



# Reporting Transactions & Resolving Loan-Level Edits Reference Guide

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October 2023

## Notice

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Welcome to *Reporting Transactions and Resolving Loan-Level Edits!*

This publication:

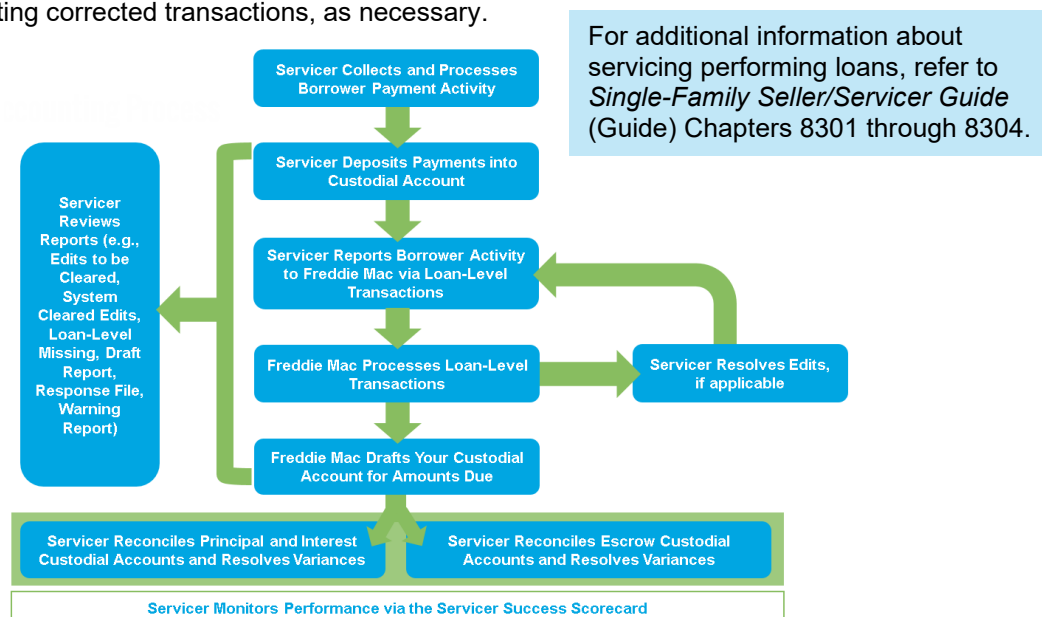
- Introduces the Investor Accounting Process.
- Explains the common data elements reported for loan-level transactions via the Loan Level Reporting tool.
- Provides detailed information about each loan-level transaction type, including how to calculate principal due, interest due, and the current cycle ending gross UPB. Examples are also provided.
- Explains Freddie Mac's requirements for drafting amounts due.
- Provides detailed information about adjustable-rate mortgages.
- Highlights information about step-rate and interest-only mortgages.
- Identifies loan-level edits that you may encounter, and outlines what actions you must take to resolve them.

Refer to this reference guide as you report your loan-level activity to help optimize your servicing performance.

## The Investor Accounting Process

The following illustration highlights the various components of the investor accounting process. Throughout this publication, we will highlight the specific components of the process covered in each chapter.

As you collect and process borrower payment activity for mortgages in your Freddie Mac servicing portfolio, you will deposit those funds into your designated custodial account. Each accounting cycle, you must report at least one transaction, per loan, that represents the cumulative activity for the cycle. Freddie Mac will process each transaction you report and display the results on various reports. If reporting discrepancies exist, you must research the error and take the appropriate actions for resolution, including submitting corrected transactions, as necessary.





Freddie Mac will draft your designated custodial account for amounts due. Various cash management reports, including the *Draft Report*, are available via the Cash Manager tool to assist you with monitoring your cash position. You must reconcile your principal and interest (P&I) and escrow custodial accounts within 45 days after the accounting cycle.

Each month, we also provide feedback on your servicing performance via the Servicer Success Scorecard (Scorecard), available via the Servicer Performance Profile. Your Scorecard is available to you on the last business day of each month for the prior month's performance. For example, the Scorecard available to you on December 31, 2019 reflects your performance for November 2019.

Throughout this publication, we will highlight the specific component(s) of the Investor Reporting Process that each chapter addresses.

## Reporting Mediums

There are several reporting mediums you may use to submit your mortgage activity to us. You may report your loan-level activity to Freddie Mac via the Loan Level Reporting tool ("Loan Level Reporting"), your own proprietary system, or you may have a service bureau that reports on your behalf.

The Loan Level Reporting tool is an easy to navigate, web-based interface that enables you to submit your investor accounting information for Freddie Mac-owned mortgages to us.

Within the tool, you can:

- Customize your import file mapping.
- View and browse mortgage activity.
- Export data.
- Obtain confirmations and notifications.
- Access your investor accounting reports.

Even if you do not report via Loan Level Reporting, you will require access to the tool to access your investor accounting reports.

## Electronic Data Interchange (EDI)

Freddie Mac uses a common, industry-wide electronic data interchange (EDI) for the investor reporting format. The American National Standards Institute (ANSI), Accredited Standards Committee (ASC) is the nationally recognized governing body for the development and maintenance of electronic data standards. Freddie Mac uses the standardized investor reporting format, known as the Investor Reporting (203) transaction set, developed by ASC.

You may or may not be required to use EDI depending on your selection of a reporting medium as follows:

- If you report via the Loan Level Reporting or Foreclosure Sale Reporting tools, you are not required to use the EDI format.
- If you report via another electronic communication path, as described in Guide Section 8301.10(2) you must use the EDI format.
- If a service bureau reports data to Freddie Mac on your behalf, the service bureau must use the EDI format.



## Understanding the Basics

It is important that you are familiar with certain terms and concepts associated with servicing loans for Freddie Mac.

Refer to our publication, *Investor Accounting: The Basics* for information on the following:

- What happens when you sell a mortgage to Freddie Mac.
- Important concepts you must be familiar with such as the accounting cycle, standard remittance cycle, and net yield accounting method.
- Information on Electronic Default Reporting (EDR).
- Common and frequently-used investor accounting reports.
- Investor reporting-related compensatory fees.
- Freddie Mac custodial accounts.
- Investor reporting metrics on the Freddie Mac Servicer Success Scorecard.

## Investor Accounting-Related Reports

Freddie Mac provides numerous investor accounting reports that can assist you with processing your loan-level activity, monitoring your cash position, and reconciling your custodial accounts. Access the Loan Level Reporting tool to view reports associated with processing loan-level transactions. To view reports associated with cash management and drafting, access the Cash Manager tool.

## When You Need Assistance

Contact Customer Support at 800-FREDDIE for the following:

- General questions about reporting
- Technical support

Contact your Freddie Mac representative with specific loan-level questions.

## Additional Educational Resources

Be sure to check out FreddieMac.com for additional reference tools, webinars, and tutorials that can help you improve your understanding of our servicing requirements and optimize your performance results.

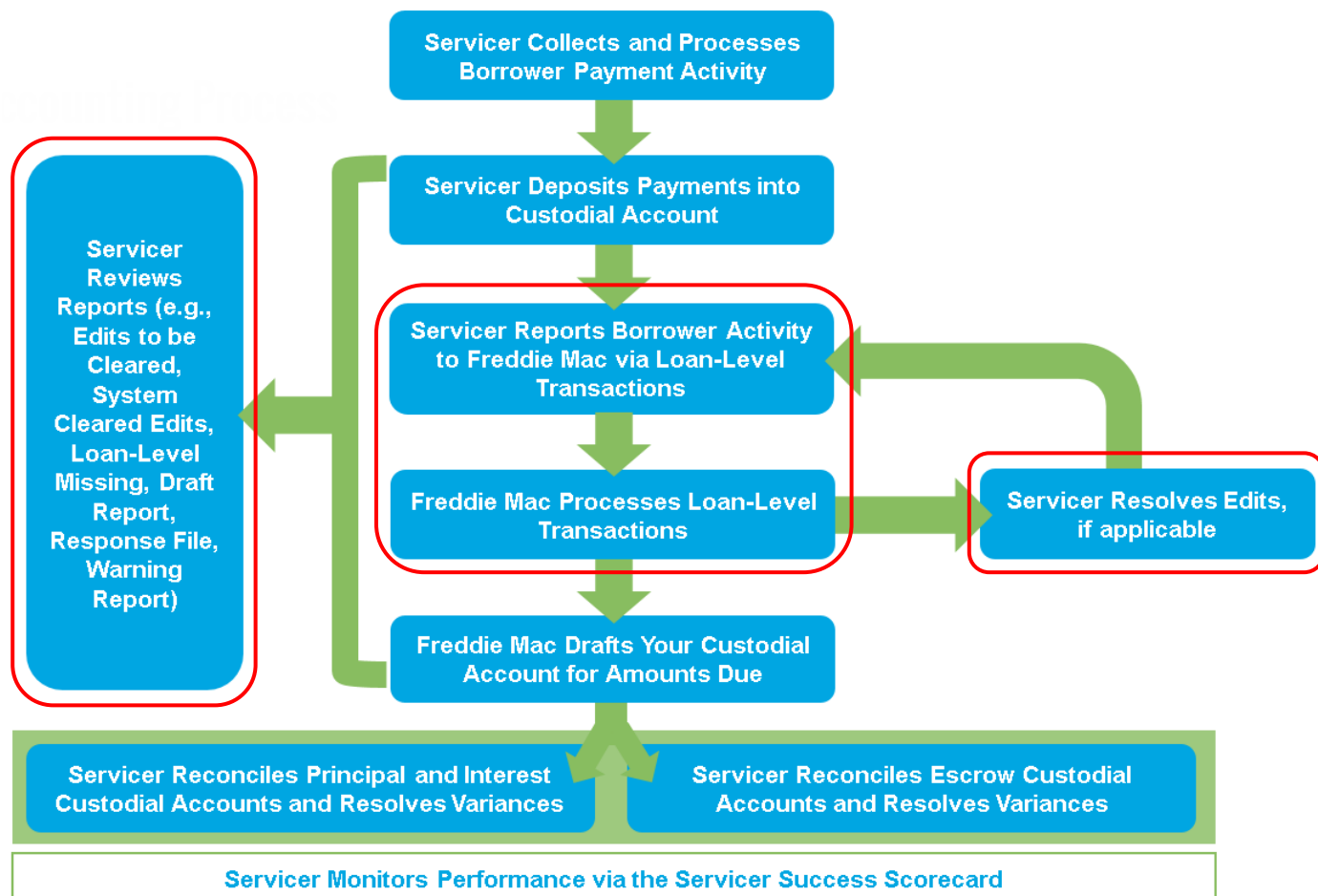


## Common Data Elements

There are several primary data elements you will report via the Loan Level Reporting tool for P&I and exception transactions, including, but not limited to the following:

- Beginning and Ending Gross Unpaid Principal Balance
- Accounting Net Yield
- Due Date of the Last Paid Installment
- Last Payment Received Date
- Mortgage P&I
- Principal Due
- Interest Due (monthly and exception interest)

This chapter introduces and provides detailed information about each of these common loan-level data elements. Being familiar with the characteristics of these common data elements will assist you as you report loan transactions, review reports, and resolve loan-level edits.





## Beginning and Ending Gross Unpaid Principal Balance

The gross unpaid principal balance (UPB) is the total principal due on the mortgage. The previous accounting cycle's ending gross UPB is the beginning gross UPB for the current accounting cycle. For example, the January cycle's ending gross UPB equals the February cycle's beginning gross UPB.

### Mortgages Modified with a Partial Principal Forbearance

For mortgages modified with partial principal forbearance, the gross UPB must equal the sum of the interest-bearing UPB (the amortizing principal balance of the mortgage) and the deferred UPB (the principal forbearance balance).

Interest-bearing UPB + Deferred UPB = Gross UPB

Example:

Interest-bearing UPB.....	\$155,000
+ Deferred UPB.....	\$10,000
<hr/>	
Gross UPB:	\$165,000

## Accounting Net Yield

You must use the accounting net yield (ANY) method to pass through principal and interest to Freddie Mac.

The ANY rate equals the note rate less the servicing spread. For example, if the note rate is 5 percent, and the servicing spread is 0.25 percent, the accounting net yield rate equals 4.75 percent.

With the accounting net yield method, you will:

- Calculate forecasted scheduled interest based on the current cycle's ending UPB and the accounting net yield (ANY). **Note:** The current cycle's ending UPB equals the prior cycle's ending UPB minus the current cycle's principal reduction.
- For an active loan, report one month's scheduled interest regardless of what you receive from the borrower.
- Report the actual principal collected from the borrower during the accounting cycle.

## Due Date of the Last Paid Installment

The Due Date of the Last Paid Installment (DDLPI) is the date on which the last fully paid installment you received from the borrower was due. The DDLPI processed via loan-level reporting determines loan status and delinquency. Freddie Mac will validate the DDLPI you report against the expected principal payment amount and DDLPI movement.

DDLPI movement is calculated as follows:

DDLPI reported in the current month – DDLPI reported in the prior month = DDLPI movement



## Last Payment Received Date

The Last Payment Received Date (LPRD) is the date on which you received the last fully paid installment from the borrower, not the date on which the payment was due.

## Mortgage P&I (P&I Constant)

The mortgage P&I (also referred to as the P&I constant) is the principal and interest portion of the borrower's regular monthly mortgage payment. Freddie Mac will validate the mortgage P&I value you report against the expected P&I constant.

In the following example, the borrower's total monthly payment is \$750. The Mortgage P&I is \$500.

Principal.....	\$100	→	Mortgage P&I
Interest .....	\$400		
Taxes.....	\$150		
Insurance.....	\$100		
<hr/>			
Total Monthly Payment:	\$750		

**Note:** For fixed rate mortgages, the mortgage P&I will be static, unless there is a recast or the loan is modified.



# Principal Due

Principal due, which is also referred to as principal reduction, is based on the amortization schedule for the mortgage.

## How to Calculate Principal Due

Use the following formula to calculate principal due:

$$(12M/R - L) [(1+R/12)^X - 1] = \text{Principal Due}$$

M = P&I constant

R = Note rate

L = Current cycle's beginning UPB

X = Number of months expected principal due based on DDLPI movement

The result is rounded to the second decimal. If the third digit after the decimal is greater than or equal to five, the second digit after the decimal is rounded up to the next number; if it is less than five, it is rounded down.

