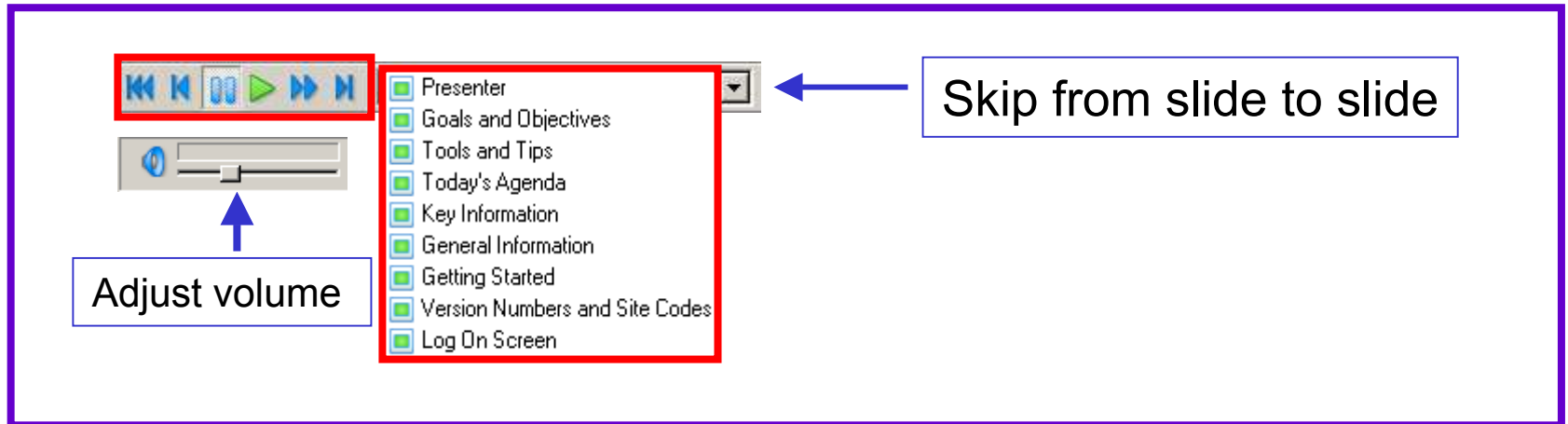




# Welcome to Understanding Custodial Accounts Establishing Accounts

# Tools & Tips for a Recorded Session

- **Close all other applications to enhance your workstation's performance.**
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# Objectives for Today's Session

**This session will help provide you with an overview of:**

- **Freddie Mac custodial account requirements**
- **Types of custodial accounts**
- **The process of setting up custodial accounts**
- **Maintaining and monitoring custodial accounts**

# Agenda



- **Definition of a custodial account**
- **Basic requirements for establishing and setting up the accounts**
  - ✓ Types of accounts and where you may set up accounts
  - ✓ Depository eligibility requirements
- **Titling of Accounts**
  - ✓ Abbreviated options available
- **Documentation to forward to Freddie Mac**
- **Maintaining and Monitoring custodial accounts**
  - ✓ Reconciliations, depositing funds, funding variances, investment options



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Investor Accounting: Custodial Accounts

Use the following resources to help you reconcile your principal and interest custodial accounts.

