 5% or 6%	
10/6-month ARM	WAC ARM Guarantor (selling system only)	Non-convertible Initial Cap: 5% Periodic Cap: 1% Life Cap: 5% or 6%	
1-year ARM	Cash	Non-convertible Initial Cap: 2% Periodic Cap: 2% Life Cap: 6% Initial Cap: 3% Periodic Cap: 3% Life Cap: 6%	0.250%-0.375%
	WAC ARM Guarantor	Convertible* and Non-convertible Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤ 6% Initial Cap: 3% Periodic Cap: 3% Life Cap: ≤ 6%	0.250%-2.00%
3/1 ARM	Cash	Non-convertible Initial Cap: 2% Periodic Cap: 2% Life Cap: 5% or 6% Initial Cap: 3% Periodic Cap: 2% Life Cap: 6%	0.250%-0.375%
	WAC ARM Guarantor	Convertible* and Nonconvertible Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤ 6% Initial Cap: 3% Periodic Cap: 2% Life Cap: ≤ 6%	0.250%-2.00%
5/1 ARM	Cash	Non-convertible Initial Cap: 2% Periodic Cap: 2% Life Cap: 5% or 6% 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%	0.250%-0.375%
	WAC ARM Guarantor	Convertible* and Non-convertible Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤ 6% Initial Cap: 3% Periodic Cap: 2% Life Cap: ≤ 6% Initial Cap: 5% Periodic Cap: 2% Life Cap: ≤ 6%	0.250%-2.00%
7/1 ARM	Cash	Non-convertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%	0.250%-0.375%

	WAC ARM Guarantor	Convertible* and Non-convertible Initial Cap: 5% Periodic Cap: 2% Life Cap: ≤ 6%	Non-convertible Initial Cap: 2% Periodic Cap: 2% Life Cap: 5 or 6%	0.250%-2.00%
10/1 ARM	Cash	Non-convertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%		0.250%-0.375%
	WAC ARM Guarantor	*Convertible and Non-convertible Initial Cap: 5% Periodic Cap: 2% Life Cap: ≤ 6%	Non-convertible Initial Cap: 2% Periodic Cap: 2% Life Cap: 5 or 6%	0.250%-2.00%

Eligible Property Types

- 1- to 4-unit owner-occupied primary residence and investment property
- Second home

Eligible Mortgages

See Guide Section 25.4 for eligible ARM, including:

- Purchase, no cash-out and cash-out refinance mortgages
- Loan Prospector and Non-Loan Prospector mortgages
- Originate with Home Possible Mortgages (5/1, 7/1 and 10/1 ARMs only), Streamlined Purchase for Homeowners, Financed Permanent Buydown (5/6-month, 7/6-month, 10/6-month, 5/1, 7/1 and 10/1 ARMs only), Alternative Stated Income, Streamlined Refinance and A-minus Mortgages, Mortgages for Newly Constructed Homes, and temporary subsidy buydowns. Plus, investigate additional ARM opportunities through a full suite of Initial Interest 3/1, 5/1, 7/1 and 10/1 ARMs.
- Only 7/1 and 10/1 ARMs secured by manufactured homes are eligible for sale to Freddie Mac.
- ARMs secured by investment properties are eligible for sale if the borrower owns only one financed investment property. If the borrower owns more than one financed investment property, the investment property mortgage sold to Freddie Mac must be a 7/1 or 10/1 ARM.
- Adjustable-rate Prepayment Penalty Mortgages are not eligible for sale unless specially negotiated.

Eligibility Requirements

See Guide Chapter 30 for special eligibility requirements for ARMs.

Special Underwriting Requirements

See Guide Section 30.16 for special underwriting requirements, including:

- For 6-month, 1-year, 3/1, 5/1, 3/6-month and 5/6-month ARMs that are less than one year old at the time of delivery, the initial note rate cannot be more than three percent below the fully indexed rate.
- For Loan Prospector Accept mortgages and A-minus mortgages, Loan Prospector has determined the borrower ratios are acceptable.
- Loan Prospector Caution Mortgages and Non-Loan Prospector Mortgages must be manually underwritten per Guide Chapter 37 and 30.16(b), *Calculating Borrower Ratios for ARMs.*

Uniform Instruments/Lookback Period

- All ARMs and Convertible ARMs must be closed on the Fannie Mae/Freddie Mac or Freddie Mac Uniform Instruments.
- The most current version of the Uniform Instruments is available in Guide Exhibit 4 and online at http://www.freddiemac.com/uniform/.
- The form number, current version date and title for the multistate version of the ARM note and rider required for each ARM product is listed in Guide Section 30.12.
- The due-on-sale clauses included in the Uniform Instruments are detailed in Guide Section 8.1.2.
- ARM notes and riders support LIBOR indices with a 45-day lookback period and a first business day of the preceding month lookback period for ARMs eligible for sale through the selling system WAC ARM Guarantor execution.

Minimum Servicing Spread

The minimum servicing spread is 0.250%.

Executions Options

- WAC ARM Cash (non-convertible only)
- WAC ARM Guarantor (non-convertible only through the selling system)

Remittance Options

- First Tuesday – our standard cycle
- Accelerated Remittance Cycle (ARC)

Delivery Requirements

See Guide Chapter 17 for special delivery requirements for ARMs, including:

- You must deliver all documentation and mortgage data prior to the delivery due date of each purchase contract on the Form 13SF and Form 381, including:
  - ⇒ Mandatory SCC codes, Indicator Score, Index Source Code, Index Lookback Days, First Rate Adjustment Min Rate, First Rate Adjustment Max.
- If you choose to use a custodian other than Freddie Mac's Document Custody Services, Form 1034A must be completed and requirements met from Guide Sections 18.2-18.5.

Pooling and Disclosure Requirements

- See Guide Chapter A13 for the ARM pooling and disclosure requirements related to issuing WAC ARM PCs under the WAC ARM Guarantor execution.
- The underlying ARMs in each WAC ARM PC Pool can be assumable either during the life of the loan or assumable after the initial period.

Delivery Fees

Postsettlement delivery fees may apply based on certain characteristics of the mortgage. See Guide Exhibit 19 for details. Guide Exhibit 19 is available online at wwww.FreddieMac.com/singlefamily/pdf/ex19.pdf.

Learn more about Freddie Mac LIBOR-indexed ARMs:

- Review Guide Chapter 8, 17 and 30
- Call (800) FREDDIE
- Visit our website: www.FreddieMac.com