Below is an example of how the result is rounded:

If the principal payment calculated is:	Then the value is:
\$523.885	Rounded up to \$523.89
\$523.884	Rounded down to \$523.88



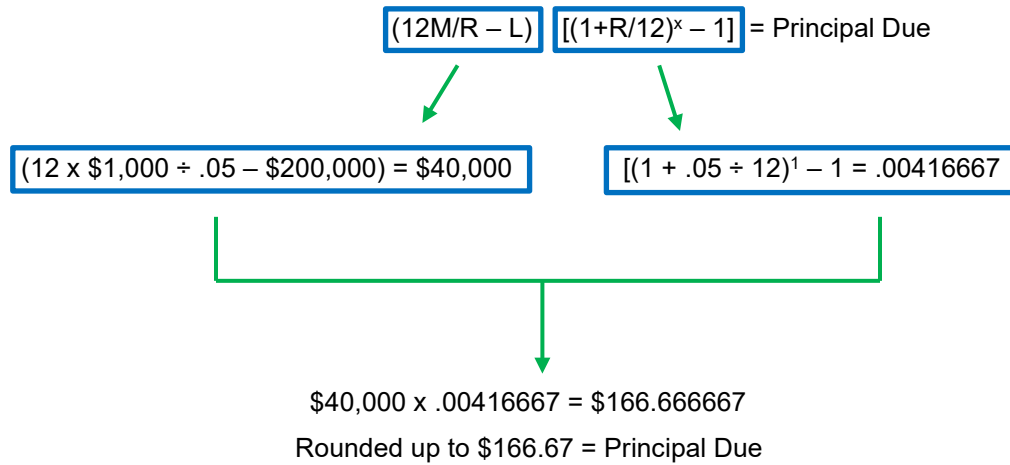
**Example:**

M = P&I constant: \$1,000

R = Note rate: .05 percent

L = Current cycle's beginning UPB: \$200,000

X = Number of months expected principal due based on DDLPI movement: 1





## UPB Validation Check

You may validate the principal due amount by performing the UPB validation check.

For:	The UPB validation check is:								
Mortgages that have not been modified, or have been modified with no partial principal forbearance	<p>The difference between the current cycle's beginning gross UPB and the current cycle's ending gross UPB.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Prior cycle's ending gross UPB</td> <td style="text-align: right;">\$300,000</td> </tr> <tr> <td>- Current cycle's ending gross UPB</td> <td style="text-align: right;">\$298,500</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black;"></td> </tr> <tr> <td>Principal Due</td> <td style="text-align: right;">\$1,500</td> </tr> </table>	Prior cycle's ending gross UPB	\$300,000	- Current cycle's ending gross UPB	\$298,500			Principal Due	\$1,500
Prior cycle's ending gross UPB	\$300,000								
- Current cycle's ending gross UPB	\$298,500								
Principal Due	\$1,500								
Mortgages modified with a partial principal forbearance	<p>The difference between the current cycle's beginning interest-bearing UPB and the ending interest-bearing UPB for the current accounting cycle.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Prior cycle's ending interest-bearing UPB</td> <td style="text-align: right;">\$190,000</td> </tr> <tr> <td>- Current cycle's ending interest-bearing UPB</td> <td style="text-align: right;">\$189,000</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black;"></td> </tr> <tr> <td>Principal Due</td> <td style="text-align: right;">\$1,000</td> </tr> </table>	Prior cycle's ending interest-bearing UPB	\$190,000	- Current cycle's ending interest-bearing UPB	\$189,000			Principal Due	\$1,000
Prior cycle's ending interest-bearing UPB	\$190,000								
- Current cycle's ending interest-bearing UPB	\$189,000								
Principal Due	\$1,000								
Newly funded mortgages	<p>The difference between the UPB at funding (i.e., funded UPB) and the current cycle's ending gross UPB.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Funded UPB</td> <td style="text-align: right;">\$350,000</td> </tr> <tr> <td>- Current cycle's ending gross UPB</td> <td style="text-align: right;">\$100</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black;"></td> </tr> <tr> <td>Principal Due</td> <td style="text-align: right;">\$349,900</td> </tr> </table>	Funded UPB	\$350,000	- Current cycle's ending gross UPB	\$100			Principal Due	\$349,900
Funded UPB	\$350,000								
- Current cycle's ending gross UPB	\$100								
Principal Due	\$349,900								
Payoffs	The current cycle's beginning gross UPB, as the current cycle's ending gross UPB must be zero.								
Third-party foreclosure sales (Conventional and FHA/VA)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Prior cycle's ending gross UPB</td> <td style="text-align: right;">\$300,000</td> </tr> <tr> <td>- Current cycle's ending gross UPB</td> <td style="text-align: right;">\$0</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black;"></td> </tr> <tr> <td>Principal Due</td> <td style="text-align: right;">\$300,000</td> </tr> </table>	Prior cycle's ending gross UPB	\$300,000	- Current cycle's ending gross UPB	\$0			Principal Due	\$300,000
Prior cycle's ending gross UPB	\$300,000								
- Current cycle's ending gross UPB	\$0								
Principal Due	\$300,000								
Inactivations	Always zero.								
Transfers to REO									
FHA/VA Foreclosure/Conveyance									
Reinstatements (Full and Partial)	The difference between the prior cycle's ending gross UPB and the current cycle's ending gross UPB.								



# Interest Due

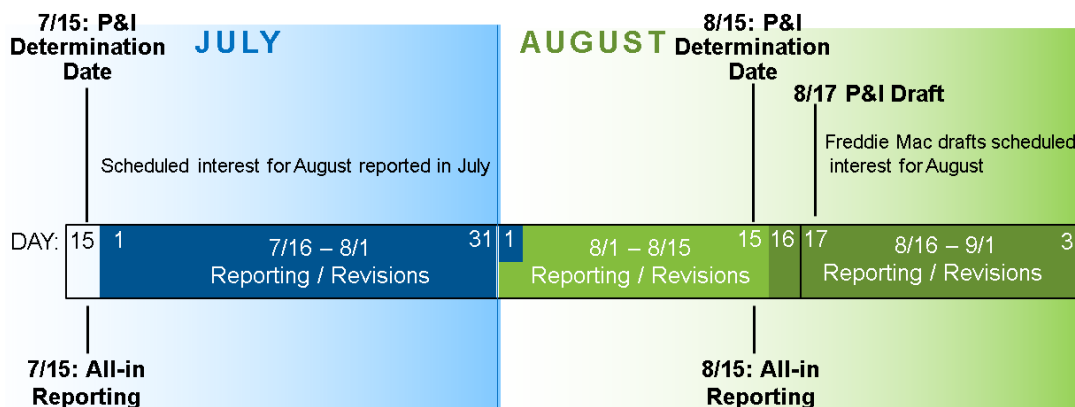
There are three types of interest due:

- Forecasted scheduled monthly interest (monthly interest)
- Exception interest
- Delinquent interest

## Forecasted Scheduled Monthly Interest (Monthly Interest)

Each accounting cycle, you must report forecasted scheduled monthly interest (monthly interest) for all active mortgages, regardless of what has been collected from the borrower. This means the interest due you report is for the next calendar month. Freddie Mac will draft the forecasted scheduled monthly interest you report on the P&I Draft Date for the following accounting cycle.

For example, the monthly interest you report during the July accounting cycle, will be drafted from your designated custodial account on the P&I Draft Date in the August accounting cycle.



## How to Calculate Monthly Interest Due

Monthly interest due is calculated using the accounting net yield (ANY) rate, and is based on a 12-month, 360-day year, or 30-day month. The ANY rate equals the note rate minus the servicing spread.

To calculate monthly interest due, multiply the ending gross UPB for the current accounting cycle by the ANY, and divide by 12. For mortgages modified with a partial principal forbearance, use the interest-bearing UPB, not the gross UPB, to calculate monthly interest due.

$$\text{Current Cycle's Ending Gross UPB} \times \text{ANY} \div 12 = \text{Monthly Interest}$$

### Example:

Current Cycle's Ending Gross UPB: ..... \$125,000

ANY: ..... 4.5 percent

$$\$125,000 \times .045 \div 12 = \$468.75$$

### Important!

For mortgages modified with a partial principal forbearance, use the current cycle's ending interest-bearing UPB, not the current cycle's ending gross UPB, to calculate monthly interest due.



## Forecasted Scheduled Interest for Newly Funded Mortgages

Ensure that you report forecasted scheduled interest for the next accounting cycle for newly funded mortgages.

### Example:

Funded UPB:..... \$250,000  
 ANY:..... 5.0 percent  

$$\$250,000 \times .050 \div 12 = \$1,041.67$$

### Important!

For mortgages modified with a partial principal forbearance, use the interest-bearing UPB, not the gross UPB, to calculate exception interest due.

## Exception Interest

There are two types of exception interest:

- Monthly exception interest
- Daily exception interest

### Monthly Exception Interest

Monthly exception interest may be due for more than one month and may be a credit.

You will report monthly exception interest for the following transactions:

- FHAVA foreclosures/conveyances
- REOs

#### Calculation:

Current cycle's beginning gross UPB x ANY ÷ 12 x Number of months the loan was inactive = Monthly Exception Interest

### Daily Exception Interest

Daily exception interest is based on a 365-day year, and is calculated from the number of days from the first calendar day of the month up to, but not including, the exception date. To calculate exception interest, multiply the ending gross UPB of the prior accounting cycle by the ANY, divide by 365, and then multiply by the number of days from the first calendar day of the month up to, but not including, the exception date.

Daily exception interest will be due when the exception date for the following transactions is not the first of the month:

- Payoffs
- FHAVA foreclosures
- Third-party foreclosure sales

#### Calculation:

Prior Cycle's Ending Gross UPB x ANY ÷ 365 x Number of days from the first of the month up to, but not including the exception date = Daily Exception Interest





## Delinquent Interest

Delinquent interest is applicable to full and partial reinstatements.

### Calculation:

Current Cycle's Beginning Gross UPB x ANY ÷ 12 x Number of months interest was not advanced = Delinquent Interest

### Important!

For mortgages modified with a partial principal forbearance, use the interest-bearing UPB, not the gross UPB, to calculate delinquent interest due.

## Additional Data Elements for Modified Mortgages

For modified mortgages, you must report the following additional data elements, if applicable:

- Borrower incentive curtailment amount (applicable to HAMP modifications only)
- Interest bearing UPB
- Deferred UPB
- Deferred Principal Curtailment Amount

### Borrower Incentive Curtailment Amount

For HAMP modifications, you must report any borrower “Pay for Performance” incentive payments applied to the unpaid principal balance of the mortgage during the accounting cycle. If there is no incentive payment applied during the accounting cycle, do not report a value for this field.

The borrower incentive curtailment is paid once per year. You must apply the curtailment, when you receive it, to the interest bearing UPB, and then to any deferred UPB, if applicable. For additional information, refer to *Single-Family Seller/Servicer Guide* (Guide) Sections 9205.12 and 9205.13.

### Interest Bearing UPB

This data element is applicable to mortgages modified with partial principal forbearance (i.e., deferred UPB). The interest bearing UPB is the amortizing principal balance of the mortgage. You will use the interest bearing UPB to calculate monthly interest and exception interest, if applicable, due to us.

### Deferred UPB

This data element is applicable to mortgages modified with partial principal forbearance. The deferred UPB is non-interest bearing and non-amortizing. It will be due in the form of a balloon payment on transfer of all or a portion of the property, when the interest bearing UPB pays off, or on the maturity date of the modified mortgage.

### Deferred Principal Curtailment Amount

This data element is applicable to mortgages modified with partial principal forbearance, and equals any curtailment amount applied to the deferred UPB during the accounting cycle. Refer to Guide Sections 9205.13 and 8303.4 for additional information.



## Mortgage Insurance Cancellation

Under certain circumstances, the borrower may be able to cancel his or her mortgage insurance. For example, a borrower's loan amortization may reach a certain percentage or the property value may increase such that mortgage insurance is no longer required.

### When to Report Mortgage Insurance Cancellation

Report MI cancellation data to Freddie Mac via the Loan Level Reporting tool when you report P&I activity only. You must report the MI cancellation data within three accounting cycles after the month of the cancellation date. For example, if the cancellation date is April 5, xxxx, you must report mortgage insurance cancellation data with your loan-level accounting data no later than the July xxxx accounting cycle.

### How to Report Mortgage Insurance Cancellation

After you log in to the Loan Level Reporting tool and access the Report Activity page, perform the following steps to report MI cancellation:

1. Click the **Enter Single Loan** radio button.
2. Select the Cycle Date to change the date value, if needed.
3. Enter the nine-digit Freddie Mac loan number.
4. Leave the Exception Code field blank for a Principal and Interest transaction.
5. Enter all applicable and required data fields.
6. Select the appropriate MI Cancellation Code from the pick list in the Exception Code field:
  - 1M – MI Cancel/Borrower – Original Property Value
  - 1N – MI Cancel/Borrower – Current Property Value
  - 1O – MI Cancel/Servicer – Automatic Cancellation
  - 1S – MI Cancel/Unspecified Reasons
7. Enter the date the MI was cancelled in the Exception Date field.
8. Verify the accuracy of the data and click **Submit**.

### Deleting MI Cancellation Data

You cannot delete MI cancellation data previously reported via Loan Level Reporting. Contact your Freddie Mac representative or Customer Support at 800-FREDDIE for assistance.

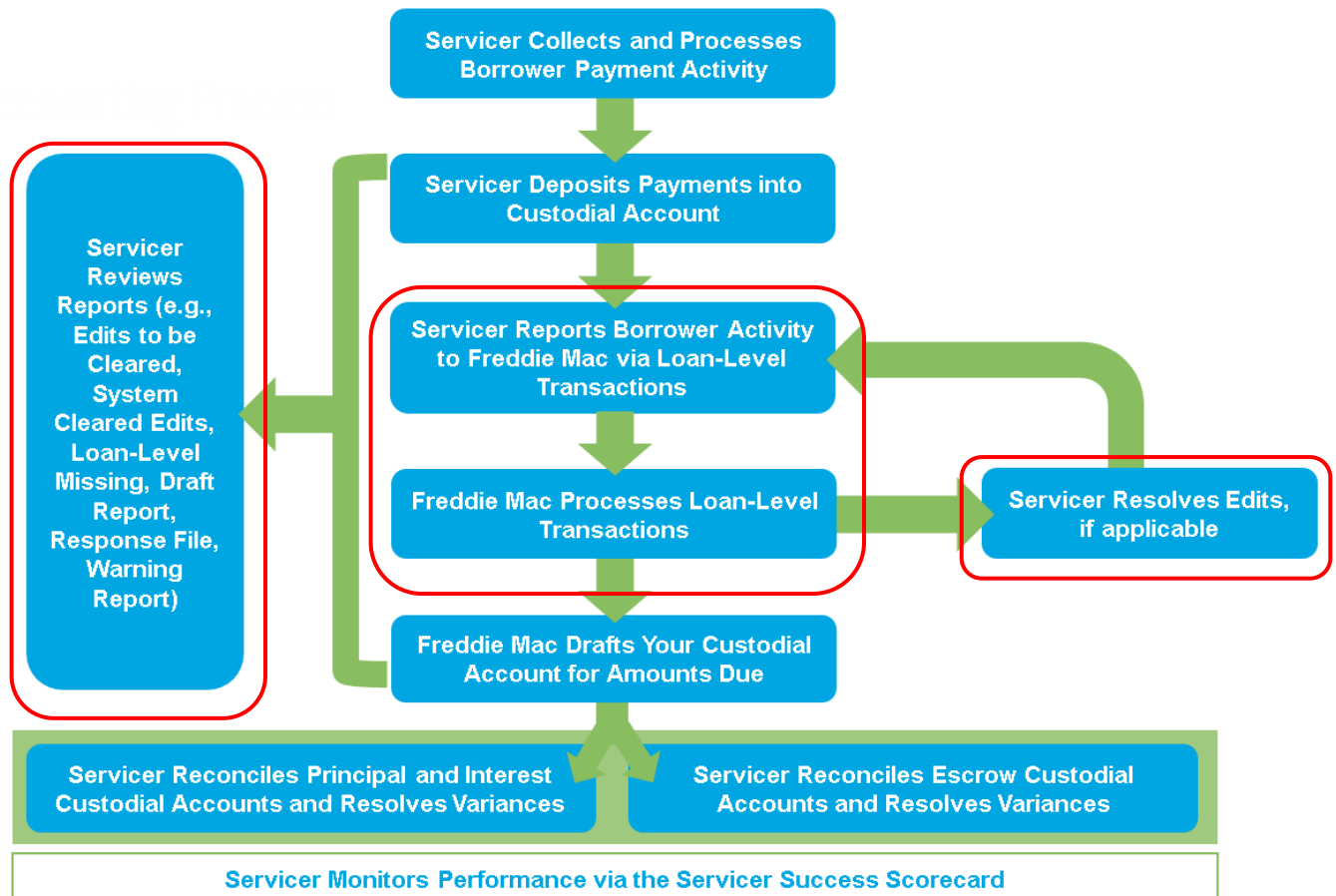
## Loan-Level Transactions

Accurate and timely reporting is essential as you report borrower activity to us each accounting cycle, and manage your Freddie Mac servicing portfolio.