To access additional items, select a topic and click 'Go'.  > GO

Resource	Link
Mortgage Document Manager	<a href="#">Fact Sheet</a>
Servicer Certification Program	<a href="#">Fact Sheet</a>
Custodial Accounting	<a href="#">Best Practice [PDF 25K]</a>
Understanding Custodial Accounts	<a href="#">Reference Manual [PDF 6.4M]</a>
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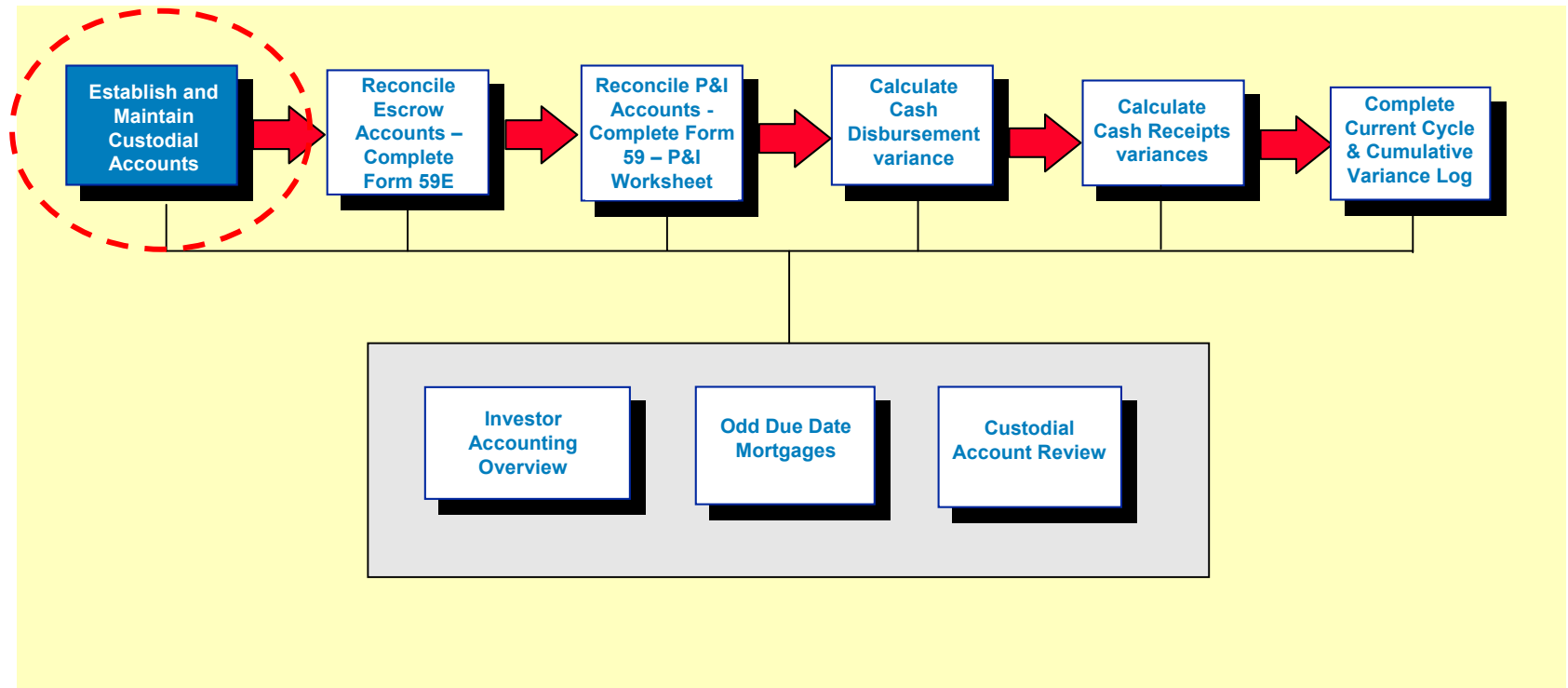


