



Constant Maturity Treasury-Indexed (CMT) ARMs

Expand your origination volume and offer options to borrowers.

CMT-indexed adjustable-rate mortgages (ARMs) offer a fixed rate for a specified time and an annual adjustment over the remaining term – providing options for prime borrowers who do not intend to stay in their homes for long periods, but who understand that their rate will increase. We purchase 1-year, 3-year, 5-year, 3/1, 5/1, 7/1, and 10/1 CMT-indexed ARMs for cash or through our WAC ARM Guarantor program, with dozens of different rate and cap structures available.

> Borrower Profile

- Borrowers looking for lower initial rates and monthly payments.
- Homebuyers who only plan to stay in their homes a short period of time.
- Borrowers who understand their rate will increase.

> Key Features

- Multiple CMT-indexed ARMs with various rate and cap structures.
- WAC ARM Cash and WAC ARM Guarantor execution options.
- Purchase or refinance.
- Minimum servicing spread 0.250 percent.

> Borrower Benefits

- Financing alternatives for homebuyers looking for lower initial rates and monthly payments, and who understand that their rate will increase.
- Cost savings for borrowers who only plan to stay in their homes a short period of time.

ORIGINATION & UNDERWRITING REQUIREMENTS	
Eligible Property Types	<ul style="list-style-type: none"> ▪ 1- to 4-unit owner-occupied primary residence ▪ 1- to 4-unit investment property ▪ Second home
Eligible Mortgages	<ul style="list-style-type: none"> ▪ 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), Financed Permanent Buydown (5/1, 7/1, and 10/1 CMT-indexed ARMs only), A-minus Mortgages, Construction Conversion Mortgages, Renovation Mortgages, and temporary subsidy buydowns. ▪ For manufactured homes, only 7/1 and 10/1 ARMs 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 CMT-indexed ARM. ▪ 1-year, 3/1, and 3-year ARMs with margins of 400 basis points or more are not eligible for sale under flow purchase paths. ▪ Super conforming mortgages with 5/1, 7/1, or 10/1 ARMs. See Guide Chapter L33 for requirements.
Eligibility Requirements	See Guide Chapter 30 and Exhibits 17/17S for ARM eligibility requirements.
Special Underwriting Requirements	<ul style="list-style-type: none"> ▪ Minimum Indicator Score of 620 unless otherwise specified in the <i>Single-Family Seller/Service Guide</i> (Guide); Loan Prospector A-minus Mortgages are exempt. ▪ All mortgages must meet the risk class and/or minimum Indicator Score requirements in Guide Exhibit 25A, where applicable. ▪ Maximum debt-to-income ratio of 45 percent for manually underwritten mortgages. ▪ See Guide Section 30.16 for special underwriting requirements including: <ul style="list-style-type: none"> ○ For 1-year, 3-year, 5-year, 3/1, and 5/1 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 that are acceptable. ○ Loan Prospector Caution Mortgages and Non-Loan Prospector Mortgages must be manually underwritten per Guide Chapter 37 and 30.16(b), <i>Calculating Borrower Ratios for ARMs</i>.
Uniform Instruments/Lookback Period	<ul style="list-style-type: none"> ▪ All ARMs must be closed on the Fannie Mae/Freddie Mac or Freddie Mac Uniform Instruments. ▪ The current version of the Uniform Instruments is available in Guide Exhibit 4 and online at 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 CMT indices with a 45-day lookback period for ARMs eligible for sale through the WAC ARM Guarantor execution.

DELIVERY REQUIREMENTS	
Execution Options	<ul style="list-style-type: none"> ▪ WAC ARM Cash ▪ WAC ARM Guarantor
Remittance Options	<ul style="list-style-type: none"> ▪ First Tuesday – our standard cycle ▪ Accelerated Remittance Cycle (ARC)
Delivery Requirements	<p>See Guide Section 17.10 (b) for special delivery instructions for CMT-indexed ARMs. Sellers must deliver the following ULDD Data Points:</p> <ul style="list-style-type: none"> ○ <i>Loan Amortization Type</i>: “Adjustable Rate” (This Data Point must be populated to save the file in the selling system.) ○ ARM Details <ul style="list-style-type: none"> ○ <i>Index Source Type</i> ○ <i>Interest and Payment Adjustment Index Lead Days Count</i> ○ <i>Interest Rate Rounding Type</i>: “Nearest” (Enter if interest rate rounding is specified in the note.) ○ <i>Interest Rate Rounding Percent</i>: “0.125” <p>In addition, Sellers must provide the applicable information as outlined in Guide Section 17.10 (b) for <i>Note Rate Percent</i>, <i>Scheduled First Payment Due Date</i>, <i>Initial Fixed Period Effective Months Count</i>, <i>First Rate Change Payment Effective Date</i>, <i>Margin Rate Percent</i>, <i>Ceiling Rate Percent</i>, <i>Floor Rate Percent</i>, ARM first and subsequent adjustments, <i>Next Rate Adjustment Effective Date</i>, <i>Principal And Interest Payment Amount</i>, and the <i>Current Interest Rate Percent</i>.</p>
Pooling and Disclosure Requirements	<ul style="list-style-type: none"> ▪ 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 http://www.FreddieMac.com/singlefamily/pdf/ex19.pdf .
SERVICING REQUIREMENTS	
The minimum servicing spread is 0.250 percent (25 basis points) and is subject to requirements in Guide Section 8.2.2.	

Key Features

<i>This table summarizes the Freddie Mac-eligible CMT-indexed ARMs</i>			
Eligible ARM Product	Eligible Executions	Caps/Convertibility	Minimum Contract Servicing Spread
1-year ARM	Cash	Nonconvertible	0.250%-0.375%
		Initial Cap: 1% Periodic Cap: 1% Life Cap: 5% or 6%	
	WAC ARM Guarantor	Nonconvertible	0.250%-2.00%
		Initial Cap: 1% Periodic Cap: 1% Life Cap: ≤6%	
3-year ARM	WAC ARM Guarantor	Nonconvertible Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%	0.250%-0.375%
5-year ARM	WAC ARM Guarantor	Nonconvertible Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%	
3/1 ARM	Cash	Nonconvertible Initial Cap: 2% Periodic: 2% Life Cap: 6%	
3/1 ARM	WAC ARM Guarantor	Nonconvertible	0.250%-2.00%
		Initial Cap: 2% Periodic Cap: 2% Life Cap: ≤6%	
5/1 ARM	Cash	Nonconvertible	0.250%-0.375%
		Initial Cap: 2% Periodic Cap: 2% Life Cap: 5%	
	WAC ARM Guarantor	Nonconvertible	0.250%-2.00%
		Initial Cap: 2% or 5% Periodic: 2% Life Cap: ≤6%	
7/1 ARM	Cash	Nonconvertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%	0.250%-0.375%
	WAC ARM Guarantor	Nonconvertible	0.250%-2.00%
		Initial Cap: Must be same as Life Cap Periodic Cap: 2% Life Cap: ≤6%	
10/1 ARM	Cash	Nonconvertible Initial Cap: 5% Periodic Cap: 2% Life Cap: 5%	0.250%-0.375%
	WAC ARM Guarantor	Nonconvertible	0.250%-2.00%
		Initial Cap: Must be same as Life Cap Periodic Cap: 2% Life Cap: ≤6%	

Learn more about Freddie Mac CMT-indexed ARMs

- Review Guide Chapter 8, 17, and 30
- Call 800-FREDDIE
- Visit FreddieMac.com