



Freddie Mac Adjustable-Rate Mortgage

The Freddie Mac Adjustable-Rate Mortgage (ARM) product is ideal if you wish to take advantage of lower short-term rates with prepayment flexibility.

Key Benefits

- Choice of indices: 1-month or 3-month Freddie Mac Reference Bills® index or a 1-month or 3-month LIBOR index.
- Choice of 5-, 7-, or 10-year loan term; up to 80 percent LTV on loans with terms of 10 years or more.
- Partial interest-only and full term interest-only available in some cases.
- Choice of the Freddie Mac Embedded Interest Rate Cap or you may obtain your own cap coverage from a third-party provider. No cap necessary for loans less than 60% LTV¹.
- Early spread lock for 60 or 120 days available.
- Convertible to a new Freddie Mac fixed-rate or fixed-to-float mortgage at any time after lockout with streamlined underwriting.*

Prepayment Provisions

You can choose from four prepayment provisions when structuring Freddie Mac Standard, capped or uncapped ARMs. The fourth option is only available for a 10-year capped ARM. Each option offers no prepayment premium for the last 90 days of the loan term.

| Option One | |
|------------|--------------------------|
| Year | Prepayment Premium |
| 1 | Locked out |
| 2 & beyond | 1%; waived if converted* |

| Option Two | |
|------------|----------------------|
| Year | Prepayment Premium |
| 1 | 3% |
| 2 | 2% |
| 3 & beyond | 1% |
| ≥ 4 | Waived if converted* |

| Option Three | |
|--------------|----------------------|
| Year | Prepayment Premium |
| 1 | 5% |
| 2 | 4% |
| 3 | 3% |
| 4 | 2% |
| 5 & beyond | 1% |
| ≥ 6 | Waived if converted* |

| Option Four (10 yr capped ARM) | |
|--------------------------------|----------------------|
| Year | Prepayment Premium |
| 1 | 7% |
| 2 | 6% |
| 3 | 5% |
| 4 | 4% |
| 5 | 3% |
| 6 | 2% |
| 7 & beyond | 1% |
| ≥ 8 | Waived if converted* |

Adjustable-Rate Mortgage (ARM) Sizing Grids

Acquisition:

| Term | Final ARM Loan-to-Value | Sizing Requirements: Amortizing Minimum DCR ¹ | Interest-Only (IO) Options | | | |
|---------|-------------------------|--|----------------------------|------------------------------------|----------------------------------|--|
| | | | IO Available? (Y/N) | Maximum IO Period (if passes exit) | Sizing Requirements: IO Min. DCR | Minimum Term for Borrower-Provided Cap |
| 5-year | ≥ 65% to ≤ 70% | 1.05x | N | NA | NA | 3-year with escrow ² |
| | > 60% to < 65% | 1.05x | Y | Full-term | 1.30x | 3-year with escrow ² |
| | ≤ 60% | 1.05x | Y | Full-term | 1.30x | Cap not required |
| 7-year | ≥ 70% to 75% | 1.05x | Partial | 2-year | Use amortizing DCR | 4-year with escrow ² |
| | ≥ 65% to < 70% | 1.05x | Partial | 2-year | Use amortizing DCR | 4-year with escrow ² |
| | > 60% to < 65% | 1.05x | Y | Full-term | 1.30x | 4-year with escrow ² |
| | ≤ 60% | 1.05x | Y | Full-term | 1.30x | Cap not required |
| 10-Year | ≥ 75% to 80% | 1.05x | Partial | 2-year | Use amortizing DCR | 10-year |
| | ≥ 70% to < 75% | 1.05x | Partial | 2-year | Use amortizing DCR | 5-year with escrow ² |
| | ≥ 65% to < 70% | 1.05x | Partial | 2-year | Use amortizing DCR | 5-year with escrow ² |
| | > 60% to < 65% | 1.05x | Y | Full-term | 1.30x | 5-year with escrow ² |
| | ≤ 60% | 1.05x | Y | Full-term | 1.30x | Cap not required |

No Cash-out Refinance:

| Term | Final ARM Loan-to-Value | Sizing Requirements: Amortizing Minimum DCR ¹ | Interest-Only (IO) Options | | | Minimum Term for Borrower-Provided Cap |
|---------|-------------------------|--|----------------------------|------------------------------------|----------------------------------|--|
| | | | IO Available? (Y/N) | Maximum IO Period (if passes exit) | Sizing Requirements: IO Min. DCR | |
| 5-year | > 60% to < 65% | 1.05x | N | NA | NA | 3-year with escrow ² |
| | ≤ 60% | 1.05x | Y | Full-term | 1.30x | Cap not required |
| 7-year | ≥ 65% to 70% | 1.05x | Partial | 2-year | Use amortizing DCR | 4-year with escrow ² |
| | > 60% to < 65% | 1.05x | Partial | 2-year | Use amortizing DCR | 4-year with escrow ² |
| | ≤ 60% | 1.05x | Y | Full-term | 1.30x | Cap not required |
| 10-Year | ≥ 70% to 75% | 1.05x | Partial | 2-year | Use amortizing DCR | 10-year |
| | ≥ 65% to <70% | 1.05x | Partial | 2-year | Use amortizing DCR | 5-year with escrow ² |
| | > 60% to < 65% | 1.05x | Partial | 2-year | Use amortizing DCR | 5-year with escrow ² |
| | ≤ 60% | 1.05x | Y | Full-term | 1.30x | Cap not required |

Cash-out Refinance and Supplemental:

| Term | Final Combined ARM Loan-to-Value | Sizing Requirements: Amortizing Minimum Combined DCR ¹ | Interest-Only (IO) Options | | | Minimum Term for Borrower-Provided Cap |
|---------|----------------------------------|---|----------------------------|------------------------------------|---|--|
| | | | IO Available? (Y/N) | Maximum IO Period (if passes exit) | Sizing Requirements: IO Min. Combined DCR | |
| 5-year | > 60% to < 65% | 1.10x | N | NA | NA | 3-year with escrow ² |
| | ≤ 60% | 1.10x | Y | Full-term | 1.30x | Cap not required |
| 7-year | ≥ 65% to 70% | 1.10x | Partial | 2-year | Use amortizing DCR | 4-year with escrow ² |
| | > 60% to < 65% | 1.10x | Partial | 2-year | Use amortizing DCR | 4-year with escrow ² |
| | ≤ 60% | 1.10x | Y | Full-term | 1.30x | Cap not required |
| 10-Year | ≥ 70% to 75% | 1.10x | Partial | 2-year | Use amortizing DCR | 10-year |
| | ≥ 65% to <70% | 1.10x | Partial | 2-year | Use amortizing DCR | 5-year with escrow ² |
| | > 60% to < 65% | 1.10x | Partial | 2-year | Use amortizing DCR | 5-year with escrow ² |
| | ≤ 60% | 1.10x | Y | Full-term | 1.30x | Cap not required |

¹ For sizing purposes, use maximum note rate based on "strike" rate. For uncapped loans, use 7.0% as the maximum note rate (for sizing only). The underwriting maximum note rate for uncapped ARMs will be reviewed quarterly and is subject to change based on market conditions.

² Cap escrow calculated based upon projected cost of existing cap rate multiplied by 125% using the original "strike" rate. Escrow analyzed and resized each year during annual escrow analysis. Cap escrow may increase as a result of the annual analysis.