To order a hard copy of the Understanding Custodial Accounts manuals

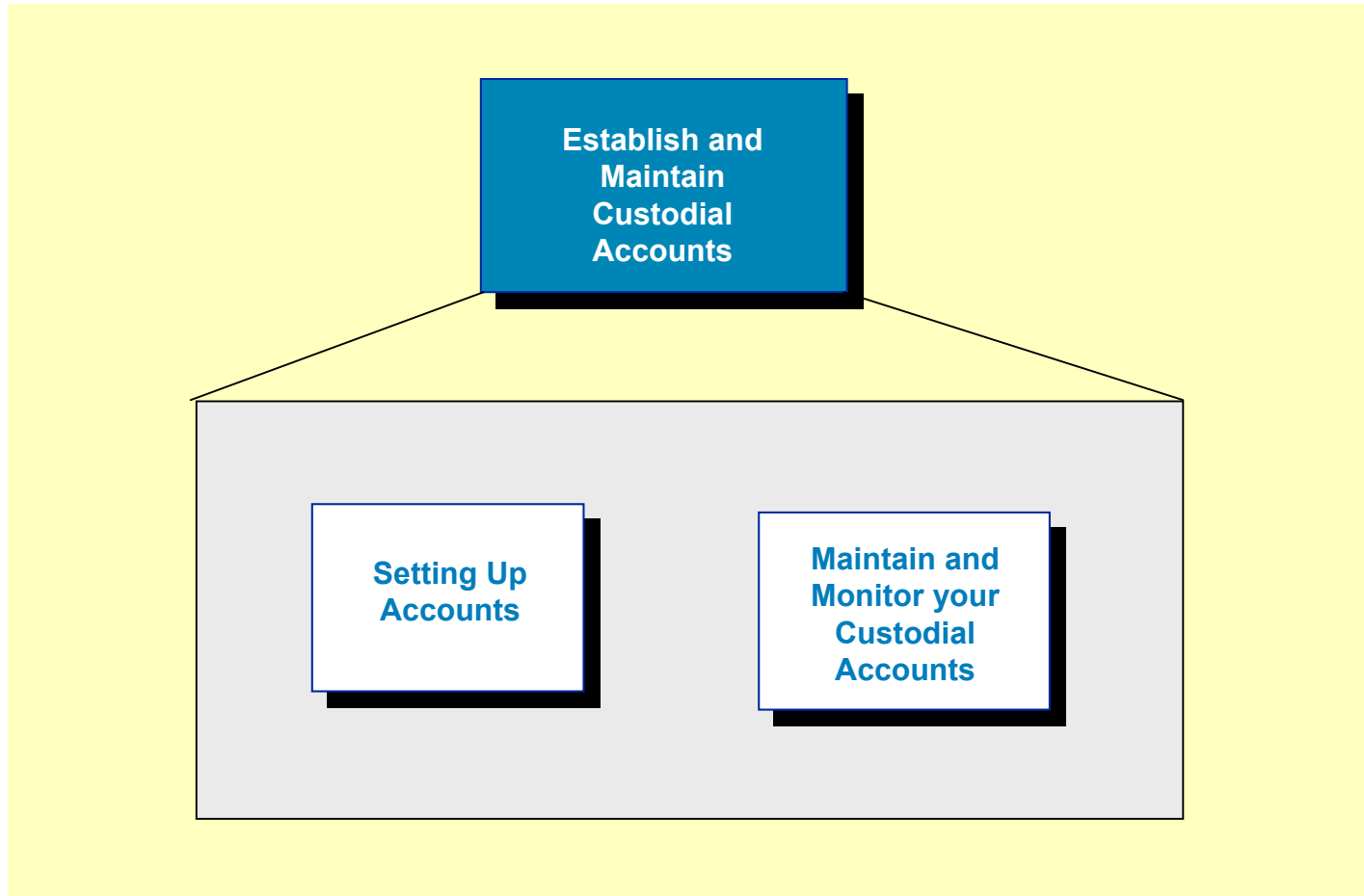
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# Establish and Maintain Custodial Accounts



# Establish and Maintain Custodial Accounts



# What is a Custodial Account?

A custodial account is a demand deposit account or interest-bearing deposit account you must establish and maintain at an eligible depository into which principal and interest payments, escrow funds and other monies due to Freddie Mac, or held on behalf of Freddie Mac mortgages, are deposited. **(from the Guide)**





# What is a Custodial Account?

A custodial account is a bank account in which funds are deposited and held on behalf of Freddie Mac, other investors, and/or the borrowers.



# Opening an Account

To open a custodial account you must

- Determine what accounts you need to open
- Title custodial accounts
- Choose an eligible depository
- Open the account(s)
- Provide account documentation



# Types of Accounts to Establish

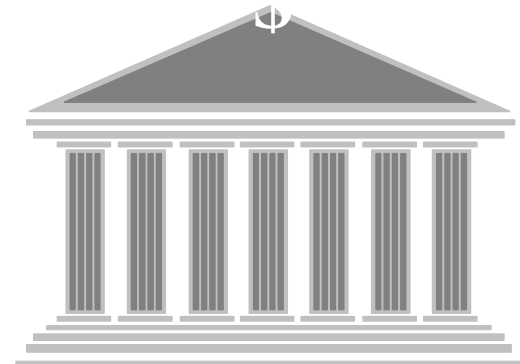
You are required to establish and maintain at least two separate custodial accounts:

- Principal and Interest Custodial Account - (P&I)
- Escrow Custodial Account - (T&I)