This chapter includes information on the following:

- When to report your loan-level transactions to us, and when we will draft funds due for each type of transaction.
- How to calculate principal due, interest due, and determine the current cycle gross ending unpaid principal balance (UPB) for each loan-level transaction. Examples are also provided.
- Reporting prepayments and curtailments.
- Submitting corrected transactions.
- Reporting after a loan modification has settled.

Refer to this chapter to ensure you are reporting your loan-level transaction accurately, and as you research discrepancies to resolve edits.





## P&I Newly Funded Mortgages

A newly-funded mortgage is a mortgage sold to Freddie Mac during the current accounting cycle.

The *Funding Detail Report*, available via Loan Selling Advisor<sup>®</sup>, confirms your sale of a mortgage to us. Use the *Funding Detail Report* to verify the accuracy of the mortgage data to avoid errors in loan setup and reporting.

Exception Code: Blank				
Reporting Due Date	On or before the P&I Determination Date.			
	<b>If the balance at the end of the accounting cycle:</b>	<b>Then report:</b>		
	Is <u>not</u> different from the funded balance	The forecasted scheduled interest for the next accounting cycle.		
	Is different from the funded balance	Principal and forecasted scheduled interest based on the ending UPB.		
Draft Date	<b>If the balance at the end of the accounting cycle:</b>	<b>Then:</b>		
	Is <u>not</u> different from the funded balance	No funds are due. The forecasted scheduled interest will be drafted on the P&I Draft Date in the next accounting cycle.		
	Is different from the funded balance	<b>If reported:</b>	<b>Freddie Mac will draft:</b>	
		Before the P&I Determination Date	The reported principal and zero interest on the P&I Draft Date in the current accounting cycle.	
		After the P&I Determination Date	The reported principal and forecasted scheduled interest on the P&I Draft Date in the next accounting cycle.	

### Principal Due

Use the following formula to calculate principal due:

$$(12M/R - L) [(1+R/12)^x - 1] = \text{Principal Due}$$

M = P&I constant

R = Note rate

L = Current cycle's beginning UPB

X = Number of months expected principal due based on DDLPI movement



The result is rounded to the second decimal. If the third digit after the decimal is greater than or equal to five, the second digit after the decimal is rounded up to the next number; if it is less than five, it is rounded down.

If:	Then:
The newly funded loan is prepaid	Report the principal reduction and the DDLPI that corresponds to it.
There is a curtailment on the newly funded loan	Report the principal reduction, but do not move the DDLPI.

## Interest Due

Report forecasted scheduled interest for the next accounting cycle.

Use the following formula to calculate interest due:

Current Cycle's Ending Gross UPB x ANY ÷ 12 = Monthly Interest

Example:

Current Cycle's Ending Gross UPB ..... \$150,000

ANY: ..... 5 percent

$\$150,000 \times 0.05 \div 12 = \$625$

## Current Cycle's Ending Gross UPB

The current cycle's ending gross UPB will equal the funded UPB, unless the borrower has made a payment.

## Example

In the following example, a loan funded on June 4<sup>th</sup>; and the borrower's first payment is due on July 1<sup>st</sup>. The borrower made their first payment prior to the July P&I Determination Date. The Servicer reported the payment on July 6<sup>th</sup>.

Funding Accounting Cycle: June XXXX	Note Rate: .0525
Funding Date: June 4, XXXX	Servicing Fee: .0025
Funding UPB: \$150,000	Accounting Net Yield (ANY): .0500
Interest Paid to Date: June 1, XXXX	

Loan Activity:										
Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date	
Loan Boarded	N/A	June	N/A	\$1,000	\$0	\$0	\$150,000			
P&I	June	6/15	6/1	\$1,000	\$0	\$625.00	\$150,000	N/A	N/A	
P&I	July	7/6	7/1	\$1,000	\$343.75	\$623.57	\$149,656.25	N/A	N/A	

$\$149,656.25 / 12 \times .0500$        $\$150,000 - \$343.75$   
 $\$150,000 / 12 \times .0500$        $\$150,000 - \$0$



## P&I Transactions

Report a P&I transaction for:

- A current or delinquent mortgage that has not been inactivated and is not in foreclosure.
- A mortgage that was inactivated in a previous accounting cycle.
- A partial reinstatement

Exception Code: Blank (P&I Existing and/or Active Mortgage)	
<b>Description</b>	Current or delinquent mortgage that has not been inactivated and is not in foreclosure.
<b>Reporting Due Date</b>	On or before the P&I Determination Date.
<b>Draft Date</b>	The second business day after the P&I Determination Date.

### Principal Due

Use the following formula to calculate principal due for an existing/active mortgage:

$$(12M/R - L) [(1+R/12)^X - 1] = \text{Principal Due}$$

M = P&I constant

R = Note rate

L = Current cycle's beginning UPB

X = Number of months expected principal due based on DDLPI movement

The result is rounded to the second decimal. If the third digit after the decimal is greater than or equal to five, the second digit after the decimal is rounded up to the next number; if it is less than five, it is rounded down.

### Interest Due

Report forecasted scheduled interest for the next accounting cycle.

Use the following formula to calculate interest due:

$$\text{Current Cycle's Ending Gross UPB} \times \text{ANY} \div 12 = \text{Monthly Interest}$$

Example:

Current Cycle Ending Gross UPB ..... \$150,000

ANY: ..... 5 percent

$$\$150,000 \times 0.05 \div 12 = \$625$$

#### Important!

For mortgages modified with a partial principal forbearance, use the interest-bearing UPB, not the gross UPB, to calculate monthly interest due.

### Current Cycle's Ending Gross UPB

The current cycle's ending gross UPB for P&I transactions will equal the prior cycle's ending gross UPB, minus principal due.



## Example

In the following example, the loan is current and the borrower made their July payment on July 6<sup>th</sup>. The Servicer reported the transaction to Freddie Mac on July 6<sup>th</sup>. In the August cycle, the borrower made their August payment on August 5<sup>th</sup>.

Current Accounting Cycle: July XXXX  
Prior Cycle (June) Ending UPB: \$98,872.54  
Reported Interest (June): \$411.97

Note Rate .0525  
Servicing Fee .0025  
Accounting Net Yield (ANY) .0500

Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	July	7/6	7/1	\$1,000	\$567.43	\$409.60	\$98,305.11	N/A	N/A
P&I	August	8/5	8/1	\$1,000	\$569.92	\$407.23	\$97,735.19	N/A	N/A

$\$97,735.19 / 12 \times .0500$        $\$98,305.11 - \$569.92$   
 $\$98,305.11 / 12 \times .0500$        $\$98,872.54 - \$567.43$

## Netting of a Prior Cycle Curtailment

You may apply a prior cycle's entire curtailment, or a portion of it, to the current cycle's principal payment (i.e., net a prior cycle's curtailment).

**Note:** If you have reported a P&I recast (exception code 91) for the curtailment, you cannot net a prior cycle curtailment.

To net a prior cycle curtailment, report a P&I transaction (blank exception code) and ensure all of the following conditions are met:

- The DDLPI must advance from the prior accounting cycle.
- The principal reported to Freddie Mac is greater than zero, but less than the principal expected that corresponds to the DDLPI movement.
- The current cycle's ending gross UPB must be less than the prior cycle's ending gross UPB.
- The current cycle's ending gross UPB should support the maturity date per the Note.



## Example

In the example below, the borrower made a \$20,000 curtailment in July, in addition to the expected principal payment of \$567.43. In August, the borrower sent a payment of \$468 and wanted to recoup \$100 of the curtailment and apply it to the expected August principal payment of \$568. A P&I recast had not been reported, so you are permitted to net a portion of the prior cycle curtailment against the borrower's August payment.

Note the following:

- The transaction type reported is P&I (blank exception code).
- The principal reported amount of \$468 is greater than zero, but less than the expected principal amount of \$568.
- The DDLPI advanced one month to coincide with the number of payments reflected.
- The current cycle's ending UPB decreased from the prior cycle, and supports the amortization schedule.

Current Accounting Cycle: August XXXX  
 May Ending UPB: 99,437.50  
 Accounting Net Yield (ANY): .0500

Curtailment reported in July: \$20,000  
 August Expected Principal: \$568  
 Servicing Fee: .0025

*Loan Activity:*

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	June	6/4	6/1	\$1,000	\$564.96	\$411.97	\$98,872.54	N/A	N/A
P&I	July	7/5	7/1	\$1,000	\$20,567.43	\$326.27	\$78,305.11	N/A	N/A
→ P&I	August	8/4	8/1	\$1,000	\$468.00	\$324.32	\$77,837.11	N/A	N/A

$\$98,872.54 / 12 \times .0500$	$\$99,437.50 - \$564.96$
$\$78,305.11 / 12 \times .0500$	$\$98,872.54 - \$20,567.43$
$\$77,837.11 / 12 \times .0500$	$\$78,305.11 - \$468.00$

DDLPI advances from prior cycle
June Expected Principal: \$564.96
July Expected Principal: \$567.43 Curtailment: \$20,000.00
August Expected Principal: \$568.00 Recoup from Curtailment: \$100.00 Principal Reported: \$468.00





Exception Code: Blank (P&I Inactive Mortgage)	
<b>Description</b>	Mortgage inactivated in a previous accounting cycle. No principal or interest is due unless it is being partially reinstated.
<b>Reporting Due Date</b>	On or before the P&I Determination Date.
<b>Draft Date</b>	No funds are due unless it is partially reinstated.

## Principal Due

The principal due for a P&I transaction for an inactive mortgage is always zero, unless it is being [partially reinstated](#).

## Interest Due

Forecasted scheduled interest is not due for the next accounting cycle. Delinquent interest may be due for a partial reinstatement.

## Current Cycle's Ending Gross UPB

The current cycle's ending gross UPB will always equal the prior cycle's ending gross UPB, unless it is being partially reinstated.

## Partial Reinstatements

A partial reinstatement occurs when you accept a payment from the borrower (at minimum, at least one full monthly principal payment and delinquent interest, if applicable) on an inactive mortgage, but does not bring the mortgage current.

If you accept at least one full monthly principal payment and delinquent interest, then you must advance the DDLPI one month for each full payment received. Until the mortgage is brought current, the inactivation date will not change and the mortgage will remain inactive regardless of the number of delinquent payments you accept.

<b>If the new DDLPI is:</b>	<b>Report:</b>	
On or prior to the inactivation date	<ul style="list-style-type: none"> <li>The principal accepted, which must be in increments of at least one full expected principal payment as the new DDLPI, and</li> <li>Zero interest</li> </ul> And Freddie Mac will draft as follows:	
	<b>If you report the partial reinstatement:</b>	<b>Then Freddie Mac will draft the principal:</b>
	On or before the P&I Determination Date	On the P&I Draft Date in the current accounting cycle.
After the P&I Determination Date	On the P&I Draft Date in the following accounting cycle.	



<b>If the new DDLPI is:</b>	<b>Report:</b>	
After the inactivation date	<ul style="list-style-type: none"> <li>The principal accepted, which must be in increments of at least one full expected principal payment as the new DDLPI, and</li> <li>Delinquent interest from the inactivation date to the new DDLPI</li> </ul> And Freddie Mac will draft as follows:	
	<b>If you report the partial reinstatement:</b>	<b>Then Freddie Mac will draft:</b>
	On or before the P&I Determination Date	<ul style="list-style-type: none"> <li>The principal on the P&amp;I Draft Date in the current accounting cycle.</li> <li>The delinquent interest on the P&amp;I Draft Date in the following accounting cycle.</li> </ul>
	After the P&I Determination Date	The principal and delinquent interest on the P&I Draft Date in the following accounting cycle.

## Example: Inactive Loan

In this example, the loan was inactivated when it reached its fourth month of delinquency in May. In the June accounting cycle, the Servicer did not receive any funds from the borrower. Therefore, the Servicer reported a P&I transaction for the inactive loan.

Current Accounting Cycle: June XXXX  
 DDLPI: Jan 1, XXXX  
 Inactivation Cycle: May XXXX

Note Rate: .0525  
 Servicing Fee: .0025  
 Accounting Net Yield (ANY): .0500

### Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
Inactive	May	5/15	1/1	\$1,000	\$0	\$0	\$101,672.84	40	N/A
P&I	June	6/15	1/1	\$1,000	\$0	\$0	\$101,672.84	N/A	N/A



## Example: Partial Reinstatement with DDLPI On or Before Inactivation Date

Prior to the July P&I Determination Date, the borrower made two payments, moving the DDLPI to March 1<sup>st</sup>. The Servicer reported the two principal payments on July 3<sup>rd</sup>. No delinquent interest was reported as the Servicer already advanced the interest from the original DDLPI through the inactivation date. The borrower did not make any payments in August.

Current Accounting Cycle: July XXXX  
 Original DDLPI: Jan 1, XXXX  
 June's Ending UPB: \$101,672.84  
 Monthly Delinquent Interest: \$423.64

Inactivation Cycle: May XXXX  
 Note Rate: .0525  
 Servicing Fee: .0025  
 Accounting Net Yield (ANY): .0500

Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	July	7/3	3/1	\$1,000	\$1,112.79	\$0	\$100,560.05	N/A	N/A
P&I	August	8/15	3/1	\$1,000	\$0	\$0	\$100,560.05	N/A	N/A

\$100,560.05 - \$0  
\$101,672.84 - \$1112.79  
Feb PR \$555.18  
Mar PR \$557.61

## Example: Partial Reinstatement with DDLPI After the Inactivation Date

In the following example, the loan was inactivated in the May accounting cycle. Prior to the P&I Determination Date in the August accounting cycle, the borrower made six payments, moving the DDLPI from January 1<sup>st</sup> to July 1<sup>st</sup>. On August 3<sup>rd</sup>, the Servicer reported the six principal payments, and two delinquent interest payments (from inactivation date to July since the Servicer had already advanced interest from January 1<sup>st</sup> through the inactivation date). The borrower did not make any payments in September. Therefore, the Servicer reported zero principal and interest since the loan was still inactive.