# Choose a Depository

As stated in the Guide, an eligible depository

- Is federally insured
- Meets our tier rating requirements (for P&I custodial accounts only if maintained in FDIC or NCUSIF – Insured Depository) *Guide Section 77.9*



# Providing Documentation

The following documents must be sent to us for each account:

- Remittance instructions
- A voided blank check or MICR sheet
- Copy of bank statement or signature card with correct account title
- Letter agreements



# Letter Agreements

## Accounts Established at Your Institution

1. **Form 1057SF**, *Letter Agreement for Servicer's Single-Family Principal and Interest, or P&I Disbursement Clearing Custodial Account*
2. **Form 1058 SF**, *Letter Agreement for Servicer's Single-Family Buydown or Escrow Custodial Account*

## Accounts Established at Another Eligible Depository

1. **Form 1059SF**, *Letter Agreement for Servicer's Single-Family Principal and Interest, or P&I Disbursement Clearing Custodial Account*
2. **Form 1060 SF**, *Letter Agreement for Servicer's Single-Family Buydown or Escrow Custodial Account*

# Account Options

Your custodial account may be interest bearing:

- **Checking (DDA/NOW)**
- **Money Market (checking/savings)**
- **Savings (passbook/statement)**

# Titling of Accounts

Type	Unabbreviated Titling	Abbreviated Titling
P & I Custodial Account	<i>“(Name of Depositor/Servicer), as custodian and/or bailee for Federal Home Loan Mortgage Corporation and/or various owners of interest in mortgages and/or mortgage-related securities and/or various mortgagors.”</i>	<i>“Freddie Mac P &amp; I Custodial Account.”</i>
P & I Disbursement Clearing Custodial Account	<i>“(Name of Depositor/Servicer), as Custodian and/or bailee for Federal Home Loan Mortgage Corporation and/or various owners of interest in mortgages and/or mortgage-related securities and/or various mortgagors.”</i>	<i>“Freddie Mac P &amp; I Clearing Custodial Account.”</i>
Escrow Custodial Account	<i>“(Name of Depositor/Servicer), as trustee and/or custodian for Federal Home Loan Mortgage Corporation and various mortgagors, respectively.”</i>	<i>“Freddie Mac Escrow Custodial Account.”</i>
Buydown Custodial Account	<i>“(Name of Depositor/Servicer), as trustee and/or custodian of mortgage loan subsidy buydown funds for Federal Home Loan Mortgage Corporation and various mortgagors, respectively.”</i>	<i>“Freddie Mac Buydown Custodial Account.”</i>



# Depositing Funds

## You must deposit

- Borrowers' payment(s) within one business day of receipt
- Corporate funds by their remittance due date
- You must advance your own funds if your P&I custodial account balance is insufficient



# Reconciling the Account

You must perform a consolidated reconciliation as of the accounting cutoff

- **Using our Reconciliation Worksheets**
- **Within 45 days**

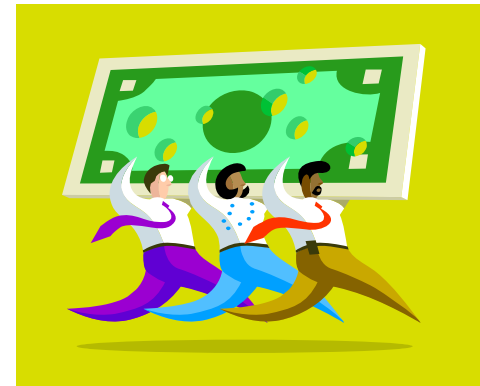
# Funding Variances

You must fund the account for any shortage

- No later than 90 days following the *originating* cycle, or immediately if requested by Freddie Mac
- Whether or not you have identified the cause

# Corporate Advances for P&I

- **You must ensure the account balance does not fall below zero, even if your bank allows it.**
- **You must advance corporate funds if a remittance is greater than the account balance.**
- **You may reimburse yourself immediately upon receipt of payments.**



# Investment Options

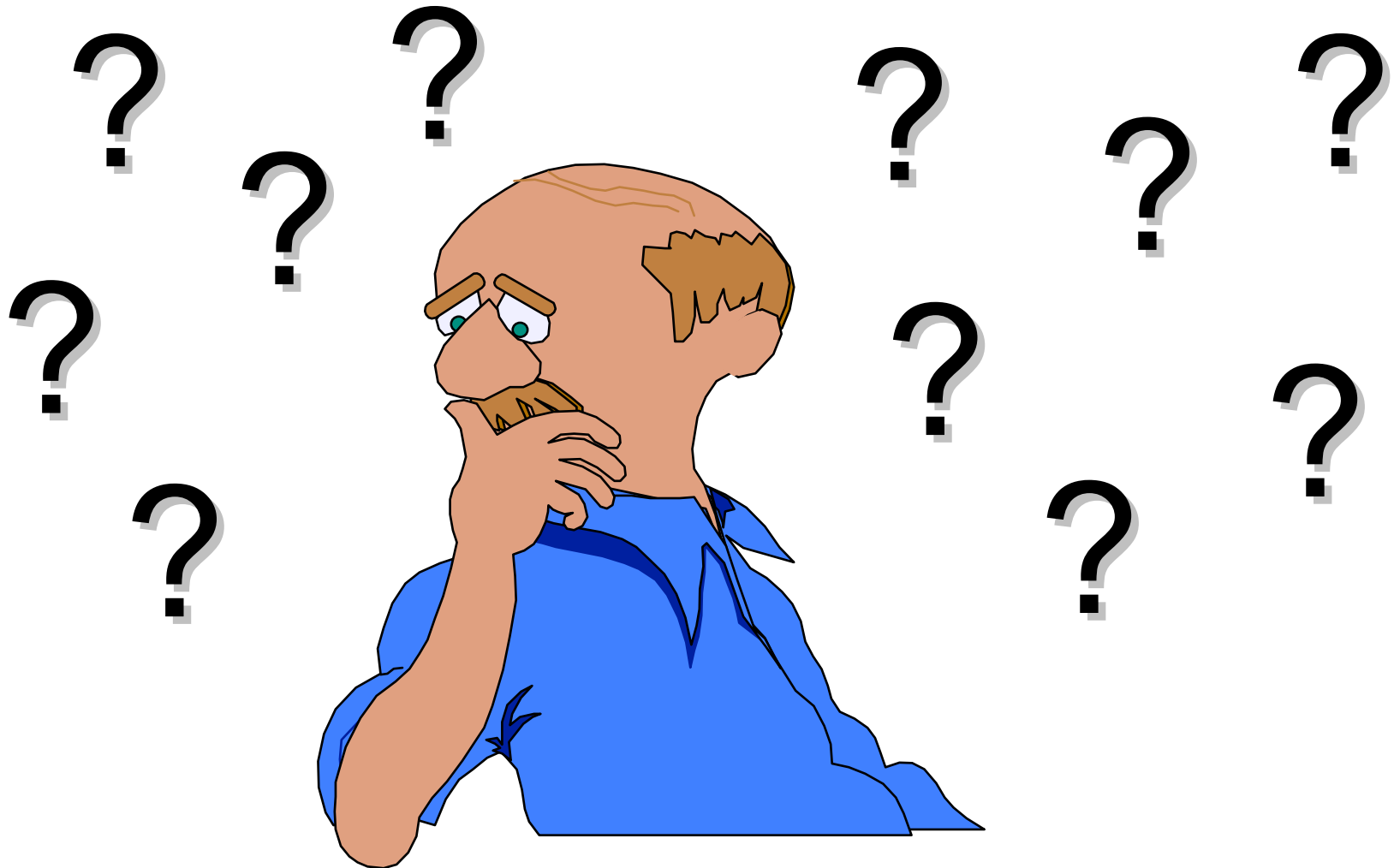
You may invest Custodial Account funds in things such as:

- Interest bearing accounts
- Time deposits
- Federal funds.

# Summary

- **A custodial account is a demand deposit account or interest-bearing deposit account you must establish and maintain at an eligible depository into which principal and interest payments, escrow funds and other monies due to Freddie Mac or held on behalf of Freddie Mac mortgages are deposited.**
- **Requirements:**
  - ▷ Establish and set up at least one P&I custodial account and one Escrow custodial account
  - ▷ Maintain and monitor custodial accounts
    - ✓ Deposit funds and Reconcile timely using Guide required worksheets (Form 59 and Form 59E)

# What Do I Do Now?





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# Thank You!



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before disconnecting from the session.

*Thank you for your participation!*