Current Accounting Cycle: August XXXX  
 Original DDLPI: Jan 1, XXXX  
 June's Ending UPB: \$101,672.84  
 Monthly Delinquent Interest: \$423.64

Inactivation Cycle: May XXXX  
 Note Rate: .0525  
 Servicing Fee: .0025  
 Accounting Net Yield (ANY): .0500  
 DDLPI Reported with Partial Reinstatement: July 1, XXXX

Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	August	8/3	7/1	\$1,000	\$3,367.74	\$847.28	\$98,305.10	N/A	N/A
P&I	Sept.	9/15	7/1	\$1,000	\$0	\$0	\$98,305.10	N/A	N/A

\$101,672.84 - \$3,367.74  
Six principal payments of \$561.29.



## Inactivations

Report an inactivation when a mortgage is in its fourth cycle of delinquency. If you do not report an inactivation, we will inactivate the mortgage.

**Note:** The delinquency does not have to be four consecutive months.

Exception Code: 40 (Inactivation)	
Reporting Due Date	On or before the P&I Determination Date.
Draft Date	No funds are due.

## Principal Due

The principal due for an inactivation is always zero, as the borrower did not make a payment.

## Interest Due

The monthly scheduled forecasted interest due for an inactivation is always zero.

## Current Cycle Ending Gross UPB

The current cycle's ending gross UPB for an inactivation will always equal the current cycle's beginning gross UPB. For loans with a Borrower Incentive Curtailment (BIC), you may apply the BIC in the fourth cycle of delinquency.

## Example

In this example, the borrower did not make their monthly mortgage payments from February through June. The borrower's last payment was in January. The Servicer continued to advance interest until the loan was inactivated in May.

Current Accounting Cycle: May XXXX  
 DDLPI: Jan 1, XXXX  
 December Ending UPB: \$102,225.60  
 Monthly Delinquent Interest: \$423.64

Inactivation Cycle: May XXXX  
 Note Rate: .0525  
 Servicing Fee: .0025  
 Accounting Net Yield (ANY): .0500

*Loan Activity:*

$\$101,672.84 / 12 \times .0500$

$\$102,225.60 - \$552.76$

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	Jan	1/6	1/1	\$1,000	\$552.76	\$423.64	\$101,672.84	N/A	N/A
P&I	Feb	2/15	1/1	\$1,000	\$0	\$423.64	\$101,672.84	N/A	N/A
P&I	March	3/15	1/1	\$1,000	\$0	\$423.64	\$101,672.84	N/A	N/A
P&I	Apr	4/15	1/1	\$1,000	\$0	\$423.64	\$101,672.84	N/A	N/A
Inactive	May	5/15	1/1	\$1,000	\$0	\$0	\$101,672.84	40	N/A
P&I	Jun	6/15	1/1	\$1,000	\$0	\$0	\$101,672.84	N/A	N/A



## Full Reinstatements

A full reinstatement occurs when a mortgage that was inactivated in a previous accounting cycle has been brought current. A full reinstatement requires full payment of all past due amounts. Full reinstatements may include mortgages that have a completed workout or loan modification.

Exception Code: 50 (Full Reinstatement)		
<b>Reporting Due Date</b>	On or before the P&I Determination Date.	
<b>Draft Date</b>	The second business day after the P&I Determination Date.	
	<b>If you report principal and interest:</b>	<b>Then Freddie Mac will draft:</b>
	On or before the P&I Determination Date	The full amount of any principal due to Freddie Mac on the P&I Draft Date of the current accounting cycle
	After the P&I Determination Date	Any principal due to Freddie Mac on the P&I Draft Date of the following accounting cycle.
	Freddie Mac will draft delinquent and forecasted scheduled interest on the P&I Draft Date of the following accounting cycle.	

## Principal Due

You must report principal due from the previously reported DDLPI to the current accounting cycle (or later).

Use the following formula to calculate principal due:

$$(12M/R - L) [(1+R/12)^x - 1] = \text{Principal Due}$$

M = P&I constant

R = Note rate

L = Current cycle's beginning UPB

X = Number of months expected principal due based on DDLPI movement

The result is rounded to the second decimal. If the third digit after the decimal is greater than or equal to five, the second digit after the decimal is rounded up to the next number; if it is less than five, it is rounded down.



## Interest Due

Refer to the following table to determine the interest due for a full reinstatement.

If the DDLPI is:	Then you must calculate and report:
On or before the inactivation date	Interest from the inactivation date to the current accounting cycle plus forecasted scheduled interest for the next accounting cycle.
After the inactivation date	<ul style="list-style-type: none"> <li>Delinquent interest from the DDLPI through the current accounting cycle, and</li> <li>Forecasted scheduled interest for the next accounting cycle.</li> </ul>

### Important!

For mortgages modified with a partial principal forbearance, use the interest-bearing UPB, not the gross UPB, to calculate monthly interest due.

## Current Cycle's Ending Gross UPB

The current cycle's ending gross UPB for a full reinstatement equals the current cycle's beginning gross UPB minus principal due from the previously reported DDLPI to the current accounting cycle (or later).

## Example

Prior to the August P&I Determination Date, the borrower made seven full payments to bring the loan current. On August 3, the Servicer reported seven months of principal and four months of interest (June, July, August delinquent interest and forecasted scheduled interest for September). The loan was reinstated in August.

Current Accounting Cycle: August XXXX

Original DDLPI: Jan 1, XXXX

July's Ending UPB: \$101,672.84

Monthly Delinquent Interest \$423.64 (June-August); \$407.23 (September)

Inactivation Cycle: May XXXX

Note Rate: .0525

Servicing Fee: .0025

Accounting Net Yield (ANY): .0500

### Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
Reinstatement	August	8/3	8/1	\$1,000	\$3,937.65	\$1,678.15	\$97,735.19	50	N/A
P&I	Sept	9/4	9/1	\$1,000	\$572.41	\$404.84	\$97,162.78	N/A	N/A

\$101,672.84 - \$3,937.65

Principal for February through August

Interest due from June-Aug, and Sept forecasted interest:  
 $\$423.64 \times 3 = \$1,270.92$   
 $\$1,270.92 + 407.43 = \$1,678.15$



## Balance Corrections

A balance correction, often referred to as negative principal reduction, occurs when the current cycle's ending gross UPB is higher than the current cycle's beginning gross UPB for reasons other than negative amortization or loan modification.

Valid reasons include, but are not limited to the following:

- The borrower's monthly payment is returned unpaid after you report the payment to us.
- A payment was misapplied in a previous accounting cycle.

If you reduced the principal balance of the mortgage in error in a previous accounting cycle, and the net result of reversing the payment causes the ending gross UPB to increase, you must report the transaction as a balance correction.

Report a balance correction (exception code 80) to correct prior cycle principal balances only. If you need to correct the balance reported for the current accounting cycle, submit a revised transaction.

**Note:** Reversals greater than \$3,000 are subject to Freddie Mac approval.

Exception Code: 80 (Balance Correction)	
<b>Reporting Due Date</b>	On or before the P&I Determination Date.
<b>Draft Date</b>	The second business day after the P&I Determination Date.

## DDLPI

We will validate the DDLPI reported with balance corrections associated with payment reversals. We will consider any negative principal reduction greater than the payment reversal as a curtailment reversal.

## Curtailment Reversals

A curtailment reversal equals the total negative principal reduction reported minus the expected principal for the DDLPI movement. You cannot report a curtailment reversal if a P&I recast (exception code 91) has already been reported to Freddie Mac for the curtailment.

If the curtailment reversal amount is:	Then:
Less than \$3,000	We will process the transaction.
Greater than or equal to \$3,000	We will process the transaction and generate a warning message. You will be required to provide supporting documentation for the negative principal reduction.



## Balance Corrections in Excess of \$3,000

If a balance correction on one mortgage exceeds \$3,000, you must notify your Freddie Mac representative.

Your Freddie Mac representative will:

- Tell you what supporting documentation is required. Typically, the supporting documentation is a copy of the loan history or a copy of the returned payment.
- Contact you if we do not approve the transaction. If we are unable to approve the transaction, you may be required to repurchase the loan.

We review each transaction individually to determine if we can approve the balance correction based on impacts to our investor.

Ensure that you review the *Negative Principal Reduction Report*, a daily report available via the Loan Level Reporting tool, that provides a cumulative view of loans that, during the current accounting cycle, had a curtailment reversal/negative principal reduction amount greater than the allowable threshold of \$3,000.

## Principal Due

The principal due for a balance correction will always be a negative value.

Use the following formula to calculate principal due:

$$(12M/R - L) [(1+R/12)^X - 1] = \text{Principal Due}$$

M = P&I constant

R = Note rate

L = Current cycle's beginning UPB

X = Number of months expected principal due based on DDLPI movement

**Note:** This will be a negative value to indicate that the DDLPI is moving back (payment reversal).

The result is rounded to the second decimal. If the third digit after the decimal is greater than or equal to five, the second digit after the decimal is rounded up to the next number; if it is less than five, it is rounded down.

## Interest Due

Report forecasted scheduled interest for the next accounting cycle.

Use the following formula to calculate interest due:

$$\text{Current Cycle's Ending Gross UPB} \times \text{ANY} \div 12 = \text{Monthly Interest}$$

Example:

Current Cycle Ending Gross UPB .....\$250,525

ANY: .....5 percent

$$\$250,525 \times 0.05 \div 12 = \$1,043.85$$

### Important!

For mortgages modified with a partial principal forbearance, use the interest-bearing UPB, not the gross UPB, to calculate monthly interest due.

## Current Cycle's Ending Gross UPB

The current cycle's ending gross UPB will always be greater than the current cycle's beginning UPB for a balance correction, as principal due is always a negative value.

Use the following formula to calculate the current cycle's ending gross UPB:

$$\text{Current Cycle's Beginning Gross UPB} - (\text{Negative Principal Reduction}) = \text{Current Cycle's Ending Gross UPB}$$





## Example: Balance Correction on an Active Loan

In this example, the borrower made a payment in July, and the Servicer reported it on July 6<sup>th</sup>. In the August accounting cycle, the borrower's payment was returned for insufficient funds. The Servicer reported a balance correction to account for the negative principal reduction. The DDLPI was moved back to June 1<sup>st</sup>. The borrower did not make a payment in August.

Current Accounting Cycle: August XXXX  
 Prior Cycle (June) Ending UPB: \$98,872.54

Note Rate: .0525  
 Servicing Fee: .0025  
 Accounting Net Yield (ANY): .0500

Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	July	7/6	7/1	\$1,000	\$567.43	\$409.60	\$98,305.11	N/A	N/A
Balance Correction	August	8/5	6/1	\$1,000	-\$567.43	\$411.97	\$98,872.54	80	N/A

$\$98,305.11 / 12 \times .0500$        $\$98,872.54 - \$567.43$   
 $\$98,872.54 / 12 \times .0500$        $\$98,305.11 + \$567.43$

Payment returned for insufficient funds

## Example: Balance Correction on an Inactive Loan

In the following example, the loan was inactivated in the May accounting cycle. In July, the borrower partially reinstated the mortgage by making two principal payments (February and March). In the August accounting cycle, the payments were returned for insufficient funds. The Servicer reported a balance correction to account for the negative principal reduction. Zero scheduled interest was reported, as the loan is still inactive.

Current Accounting Cycle: August XXXX  
 Original DDLPI: Jan 1, XXXX  
 June's Ending UPB: \$101,672.84

Inactivation Cycle: May XXXX  
 Note Rate: .0525  
 Servicing Fee: .0025  
 Accounting Net Yield (ANY): .0500

Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	July	7/3	3/1	\$1,000	\$1,112.79	\$0	\$100,560.05	N/A	N/A
Balance Correction	August	8/15	1/1	\$1,000	-\$1,112.79	\$0	\$101,672.84	80	N/A

February Principal \$555.18  
 March Principal \$557.61       $\$101,672.84 - \$1,112.79$   
 Payment returned for insufficient funds       $\$100,560.05 + \$1,112.79$



## P&I Recasts

A P&I recast is the recalculation of the monthly principal and interest payment that the Servicer may approve when a borrower makes a curtailment in a previous accounting cycle and executed a recast agreement.

**Note:** We will not approve the reversal of a curtailment after the recast agreement is executed and the P&I recast (exception code 91) is reported to Freddie Mac.

Review the *P&I Recast Report* to view a cumulative list of loans with a recast exception event due to a P&I constant change during the accounting cycle.

Exception Code: 91 (P&I Recast)	
Reporting Due Date	On or before the P&I Determination Date.
Draft Date	The second business day after the P&I Determination Date.

## Principal Due

Use the following formula to calculate principal due:

$$(12M/R - L) [(1+R/12)^X - 1] = \text{Principal Due}$$

M = P&I constant

R = Note rate

L = Current cycle's beginning UPB

X = Number of months expected principal due based on DDLPI movement

The result is rounded to the second decimal. If the third digit after the decimal is greater than or equal to five, the second digit after the decimal is rounded up to the next number; if it is less than five, it is rounded down.

## Interest Due

The forecasted scheduled interest due in the next accounting cycle must be calculated on the current accounting cycle's ending UPB, after applying all principal payments (i.e., current monthly principal payment, curtailment and prepayments) received and reported in the current accounting cycle.

### Important!

For mortgages modified with a partial principal forbearance, use the interest-bearing UPB, not the gross UPB, to calculate monthly interest due.

Report forecasted scheduled interest for the next accounting cycle.

$$\text{Current Cycle's Ending Gross UPB} \times \text{ANY} \div 12 = \text{Monthly Interest}$$

Example:

Current Cycle Ending Gross UPB ..... \$325,632

ANY: ..... 5 percent

$$\$325,632 \times 0.05 \div 12 = \$1,356.80$$

## Current Cycle's Ending Gross UPB

The current cycle's ending gross UPB for P&I recast transactions will equal the current cycle's beginning gross UPB, minus principal due.



## Example

Prior to the P&I Determination Date in the July accounting cycle, the borrower made a regular payment plus a \$20,000 curtailment. On July 5<sup>th</sup>, the Servicer reported the curtailment, principal, and forecasted scheduled interest. On August 4<sup>th</sup>, the Servicer reported the new P&I constant with exception code 91 (P&I Recast).

Current Accounting Cycle: July XXXX  
May Ending UPB: 99,437.50  
Servicing Fee: .0025  
Accounting Net Yield (ANY): .0500

Curtailment reported in July: \$20,000  
P&I Constant Before Recast: \$1,000  
P&I Constant After Recast: \$800

*Loan Activity:*

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	June	6/4	6/1	\$1,000	\$564.96	\$411.97	\$98,872.54	N/A	N/A
P&I	July	7/5	7/1	\$1,000	\$20,567.43	\$326.27	\$78,305.11	N/A	N/A
Recast	August	8/4	8/1	\$800	\$457.42	\$324.36	\$77,847.69	91	N/A

$\$98,872.54 / 12 \times .0500$	$\$99,437.50 - \$564.96$
$\$78,305.11 / 12 \times .0500$	$\$98,872.54 - \$20,567.43$
$\$77,847.69 / 12 \times .0500$	$\$78,305.11 - \$457.42$

P&I constant changes



## Prepayments and Curtailments

A borrower may decide to prepay their monthly mortgage installments, or accelerate the rate at which the unpaid principal balance of the mortgage is paid down by making a curtailment to the unpaid principal balance.

### Prepayments

A prepayment occurs when the borrower makes one or more regular monthly payments for future months on a current loan. The DDLPI you report must correlate to the number of payments the borrower is prepaying. Ensure that you calculate the scheduled interest for the following cycle, after applying the prepayment to the UPB.

Prepayments on adjustable-rate mortgages (ARMs) will be accepted only if the index is available for the DDLPI that corresponds to the prepayment.

#### Note:

Prepayments and curtailments can only be applied to current loans. Delinquent loans must be brought fully current before you can accept a prepayment or curtailment from the borrower.

### Curtailments

A curtailment is an unscheduled principal payment.

We will identify a payment as a curtailment when:

- The principal due reported exceeds the expected monthly payment due, and
- The DDLPI reported is for the current or a future accounting cycle.

#### Curtailment with Recast

We will identify a curtailment with recast when:

- You report exception code 91 (P&I Recast) during the accounting cycle when the mortgage P&I (P&I constant) changes.
- The mortgage P&I (P&I constant) reported via loan-level reporting is less than the value previously reported.

**Note:** For loans with a step rate, you must submit Form 1102, *Modified Principal and Interest Payment*, and report exception code 91.

## Prepayments and Curtailments Reported in the Same Accounting Cycle

If you report a prepayment and a curtailment from a borrower during the same accounting cycle, we will process the prepayment prior to applying any residual principal as a curtailment to the current cycle's ending gross UPB.



## Example of Prepayment

In the following example, the borrower made the July payment and August prepayment prior to the P&I Determination Date in July. The Servicer reported both payments on July 5<sup>th</sup>.

Current Accounting Cycle: July XXXX  
June Ending UPB: \$98,872.54

Servicing Fee: .0025  
Accounting Net Yield (ANY): .0500

Principal for July and August payments will be drafted on the July P&I Draft Date.

*Loan Activity:*

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	July	7/5	8/1	\$1,000	\$1,137.35	\$407.23	\$97,735.19	N/A	N/A
P&I	August	8/15	8/1	\$1,000	\$0.00	\$407.23	\$97,735.19	N/A	N/A
P&I	Sept.	9/4	9/1	\$1,000	\$572.41	\$404.84	\$97,162.78	N/A	N/A



## Reporting Corrected Transactions (Revisions)

If you need to change the information you reported for a current cycle's transaction, you can report a corrected transaction. You no longer need to identify a revised transaction as a correction, you simply report another transaction for the loan.

When you report a corrected transaction:

- Ensure that the data you report represents the cumulative activity for the loan for that accounting cycle.
- Report it as soon as possible, but no later than EOM plus one business day.

**Important:** When you report a corrected transaction, it deletes the prior transaction, regardless of whether the prior transaction was successfully processed, or is in error (i.e., it is displayed on the *Edits to be Cleared Report*).

### Example:

In the following example, the borrower made their July mortgage payment after the July P&I Determination Date. Therefore, the Servicer reported zero principal due for all-in reporting. The Servicer received the borrower's payment after the P&I Determination Date, and submitted a corrected transaction to include the monthly principal due. In the August accounting cycle, the borrower made their payment prior to the P&I Determination Date.

Current Accounting Cycle: July XXXX  
Prior Cycle (June) Ending UPB: \$98,872.54

Note Rate: .0525  
Servicing Fee: .0025  
Accounting Net Yield (ANY): .0500

$\$97,735.19 / 12 \times .0500$	$\$97,735.19 - \$569.92$
$\$98,305.11 / 12 \times .0500$	$\$98,872.54 - \$567.43$
$\$98,872.54 / 12 \times .0500$	$\$98,872.54 - \$0$

### Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	July	7/15	6/1	\$1,000	\$0	\$411.97	\$98,872.54	N/A	N/A
P&I	July	7/25	7/1	\$1,000	\$567.43	\$409.60	\$98,305.11	N/A	N/A
P&I	August	8/5	8/1	\$1,000	\$569.92	\$407.23	\$97,735.19	N/A	N/A



## Payoffs

There are five types of payoff transactions:

- Payoff – Matured
- Payoff – Prepaid
- Payoff – Repurchase
- Payoff – Conversion
- Payoff – Short Sale, Charge-off, Make-whole

This section introduces and defines each type of payoff, including when to report the transaction, and when funds are drafted.

### Negotiated Payoffs

A common negotiated payoff remittance is an accelerated payoff remittance cycle (PARC) where payoff proceeds are due two, three, or four business days following the exception date. Standard payoff remittances are due five business days following the exception date, unless you have a negotiated payoff remittance due date allowed in your contract.

### Mortgages Modified with a Partial Principal Forbearance

For mortgages modified with a partial principal forbearance, both the interest-bearing UPB and deferred UPB must be zero when reporting a payoff.

- Principal due must equal the prior cycle's ending interest-bearing UPB. Use the following formula to calculate the principal due:  
$$\text{Prior cycle's ending interest-bearing UPB} - \text{Current cycle's ending interest-bearing UPB (which is always zero for a payoff)} = \text{Principal Due}$$
- Additionally, the amount of the prior cycle's deferred UPB must be reported in the Deferred Principal Collected field in the Loan Level Reporting tool.
- For HAMP modifications, ensure that you account for any borrower incentive payments that were applied to the UPB during the accounting cycle.



## Payoff – Matured

Report a Payoff – Matured transaction when the borrower pays the last payment due on the Note (i.e., the mortgage is paid off due to full amortization). The payoff date is the maturity date according to the Note.

Exception Code: 60 (Payoff – Matured)		
<b>Reporting Due Date</b>	Within two business days of receipt of funds.	
<b>Draft Date</b>	<b>If the payoff is successfully reported:</b>	<b>Then:</b>
	Within two business days of the exception date	We will draft the prior accounting cycle's ending UPB and exception interest on the fifth business day after the payoff date.
	More than two business days after the exception date (which is considered late)	We will draft the prior accounting cycle's ending UPB and exception interest on the second business day after the reported payoff is successfully processed.

### Principal Due

Principal due must equal the prior cycle's ending gross UPB.

Principal due is always equal to the prior cycle's ending gross UPB even if you receive a monthly payment and a subsequent payoff from the borrower within the same accounting cycle.

### Interest Due

Daily exception interest is due for payoffs when the payoff date is not the first of the month.

Use the following formula to calculate interest due:

Prior Cycle's Ending Gross UPB x ANY ÷ 365 x Number of days from the first of the month up to, but not including the exception date = Daily Exception Interest

Example:

Prior Cycle Ending Gross UPB .....\$325,632

Payoff Date.....April 5<sup>th</sup>

ANY:.....5 percent

$\$325,632 \times 0.05 \div 365 \times 4 = \$178.43$

### Current Cycle's Ending Gross UPB

The current cycle's ending gross UPB for any type of payoff must equal zero.





## Payoff – Prepaid

Report a Payoff – Prepaid transaction when a borrower pays off a mortgage prior to the maturity date.

The payoff date you process on your system and the date you receive the amount necessary to pay off the mortgage may vary. The exception date must be the receipt of funds date. For example, if a borrower refinanced his mortgage with another institution on June 1<sup>st</sup>, but you did not receive the amount necessary to pay off the mortgage until June 4<sup>th</sup>, you would use June 4<sup>th</sup> as the payoff exception date because it is the date you received the funds.

Exception Code: 61 (Payoff – Prepaid)		
<b>Reporting Due Date</b>	Within two business days of receipt of funds.	
<b>Draft Date</b>	<b>If the payoff is successfully reported:</b>	<b>Then:</b>
	Within two business days of the exception date	We will draft the prior accounting cycle's ending UPB and exception interest on the fifth business day after the payoff date.
	More than two business days after the exception date (which is considered late)	We will draft the UPB due as reported in the previous accounting cycle and the exception interest on the second business day after the reported payoff is successfully processed.

### Principal Due

Principal due must equal the prior cycle's ending gross UPB.

Principal due is always equal to the prior cycle's ending gross UPB even if you receive a monthly payment and a subsequent payoff from the borrower within the same accounting cycle.

### Interest Due

Daily exception interest is due for payoffs when the payoff date is not the first of the month.

Use the following formula to calculate exception interest due:

Prior Cycle's Ending Gross UPB x ANY ÷ 365 x Number of days from the first of the month up to, but not including the exception date = Daily Exception Interest

### Current Cycle Ending Gross UPB

The current cycle's ending gross UPB for any type of payoff must equal zero.

### Prepayment Penalties

For prepayment penalty mortgages, you must collect the amount of the prepayment penalty provided for in and under the conditions specified in the mortgage loan instruments and follow the requirements outlined below.

- For prepayment penalty mortgages sold to Freddie Mac prior to October 14, 2005, you must not collect or assess a prepayment penalty if either of the following occurs:
  - The proceeds received for the payoff are from the sale of the property.
  - The payoff of the mortgage is received from any source, including insurance proceeds, in connection with the workout of a delinquent mortgage or due to a default under the terms of the security instrument.



- For prepayment penalty mortgages sold to Freddie Mac on or after October 14, 2005, you must not collect or assess a prepayment penalty if either of the following occurs:
  - The proceeds received for the payoff are from the sale of the property and the prepayment period is more than three years.
  - The payoff of the mortgage is received from any source, including insurance proceeds, in connection with the workout of a delinquent mortgage or due to a default under the terms of the security instrument.

For additional information, see *Single-Family Seller/Servicer Guide* (Guide) Section 8103.6.

## Payoff – Repurchase

Report a Payoff – Repurchase transaction when Freddie Mac requires you to repurchase a mortgage (involuntary repurchase) or you request to repurchase a mortgage (voluntary repurchase).

You may be required to repurchase mortgages due to the following:

- A Guide violation.
- A balance correction is not approved.
- ARM errors.
- ARM conversions outside of the conversion window period.
- Unauthorized loan modification.
- Loan was delivered twice in error.
- ARM loan was sold in error as a fixed-rate product.

You may request to repurchase a mortgage due to the following:

- You want to take the loan back into your portfolio.
- Your Freddie Mac portfolio is minimal.
- Servicing these loans does not meet your profit need.
- You want to process a loan modification we could not approve.

Ensure that you retain Freddie Mac's written notification requiring the repurchase, or Freddie Mac's prior written approval of your repurchase request in the mortgage file.

Exception Code: 65 (Payoff – Repurchase)		
	If the repurchase is:	Then report:
<b>Reporting Due Date</b>	Voluntary	Within 30 days of our notification approving your repurchase request.
	Involuntary and pursuant to Guide Section 3602.2	Within 30 days of the repurchase request.
	Involuntary and pursuant to Guide Section 3602.3	Within 60 days of the repurchase request.



Exception Code: 65 (Payoff – Repurchase)		
	If the repurchase is successfully reported:	Then:
Draft Date	Within two business days of the exception date	We will draft the UPB due as reported in the previous accounting cycle and exception interest on the fifth business day after the payoff date.
	More than two business days after the exception date (which is considered late)	We will draft the UPB due as reported in the previous accounting cycle and the exception interest on the second business day after the reported payoff is successfully processed.

### Principal Due

Principal due must equal the prior cycle's ending gross UPB.

Principal due is always equal to the prior cycle's ending gross UPB even if you receive a monthly payment and a subsequent payoff from the borrower within the same accounting cycle.

### Interest Due

Daily exception interest is due for payoffs when the payoff date is not the first of the month.

Use the following formula to calculate interest due:

Prior Cycle's Ending Gross UPB x ANY ÷ 365 x Number of days from the first of the month up to, but not including the exception date = Daily Exception Interest

### Current Cycle Ending Gross UPB

The current cycle's ending gross UPB for any type of payoff must equal zero.



## Payoff – Conversion

Report a Payoff – Conversion transaction when the borrower exercises the conversion option for a convertible adjustable-rate mortgage (ARM) sold under the repurchase program.

Exception Code: 66 (Payoff – Conversion)	
<b>Reporting Due Date</b>	Within five business days of the exception date. (The exception date may be no later than the deadline specified in the contract.)
<b>Draft Date</b>	Five business days after the exception date.

### Principal Due

Principal due must equal the prior cycle's ending gross UPB.

Principal due is always equal to the prior cycle's ending gross UPB even if you receive a monthly payment and a subsequent payoff from the borrower within the same accounting cycle.

### Interest Due

Daily exception interest is due for payoffs when the payoff date is not the first of the month.

Use the following formula to calculate the interest due:

Prior Cycle's Ending Gross UPB x ANY ÷ 365 x Number of days from the first of the month up to, but not including the exception date = Daily Exception Interest

### Current Cycle Ending Gross UPB

The current cycle's ending gross UPB for any type of payoff must equal zero.

## Payoff – Short Sale, Charge-off, Make-Whole

Report a Payoff – Short Sale, Charge-off, Make-Whole transaction when a short sale or make-whole pre-foreclosure sale was settled, or a charge-off was completed.

Exception Code: 67 (Payoff – Short Sale, Charge-off, Make-Whole)		
<b>Reporting Due Date</b>	Within two business days of receiving the settlement proceeds.	
<b>Draft Date</b>	We will draft the ending UPB and delinquent and exception interest on the fifth business day after the exception date.	
	<b>If:</b>	<b>Then:</b>
	The short sale settles in Freddie Mac systems on or before the Payoff Draft Determination Date	Charge-off adjustments will be reflected in the <i>Draft Report</i> , available via the Cash Manager tool, on the same day as the payoff draft.
If the short sale settles in Freddie Mac systems after the Payoff Draft Determination Date	The charge-off adjustment will be reflected in the <i>Draft Report</i> , available via the Cash Manager tool, on the second business day after the short sale settles in Freddie Mac systems. <b>Note:</b> Full proceeds will be drafted if the short sale is settled in our system after the Payoff Draft Determination Date.	



## Principal Due

Principal due must equal the prior cycle's ending gross UPB.

Principal due is always equal to the current cycle's beginning gross UPB even if you receive a monthly payment and a subsequent payoff from the borrower within the same accounting cycle.

## Interest Due

Daily exception interest is due for payoffs when the payoff date is not the first of the month.

Use the following formula to calculate the interest due:

Prior Cycle's Ending Gross UPB x ANY ÷ 365 x Number of days from the first of the month up to, but not including the exception date = Daily Exception Interest

## Current Cycle's Ending Gross UPB

The current cycle's ending gross UPB for any type of payoff must equal zero.

## Payoff Example: Payoff Reported Prior to the P&I Determination Date

Prior to the July P&I Determination Date, the borrower made their July payment. On 7/3, the Servicer reported the payment. In the August cycle, the borrower paid off the loan on 8/14. On 8/15, the Servicer reported the payoff.

Current Accounting Cycle: August XXXX  
June's Ending UPB: \$98,872.54  
Payoff Date: August 14, XXXX

Note Rate: .0525  
Servicing Fee: .0025  
Accounting Net Yield (ANY): .0500

Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	July	7/3	7/1	\$1000	\$567.43	\$409.60	\$98,305.11	N/A	N/A
Prepaid Payoff	August	8/15	7/1	\$1000	\$98,305.11	\$175.06	\$0	61	8/14

$\$98,305.11 / 12 \times .0500$  (Interest for July)  
 $\$98,872.54 - \$567.43$  (June's ending UPB minus July P&I)  
 $\$98,305.11 \times .0500 / 365 \times 13$  (Exception Interest due for 13 days)



## Payoff Examples: Loans that Pay Off on the Last Day of the Month

Refer to the following examples to ensure you report correctly when a loan pays off on the last day of the month. In the examples below, assume the borrowers paid off their loan on July 31<sup>st</sup>.

When the payoff date is the last day of the month, and you report the payoff timely to Freddie Mac on the **same day the loan paid off**

Report the following for the payoff:

- Principal due equal to the prior cycle's ending UPB.  
In this example, the July accounting cycle has not closed; you may continue to report revised transactions through the first business day of August. Therefore, principal due equals the June cycle ending UPB.
- Daily exception interest for the number of days from the first of the month up to, but not including the payoff date (30 days in this example).

This payoff was reported as a revised transaction after the P&I Determination Date for the July cycle. Therefore, the principal we drafted on the P&I Draft Date for July in the amount of \$567.43 will be credited to the August cycle *Draft Report* in the Prior Cycle P&I Reported column.

Current Accounting Cycle: July XXXX  
June's Ending UPB: \$98,872.54  
Payoff Date: July 31, XXXX

Note Rate: .0525  
Servicing Fee: .0025  
Accounting Net Yield (ANY): .0500

Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	July	7/3	7/1	\$1,000	\$567.43	\$409.60	\$98,305.11	N/A	N/A
Prepaid Payoff	July	7/31	7/1	\$1,000	\$98,872.54	\$406.33	\$0	61	7/31

$$\$98,305.11 / 12 \times .0500$$

$$\$98,872.54 - \$567.43$$

$$\$98,872.54 \times .0500 / 365 \times 30 = \$406.33 \text{ (30 days of exception interest)}$$



When the payoff date is the last day of the month, and you report the payoff timely to Freddie Mac on the **first business day of the following month**

Report the following for the payoff:

- Principal due equal to the prior cycle's ending UPB.  
In this example, the July accounting cycle has not closed; you may continue to report revised transactions through the first business day of August. Therefore, principal due equals the June cycle ending UPB.
- Daily exception interest for the number of days from the first of the month up to, but not including the payoff date (30 days in this example).

**Note:** If you are reporting via the loan Level Reporting tool, ensure that you choose the correct cycle date. On the first business day of each month, the cycle date field on the Report Loan Activity screen allows you to select the prior month's cycle or current month's cycle. Ensure you select the cycle in which the payoff occurred. In the example below, the payoff occurred on July 31<sup>st</sup>, therefore you must select the July cycle when reporting the payoff.

This payoff was reported as a revised transaction after the P&I Determination Date for the July cycle. Therefore, the principal we drafted on the P&I Draft Date for July in the amount of \$567.43 will be credited to the August cycle *Draft Report* in the Prior Cycle P&I Reported column.

Current Accounting Cycle: July XXXX	Note Rate: .0525
June's Ending UPB: \$98,872.54	Servicing Fee: .0025
Payoff Date: July 31, XXXX	Accounting Net Yield (ANY): .0500

Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	July	7/3	7/1	\$1,000	\$567.43	\$409.60	\$98,305.11	N/A	N/A
Prepaid Payoff	July	8/1	7/1	\$1,000	\$98,872.54	\$406.33	\$0	61	7/31

$$\$98,305.11 / 12 \times .0500$$

$$\$98,872.54 - \$567.43$$

$$\$98,872.54 \times .0500 / 365 \times 30 = \$406.33 \text{ (30 days of exception interest)}$$



When the payoff date is the last day of the month, and you report the payoff timely to Freddie Mac on the **second business day of the following month**

Report the following for the payoff:

- Principal due equal to the prior cycle's ending UPB.  
In this example, the July accounting cycle has closed. Principal due equals the July cycle ending UPB, because you are reporting the payoff on August 2<sup>nd</sup>, which is within the August accounting cycle.
- One day of negative exception interest.  
In this example, 30 days of exception interest is due. However, we have already processed scheduled monthly interest in the July cycle, and not all of that interest is due to us now that the loan has paid off. Therefore, we need to credit you one day of exception interest. Subtract the scheduled monthly interest processed in the July cycle from the 30 days of exception interest to calculate the one day of negative exception interest you will report.

Current Accounting Cycle: August XXXX  
 June's Ending UPB: \$98,872.54  
 Payoff Date: July 31, XXXX

Note Rate: .0525  
 Servicing Fee: .0025  
 Accounting Net Yield (ANY): .0500

*Loan Activity:*

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	July	7/3	7/1	\$1,000	\$567.43	\$409.60	\$98,305.11	N/A	N/A
Prepaid Payoff	August	8/2	7/1	\$1,000	\$98,305.11	-\$5.61	\$0	61	7/31

$$\$98,305.11 / 12 \times .0500$$

$$\$98,872.54 - \$567.43$$

$$\begin{aligned}
 & \$98,305.11 \times .0500 / 365 \times 30 = \$403.99 \text{ (30 days of exception interest)} \\
 & \text{Credit for one day of exception interest} = \\
 & \$403.99 - \$409.60 = (\$5.61)
 \end{aligned}$$





## Transfers to REO

Report a Transfer to REO when Freddie Mac has acquired the property through foreclosure or a deed-in-lieu of foreclosure.

A transfer to REO (real estate owned) occurs when a property is not sold at the foreclosure sale and Freddie Mac takes title to it. When we acquire a property, we credit you for the interest reported and drafted when the mortgage was delinquent.

You must notify us of the results of the foreclosure sale via the Foreclosure Sale Reporting tool. We must receive the notification no later than one business day after the foreclosure sale date.

Report the transfer to REO to us in your monthly loan-level reporting via the Loan Level Reporting tool.

Exception Code: 70 (Transfer to REO)			
<b>Reporting Due Date</b>	On or before the P&I Determination Date.		
<b>Draft Date</b>	No funds are due.		
	<b>If the mortgage was:</b>	<b>And:</b>	<b>Then:</b>
	Inactive as of the end of the accounting cycle prior to the foreclosure	Was successfully reported as an REO on or before the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the mortgage), if applicable, will be reflected in the current accounting cycle's <i>Draft Report</i> , available via the Cash Manager tool.
		Was successfully reported as an REO after the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the mortgage), if applicable, will be reflected in the next accounting cycle's <i>Draft Report</i> , available via the Cash Manager tool.
	Active as of the end of the accounting cycle prior to the foreclosure	Was successfully reported as an REO on or before the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous accounting cycle), if applicable, will be reflected in the current accounting cycle's <i>Draft Report</i> , available via the Cash Manager tool.
		Was successfully reported as an REO after the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous accounting cycle), if applicable, will be reflected in the next accounting cycle's <i>Draft Report</i> , available via the Cash Manager tool.



## Principal Due

The principal due must always equal zero.

## Interest Due

Monthly exception interest is calculated for transfers to REO. Exception interest is equal to the total monthly interest you advanced to us during the delinquency period. The delinquency period begins with the (DDLPI) and continues to the month the mortgage was inactivated or the month the foreclosure sale occurred. The exception interest is a credit to you and reduces the amount Freddie Mac will draft from your custodial account.

Use the following formula to calculate monthly exception interest for transfers to REO:

Prior Cycle's Ending Gross UPB x ANY x Number of months from the DDLPI through the end of the month prior to the inactivation month or the month the foreclosure sale occurred ÷ 12 = Monthly Exception Interest Due

## Current Cycle's Ending Gross UPB

The current cycle's ending gross UPB is always equal to the current cycle's beginning gross UPB.

## Example

In this example, the loan was inactivated in May. The Servicer advanced four months of delinquent interest (drafted February through May). On July 8<sup>th</sup>, the Servicer reported the transfer to REO (exception code 70). On July 17<sup>th</sup>, a credit for interest advanced was issued to the Servicer.

Current Accounting Cycle: July XXXX  
June's Ending UPB: \$99,500.25  
Original DDLPI: January 1, XXXX  
Inactivation Cycle: May XXXX

Monthly Delinquent Interest: \$414.58  
Note Rate: .0525  
Servicing Fee .0025  
Accounting Net Yield (ANY): .0500

### Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	June	6/15	1/1	\$1,000	\$0.00	\$0.00	\$99,500.25	N/A	N/A
Transfer to REO	July	7/8	1/1	\$1,000	\$0.00	-\$1,658.34	\$99,500.25	70	7/3

\$99,500.25 X .0500 / 12 X 4  
Interest Advanced



## Third-Party Foreclosure Sales

A third party is someone other than the mortgagee, mortgagor, or their representative. A third-party foreclosure sale occurs when a third party purchases the property at the foreclosure sale. The exception date you report for your loan-level transaction is the foreclosure sale date.

Notify us of the third-party foreclosure sale result via the Foreclosure Sale Reporting tool. We must receive the notification no later than one business day after the foreclosure sale date.

Report the third-party foreclosure sale to us in your monthly loan-level reporting via the Loan Level Reporting tool.

Exception Code: 71 (Conventional Third-Party Foreclosure Sale) Exception Code: 73 (FHA/VA Third-Party Foreclosure Sale)	
<b>Reporting Due Date</b>	Within two business days of receipt of funds. (Note that the exception date is the date of the foreclosure sale.)
<b>Draft Date</b>	We will draft the prior accounting cycle's ending UPB and the exception and delinquent interest on the fifth business day after the reported transaction is successfully processed in loan-level reporting.

### Principal Due

Principal due must equal the prior cycle's ending gross UPB.

### Interest Due

Interest due for third-party foreclosure sales includes monthly delinquent interest and/or daily exception interest.

#### Monthly Delinquent Interest

Monthly interest is due for third-party foreclosure sales that are inactive.

Use the following formula to calculate monthly delinquent interest:

Prior Cycle's Ending Gross UPB x ANY x Number of months from the DDLPI through the end of the month prior to the inactivation month or the month the foreclosure sale occurred ÷ 12 = Monthly Delinquent Interest Due

#### Exception Interest

Daily exception interest is due for third-party foreclosure sales when the exception date is not the first of the month.

Use the following formula to calculate daily exception interest:

Prior Cycle's Ending Gross UPB x ANY ÷ 365 x Number of days from the first of the month up to, but not including the exception date = Daily Exception Interest

### Current Cycle's Ending Gross UPB

The current cycle's ending gross UPB must always equal zero.



## Charge-off Adjustments

Refer to the following to determine when the charge-off adjustment will be reflected on the *Draft Report*, available via the Cash Manager tool.

Charge-off adjustments for third-party foreclosure sales that settle in Freddie Mac's systems:	Will be reflected on the <i>Draft Report</i> :
On or before the Payoff Determination Date	On the same date as the payoff draft.
After the Payoff Determination Date	On the second business day after the foreclosure sale settles in Freddie Mac systems.

Ensure that you review the *Draft Report* for charge-off adjustments and report any discrepancies to Freddie Mac via the Servicing Data Corrections tool, within the same accounting cycle in which Freddie Mac posts the amount to the *Draft Report*.

## Example

In the following example, the third-party foreclosure sale occurred on July 6<sup>th</sup>. On September 3<sup>rd</sup>, the Servicer reported the sale proceeds plus delinquent and exception interest. On September 8<sup>th</sup>, Freddie Mac drafted the payoff and interest amounts. The charge-off credit was applied on September 11<sup>th</sup>.

Current Accounting Cycle: August XXXX  
 July's Ending UPB: \$101,672.84  
 Inactivation Cycle: May XXXX  
 Payoff Reported Date: 9/3/XXXX

Original DDLPI: January 1, XXXX  
 Note Rate: .0525  
 Servicing Fee: .0025  
 Accounting Net Yield (ANY): .0500

### Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	Aug.	8/15	1/1	\$1,000	\$0.00	\$0.00	\$101,672.84	N/A	N/A
Third-Party Foreclosure Sale	Sept.	9/3	1/1	\$1,000	\$101,672.84	\$916.91	\$0	71	7/6

August's ending UPB

Exception Interest Due:  
 $\$101,672.84 \times .0500 / 12 \times 2 = \$847.27$   
 (Delinquent interest for May & June)  
 +  
 $101,672.84 \times .0500 / 365 \times 5 = 69.64$   
 (Five days exception interest for July)



## FHA/VA Foreclosure/Conveyances

An FHA/VA foreclosure/conveyance occurs when a property secured by a mortgage insured by the FHA or guaranteed by the VA goes to foreclosure and is not sold to a third party at the foreclosure sale.

When an FHA/VA foreclosure/conveyance occurs, you must take the following actions:

- Notify us of the third-party foreclosure sale via the Foreclosure Sale Reporting tool. We must receive the notification no later than one business day after the foreclosure sale date.
- Report the third-party foreclosure sale to us in your monthly loan-level reporting via the Loan Level Reporting tool.
- File a claim with the FHA or VA in Freddie Mac's name to convey the property to them.
  - For mortgages insured by the FHA, you must file the claim within 15 days after the foreclosure sale.
  - For mortgages guaranteed by the VA, you must file the claim as soon as you have clear and marketable title.



Exception Code: 72 (FHA/VA Foreclosure/Conveyance)			
<b>Reporting Due Date</b>	On or before the P&I Determination Date.		
<b>Draft Date</b>	No funds are due.		
	<b>If the mortgage was:</b>	<b>And:</b>	<b>Then:</b>
	Inactive as of the previous accounting cycle	Was successfully reported as an FHA/VA conveyance on or before the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the mortgage), if applicable, will be reflected in the current accounting cycle's <i>Draft Report</i> , available via the Cash Manager tool.
		Was successfully reported as an FHA/VA conveyance after the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the mortgage), if applicable, will be reflected in the next accounting cycle's <i>Draft Report</i> , available via the Cash Manager tool.
	Active as of the previous accounting cycle	Was successfully reported as an FHA/VA conveyance on or before the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous accounting cycle), if applicable, will be reflected in the current accounting cycle's <i>Draft Report</i> , available via the Cash Manager tool.
		Was successfully reported as an FHA/VA conveyance after the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous accounting cycle), if applicable, will be reflected in the next accounting cycle's <i>Draft Report</i> , available via the Cash Manager tool.



## Principal Due

The principal due must always equal zero.

## Interest Due

Monthly exception interest is calculated for FHA/VA foreclosure/conveyances. Exception interest is equal to the total monthly interest you advanced to us during the delinquency period. The delinquency period begins with the (DDLPI) and continues to the month the mortgage was inactivated or the month the foreclosure sale occurred. The exception interest is a credit to you and reduces the amount Freddie Mac will draft from your custodial account.

Use the following formula to calculate monthly exception interest for FHA/VA foreclosure/conveyances:

Current Cycle's Beginning Gross UPB x ANY x Number of months from the DDLPI through the end of the month prior to the inactivation month or the month the foreclosure sale occurred ÷ 12 = Monthly Exception Interest Due

## Current Cycle's Ending Gross UPB

The current cycle's ending gross UPB is always equal to the current cycle's beginning gross UPB.

## Example

In this example, the loan was inactivated in May. The Servicer advanced four months of delinquent interest (drafted February through May). On July 8<sup>th</sup>, the Servicer reported the FHA/VA foreclosure/conveyance (exception code 72). On July 17<sup>th</sup>, a credit for interest advanced was issued to the Servicer.

Current Accounting Cycle: July XXXX  
June's Ending UPB: \$101,672.84  
Original DDLPI: January 1, XXXX  
Inactivation Cycle: May XXXX

Monthly Delinquent Interest: \$423.64  
Note Rate: .0525  
Servicing Fee .0025  
Accounting Net Yield (ANY): .0500

### Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	June	6/15	1/1	\$1,000	\$0.00	\$0.00	\$101,672.84	N/A	N/A
FHA/VA Conveyance	July	7/8	1/1	\$1,000	\$0.00	-\$1,694.55	\$101,672.84	72	7/3

\$101,672.84 X .0500 / 12 X 4  
Interest Advanced



# Reporting Loan Modifications

A loan modification is a written agreement that you enter into with the borrower that permanently changes one or more of the original terms of the Note, such as:

- An increase in the amount of the UPB caused by capitalization of interest or non-interest arrearages, escrow amounts and/or other advances.
- A change in the Note Rate.
- A change in the monthly payment.
- A change in the maturity date.
- A forbearance of a portion of the principal balance (no write-off or permanent reduction of the UPB, delinquent interest or other non-interest arrearages of the mortgage is allowed).
- Change in the product type (e.g., an ARM to a fixed-rate mortgage).

We will process loan modifications daily, except on the first business day of each month.

## Modifications Status Report

The *Modifications Status Report* is a daily report available via the Loan Level Reporting tool, that provides a list of current cycle loan modifications. The first section of the report identifies modifications in error; the second section identifies settled modifications. **Note:** This report is not available on the first business day of the month. Modifications can be reported, but will not be processed, on the first business day of the month.

Ensure that you review this report daily to identify:

- Pending modifications in error and determine what actions you must take for resolution.
- Modifications that have settled during the current accounting cycle. You will report a loan transaction using the modified terms in the same cycle that the loan modification settled.

FREDDIE MAC MODIFICATIONS STATUS REPORT AS OF CYCLE 11/2017												
SERVICER: [REDACTED]												
SECTION 1: MODIFICATIONS IN ERROR												
FREDDIE MAC LOAN NUMBER	OLD ANY	NEW ANY	MOD INTEREST RATE	OLD UPB	NEW UPB	MOD INTEREST BEARING UPB	DFRD UPB	AMOUNT CAPITALIZED	NEW PAI AFTER MOD	MATURITY DATE	MOD DATE	
[REDACTED]			7.750 8.000	61,890.68	61,890.68		0.00	3,295.42		20570901		
[REDACTED]			7.000 7.250	43,574.12	43,574.12		0.00	1,524.31		20571101		
[REDACTED]			8.000									
[REDACTED]			3.875									
[REDACTED]			3.875									

FREDDIE MAC MODIFICATIONS STATUS REPORT AS OF CYCLE 11/2017												
SERVICER: [REDACTED]												
SECTION 2: SETTLED MODIFICATIONS												
FREDDIE MAC LOAN NUMBER	OLD ANY	NEW ANY	MOD INTEREST RATE	OLD UPB	NEW UPB	MOD INTEREST BEARING UPB	DFRD UPB	AMOUNT CAPITALIZED	NEW PAI AFTER MOD	MATURITY DATE	MOD DATE	
[REDACTED]			1.750 3.250 3.500	109,937.34	112,319.32	112,319.32		0.00	2,381.98	435.11	20571001	20171130
[REDACTED]			5.375 5.500 5.750	45,195.99	59,901.48	59,901.48		0.00	14,705.49	319.21	20570801	20171121
[REDACTED]			1.750 3.625 3.875	394,538.56	409,431.75	409,431.75		0.00	14,893.19	1679.48	20570701	20171121
[REDACTED]			3.750 4.000 4.250	73,923.92	83,923.92	83,923.92		10,000.00	-10,000.00	233.83	20571001	20171121
[REDACTED]			5.500 5.500 5.750	192,276.06	194,541.27	194,541.27		0.00	2,401.74	1036.69	20570901	20171121
[REDACTED]			3.445 4.625 4.875	88,143.23	88,143.23	78,143.23	10,000.00	-10,000.00	370.36	20571001	20171121	
[REDACTED]			5.647 3.875 4.125	66,514.18	66,542.83	66,000.00		2,542.83	2,028.65	280.99	20570901	20171102
[REDACTED]			3.750 3.750 4.000	151,277.99	151,762.25	144,017.02		7,765.23	804.26	601.90	20571001	20171102
											16,915.31	
N = 8												





## Example:

In this example, the borrower entered into a Trial Period Plan that began on April 1<sup>st</sup> and concluded on June 30<sup>th</sup>. The borrower successfully completed the Trial Period Plan on June 30<sup>th</sup>, and Freddie Mac settled the loan modification on July 3<sup>rd</sup> with a first modified payment due date of July 1<sup>st</sup>.

Prior to the July P&I Determination Date, the borrower made their first payment under the modified terms. The Servicer reported the P&I transaction in accordance with the modified terms of the mortgage on July 5<sup>th</sup>.

Current Accounting Cycle: July XXXX  
Pre-Mod UPB: \$99,437.50  
Post-Mod UPB: \$110,000  
Trial Period: April 1 through June 30  
Mod Settlement Date: July 3

Mod Rate Effective Date: June 1  
Pre-modification Note Rate: .0525  
Post-modification Note Rate: .0475  
Servicing Fee: .0025  
Post-modification Accounting Net Yield (ANY): .0450

### Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
Reported Trial Pay	May	5/5	3/1	\$1,000	\$562.50	\$414.32	\$99,437.50	N/A	N/A
P&I	June	6/15	3/1	\$1,000	\$0	\$414.32	\$99,437.50	N/A	N/A
Loan Modification Settled (7/3)	July		6/1	\$750			\$110,000.00		
P&I	July	7/5	7/1	\$750	\$314.58	\$411.32	\$109,685.42	N/A	N/A
P&I	Aug	8/2	8/1	\$750	\$315.83	\$410.14	\$109,369.59	N/A	N/A

\$109,685.42 / 12 X .0450     
 \$110,000 - \$314.58

On the P&I Draft Date for the July accounting cycle, we will post the following adjustments related to the loan modification:

- Loan Modification Capitalized Interest (LMCI):  $-\$10,562.50 = \$99,437.50 - \$110,000$
- Principal due for July: \$314.58
- Scheduled interest for July reported in June: \$414.32
- Miscellaneous interest (MISI):  $-\$1.82 = \$412.50 - \$414.32$

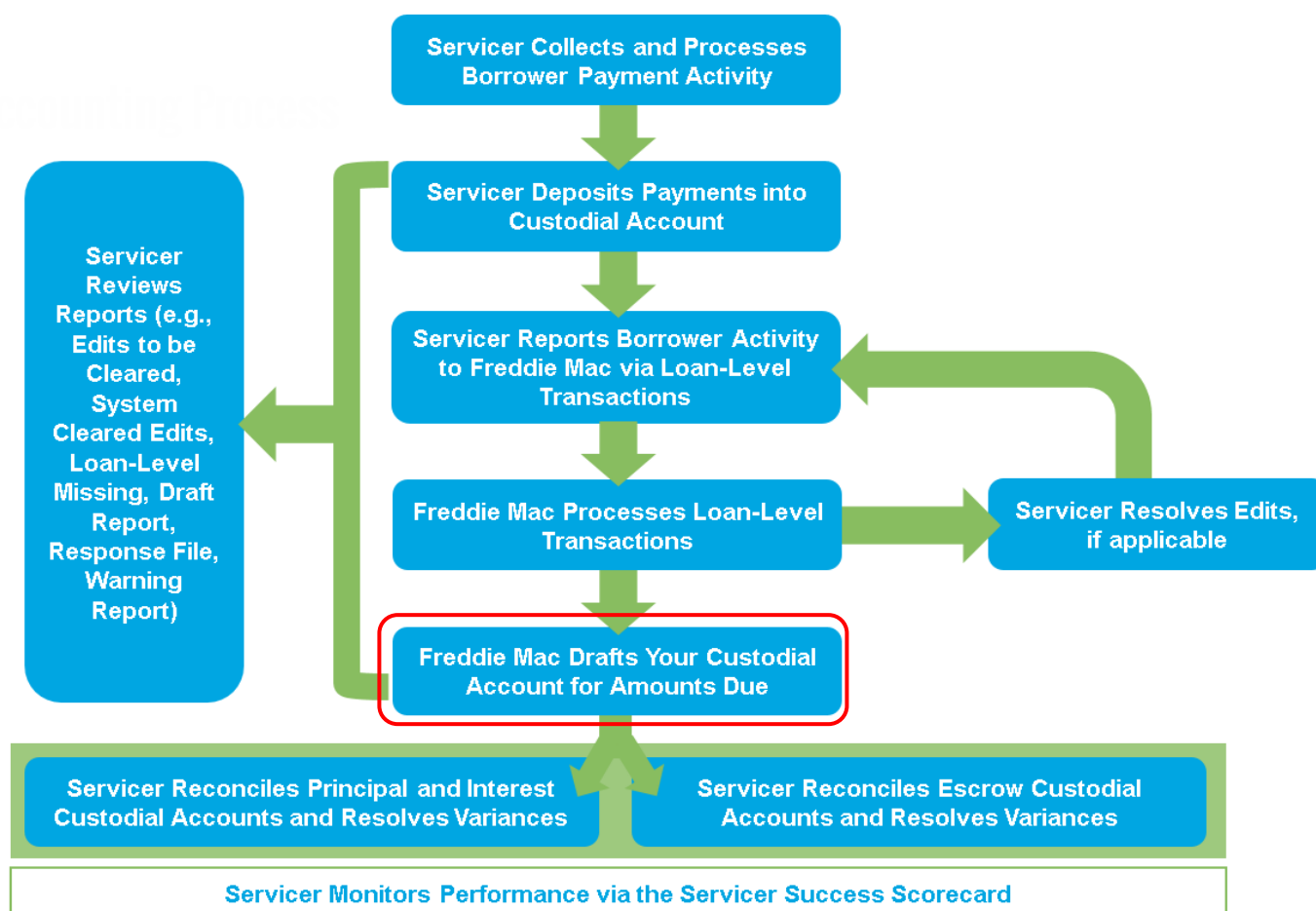
$$\$110,000 \times .045 \div 12 = \$412.50$$

## What is Drafting?

Drafting refers to the process of Freddie Mac drawing funds from your designated custodial account for amounts due, based on loan activity we have successfully processed.

This chapter:

- Outlines how to establish ACH Drafting of monthly P&I payments and payoffs.
- Defines the P&I Draft Date, and the amounts due that are drafted on that date.
- Introduces the *Draft Report*.
- Explains when amounts due for specific transactions are posted to the *Draft Report*.
- Highlights how revised transactions are reflected on the *Draft Report*.
- Identifies the various cash adjustments and how the adjustments post to the *Draft Report*, when applicable.





# How Do I Establish ACH Drafting of Monthly Principal and Interest Payments and Payoffs?

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. You must maintain principal and interest payments and escrow funds in separate custodial accounts until we draft monthly principal and interest payments or loan payoffs or you remit funds to a third party.

To authorize Freddie Mac to draft funds, you must complete and submit Form 1132A, *Authorization for the Automatic Transfer of Funds from a Principal and Interest Custodial Account Through ACH*.

You may submit the form as:

- A paper document, signed in pen and ink by an authorized employee, by regular mail or overnight delivery service in accordance with the mailing instructions contained in the Form 1132A; or
- An electronic record (as defined in Guide Section 1401.2) copy, using a Portable Document Format (PDF) (or other electronic record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Seller's authorized employee. Email the file to Freddie Mac at: [cashcollections@FreddieMac.com](mailto:cashcollections@FreddieMac.com).

If you need to update the ACH instructions at any time, you must provide Freddie Mac with an updated Form 1132A no later than 15 business days before the last business day of the first month in which Freddie Mac will initiate the first draft to set up or make certain changes to the custodial account.

## What is the P&I Draft Date?

The P&I Draft Date is always the second business day after the P&I Determination Date. Freddie Mac will draft funds due from your designated custodial account on the P&I Draft Date.

Month A						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

### P&I Determination Date

The P&I Determination Date is the 15<sup>th</sup> calendar day of the month (or the next business day if the 15<sup>th</sup> falls on a holiday or weekend).

### P&I Draft Date

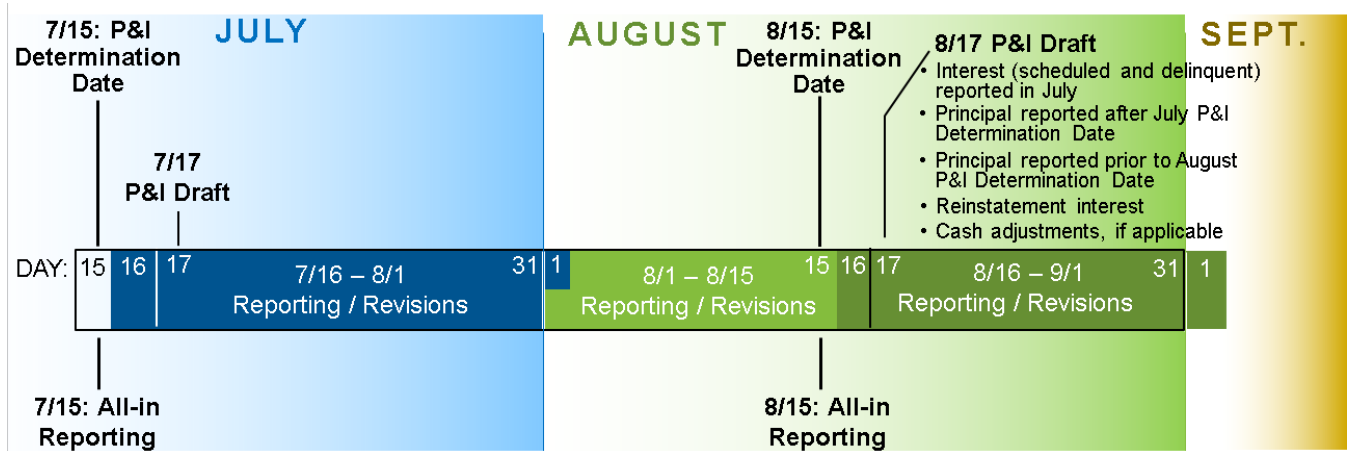
The P&I Draft Date is the second business day following the P&I Determination Date.



Specifically, we will draft the following on the P&I Draft Date:

- Principal reported prior to or on the P&I Determination Date for the current accounting cycle.
- Reported interest (delinquent and scheduled) that was reported during the prior accounting cycle.
- Principal reported after the P&I Determination Date for the prior accounting cycle.
- Cash adjustments, if applicable.

The following example illustrates what funds Freddie Mac will draft on the August 17<sup>th</sup> P&I Draft Date.





# Drafting Payoffs

Payoff funds will be drafted on the Payoff Draft Date, which is five business days after the payoff date, except for late reported payoffs (i.e., payoffs reported more than two business days after the payoff date), which will be drafted two business days after the payoff is processed. Freddie Mac will draft amounts for payoffs daily, and will determine the amount to be drafted on the Payoff Determination Date, which is two days prior to the Payoff Draft Date. Review your *Edits to be Cleared Report* daily to ensure payoffs are successfully processed so that drafting of funds is not delayed.

Examples	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Mon.	Tues.	Wed.
	Oct. 1	Oct. 2	Oct. 3	Oct. 4	Oct. 5	Oct. 6	Oct. 7	Oct. 8	Oct. 9	Oct. 10
<b>Timely Reporting Example 1</b>	Payoff Date	Payoff Reported to Freddie Mac		Payoff Determination Date				Payoff Draft Date		
<b>Timely Reporting Example 2</b>	Payoff Date		Payoff Reported to Freddie Mac	Payoff Determination Date				Payoff Draft Date		
<b>Payoff Reported Late Example 1</b>	Payoff Date			Payoff Reported to Freddie Mac -and- Payoff Determination Date				Payoff Draft Date		
<b>Payoff Reported Late Example 2</b>	Payoff Date				Payoff Reported to Freddie Mac -and- Payoff Determination Date				Payoff Draft Date	
<b>Payoff Reported Late Example 3</b>	Payoff Date							Payoff Reported to Freddie Mac and Payoff Determination Date		Payoff Draft Date
<b>Short Sale Payoff Reporting Timely Example 1</b>	Payoff Date	Payoff Reported to Freddie Mac	Charge-off/ Freddie Mac Settlement Date	Payoff Determination Date				Payoff Draft Date -and- And Charge-off Adjustment Draft		



Short Sale Payoff Reporting Timely Example 2	Payoff Date	Payoff Reported to Freddie Mac		Payoff Determination Date	Charge-off/ Freddie Mac Settlement Date			Payoff Draft Date	Charge-off Adjustment Draft	
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For details on when we draft funds for all transaction types, refer to [Understanding When Transactions Post to the Draft Report](#) and [Understanding How Cash Adjustments Post to the Draft Report](#) in this chapter.

## Draft Report

Freddie Mac provides several reports to assist you with your cash management activities.

Access the Draft Reports page via Cash Manager to request and view the:

- Draft Summary Report
- Draft Detail Reports

The *Draft Summary Report* provides a cumulative view of your drafting activity for a given month and is the primary report you will use to monitor amounts due and funds drafted from your designated custodial account.

The *Draft Detail Reports* provide loan-level detail data of completed or scheduled drafts as reflected on the *Draft Summary Report*.

There are five *Draft Detail Reports* available:

- Prior Cycle P&I Draft Report
- Current Cycle Principal Draft Report
- Liquidation Draft Report
- Adjustment Draft Report
- Daily Total Draft Report



## Example

Below is an example of the *Draft Summary Report* for the June accounting cycle.

**Note:** The area shaded in green on the report indicates that the values displayed on those dates are completed. Any revisions to those transactions will be reflected on a subsequent date on the report.

**Draft Reports** (Drafts completed date = 06/07/2022) A Download Queue 2 0

SERVICER NUMBER  
111111 \* Required

Draft Report Type \*  Cycle Date \*

**Draft Summary Report - June 2022** B

SERVICER NUMBER  
111111 C DOWNLOAD PDF XLS CSV

DRAFT DATE	PRIOR CYCLE P&I RPTD	CURRENT CYCLE PRINCIPAL	LIQUIDATION	ADJUSTMENT	DRAFT AMOUNT
<b>TOTAL</b>	\$125,548.37	\$100,489.81	\$151,189.00	-\$5,831.00	\$377,227.18
06/01/2022	\$0.00	\$0.00	<a href="#">\$7,364.00</a>	\$0.00	<a href="#">\$7,364.00</a>
06/02/2022	\$0.00	\$0.00	<a href="#">\$18,374.00</a>	\$0.00	<a href="#">\$18,374.00</a>
06/03/2022	\$0.00	\$0.00	<a href="#">\$99,576.00</a>	\$0.00	<a href="#">\$99,576.00</a>
06/04/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/05/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/06/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/07/2022	\$0.00	\$0.00	<a href="#">\$25,875.00</a>	\$0.00	<a href="#">\$25,875.00</a>
06/08/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/09/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/10/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/11/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/15/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/16/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/17/2022	<a href="#">\$125,548.37</a>	<a href="#">\$100,489.81</a>	\$0.00	-\$5,831.00	<a href="#">\$220,207.18</a>
06/18/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/19/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

A	The <b>Drafts completed date</b> indicates the latest date drafts are completed. In addition, the completed drafts will be highlighted in green.
B	Click the carrot icon to collapse the report.
C	Click the PDF, XLS, or CSV icons to download the report.
D	Totals of the Draft Summary report display up top.
E	Amounts in green have been completed and finalized. Users have the option to click on the hyperlinks to request and view the loan-level details.
F	Amounts in white are scheduled to be drafted. Users have the option to click on the hyperlinks to request and view the loan-level details.



## How to Access the Draft Detail Reports

There are two ways to access the detail that supports the values displayed on the *Draft Summary Report*

1. From the *Draft Summary Report*, click the numerical link that corresponds to the details you want to view.

Draft Summary Report - June 2022					
SERVICER NUMBER 111111			DOWNLOAD		
DRAFT DATE	PRIOR CYCLE P&I RPTD	CURRENT CYCLE PRINCIPAL	LIQUIDATION	ADJUSTMENT	DRAFT AMOUNT
TOTAL	\$125,548.37	\$100,489.81	\$151,189.00	-\$5,831.00	<a href="#">\$377,227.18</a>
06/01/2022	\$0.00	\$0.00	<a href="#">\$7,364.00</a>	\$0.00	<a href="#">\$7,364.00</a>
06/02/2022	\$0.00	\$0.00	<a href="#">\$18,374.00</a>	\$0.00	<a href="#">\$18,374.00</a>
06/03/2022	\$0.00	\$0.00	<a href="#">\$99,576.00</a>	\$0.00	<a href="#">\$99,576.00</a>
06/04/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/05/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/06/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/07/2022	\$0.00	\$0.00	<a href="#">\$25,875.00</a>	\$0.00	<a href="#">\$25,875.00</a>
06/08/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/09/2022	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

OR

2. From the Report Type drop-down menu, select the **Draft Report Type** you want to request, enter the **Draft Date** or click the calendar to select the draft date you want to view, and click **Search**. Refer to the Cash Manager online help for more details.

Draft Report Type \*

- Draft Summary Report
- Draft Summary Report
- Prior Cycle P&I Draft Report**
- Current Cycle Principal Draft Report
- Liquidation Draft Report
- Adjustment Draft Report
- Daily Total Draft Report
- Monthly Total Draft Report

Draft Date \* (mm/dd/yyyy)





# Monitoring Your Draft Report

We recommend that you monitor your *Draft Report* daily, paying special attention to revised transactions processed after the P&I Determination Date of the prior accounting cycle.

To effectively monitor your cash position, it is important to understand:

- When transactions post as amounts due on the *Draft Report*, which is the same date Freddie Mac will draft funds from your designated custodial account.
- How revised transactions impact the Draft Report.
- How cash adjustments post to the Draft Report.

If funds in your designated custodial account are insufficient to cover the amount due, or if we are unable to draft amounts due for any reason, you may be assessed a delayed draft compensatory fee in accordance with Guide Section 8303.42.

## Understanding When Transactions Post to the Draft Report

The following highlights, for each transaction type, when Freddie Mac will draft funds from your designated custodial account.

Transaction Type	When Funds are Drafted:		
Newly Funded Mortgage	<b>If the balance at the end of the accounting cycle:</b>	<b>Then:</b>	
	<u>Is not</u> different from the funded balance	No funds are due. The forecasted scheduled interest will be drafted on the P&I Draft Date in the next accounting cycle.	
	<u>Is</u> different from the funded balance	<b>If reported:</b>	<b>Freddie Mac will draft:</b>
		Before the P&I Determination Date	The reported principal and zero interest on the P&I Draft Date in the current accounting cycle.
	After the P&I Determination Date	The reported principal and forecasted scheduled interest on the P&I Draft Date in the next accounting cycle.	
<b>P&amp;I Transaction – Existing/Active Mortgage</b>	The second business day after the P&I Determination Date.		
<b>P&amp;I Transaction – Inactive Mortgage</b>	No funds are due unless it is partially reinstated.		
<b>Inactivation</b>	No funds are due.		



Transaction Type	When Funds are Drafted:	
Full Reinstatement	The second business day after the P&I Determination Date.	
	If you report principal and interest:	Then Freddie Mac will draft:
	On or before the P&I Determination Date	The full amount of any principal due to Freddie Mac on the P&I Draft Date of the current accounting cycle.
	After the P&I Determination Date	Any principal due to Freddie Mac on the P&I Draft Date of the following accounting cycle.
	Freddie Mac will draft delinquent and forecasted scheduled interest on the P&I Draft Date of the following accounting cycle.	
Balance Correction	The second business day after the P&I Determination Date.	
P&I Recast	The second business day after the P&I Determination Date.	
Payoff - Matured Payoff - Prepaid Payoff - Repurchase	If the payoff is successfully reported:	Then:
	Within two business days of the exception date	We will draft the prior accounting cycle's ending UPB and exception interest on the fifth business day after the payoff date.
	More than two business days after the exception date (which is considered late)	We will draft the prior accounting cycle's ending UPB and exception interest on the second business day after the reported payoff is successfully processed.
Payoff - Conversion	Five business days after the exception date.	
Payoff – Short Sale, Charge-off, Make-Whole	We will draft the ending UPB and delinquent and exception interest on the fifth business day after the exception date.	
	If:	Then:
	The short sale settles in Freddie Mac systems on or before the Payoff Draft Determination Date	Charge-off adjustments will be reflected in the <i>Draft Report</i> on the same day as the payoff draft.
If the short sale settles in Freddie Mac systems after the Payoff Draft Determination Date	The charge-off adjustment will be reflected in the <i>Draft Report</i> on the second business day after the short sale settles in Freddie Mac systems. <b>Note:</b> Full proceeds will be drafted if the short sale is settled in our system after the Payoff Draft Determination Date.	



Transaction Type	When Funds are Drafted:		
<b>Third-Party Foreclosure Sale (Conventional and FHA/VA)</b>	We will draft the prior accounting cycle's ending UPB and the exception and delinquent interest on the fifth business day after the reported transaction is successfully processed in loan-level reporting.		
	<b>Charge-off adjustments for third-party foreclosure sales that settle in Freddie Mac's systems:</b>	<b>Will be reflected on the <i>Draft Report</i>:</b>	
	On or before the Payoff Determination Date	On the same date as the payoff draft.	
	After the Payoff Determination Date	On the second business day after the foreclosure sale settles in Freddie Mac systems.	
<b>Transfer to REO</b>	<b>If the mortgage was:</b>	<b>And:</b>	<b>Then:</b>
	Inactive as of the end of the accounting cycle prior to the foreclosure	Was successfully reported as an REO on or before the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the mortgage), if applicable, will be reflected in the current accounting cycle's <i>Draft Report</i> .
		Was successfully reported as an REO after the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the mortgage), if applicable, will be reflected in the next accounting cycle's <i>Draft Report</i> .
	Active as of the end of the accounting cycle prior to the foreclosure	Was successfully reported as an REO on or before the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous accounting cycle), if applicable, will be reflected in the current accounting cycle's <i>Draft Report</i> .
	Was successfully reported as an REO after the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous accounting cycle), if applicable, will be reflected in the next accounting cycle's <i>Draft Report</i> .	



Transaction Type	When Funds are Drafted:		
<b>FHA/VA Foreclosure/ Conveyance</b>	No funds are due.		
	If the mortgage was:	And:	Then:
	Inactive as of the previous accounting cycle	Was successfully reported as an FHA/VA conveyance on or before the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the mortgage), if applicable, will be reflected in the current accounting cycle's <i>Draft Report</i> .
		Was successfully reported as an FHA/VA conveyance after the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the mortgage), if applicable, will be reflected in the next accounting cycle's <i>Draft Report</i> .
	Active as of the previous accounting cycle	Was successfully reported as an FHA/VA conveyance on or before the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous accounting cycle), if applicable, will be reflected in the current accounting cycle's <i>Draft Report</i> .
		Was successfully reported as an FHA/VA conveyance after the P&I Determination Date	A credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous accounting cycle), if applicable, will be reflected in the next accounting cycle's <i>Draft Report</i> .



## Understanding How Revisions Impact the Draft Report

The following outlines how revised transactions impact the *Draft Report*.

For:	Funds due will be adjusted as follows on the <i>Draft Report</i> :
Revisions to current accounting cycle principal and scheduled interest transactions reported on or prior to the P&I Determination Date	An offsetting principal and interest adjustment will post to the same day as the original transaction.
Revisions to current accounting cycle principal and scheduled interest transaction reported after the P&I Determination Date	An offsetting principal and interest adjustment will post to the P&I Draft Date for the next accounting cycle.
Revisions to successfully reported payoffs reported on or prior to the Payoff Determination Date	An offsetting adjustment will post to the previously accepted payoff proceeds.
Revisions to successfully reported payoffs reported after the Payoff Determination Date (late payoffs)	An offsetting adjustment will post on the second business day after the revision was reported.

## Understanding How Cash Adjustments Post to the Draft Report

The following identifies each cash adjustment code and how it impacts the *Draft Report*.

Adjustment Code and Description	Adjustment Posting Rule(s)	
<b>BICP: Borrower Incentive Curtailment Principal</b>	<b>If the transaction is successfully reported:</b>	<b>Then the BICP amount will post to:</b>
	On or prior to the P&I Determination Date	The current cycle <i>Draft Report</i> to be drafted on the P&I Draft Date.
	After the P&I Determination Date	The next cycle's <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.
<b>BICX: Borrower Incentive Curtailment Exception</b>	<b>If the transaction is successfully reported:</b>	<b>Then the BICX amount will post to:</b>
	On or prior to the Payoff Determination Date	The <i>Draft Report</i> to be drafted in accordance with the payoff due date.
	After the Payoff Determination Date	The <i>Draft Report</i> to be drafted on the second business day after the payoff is successfully reported.
	If you report a Borrower Incentive Curtailment after the loan is paid off, Freddie Mac will not draft the BIC amount.	



Adjustment Code and Description	Adjustment Posting Rule(s)	
<b>CO: Charge-off</b>	<b>If the charge-off:</b>	<b>Then:</b>
	Is settled by the Payoff Determination Date	The proceeds and charge-off adjustment will post to the <i>Draft Report</i> to be drafted in accordance with the payoff due date.
	Is not settled by the Determination Date	The charge-off adjustment will post to the <i>Draft Report</i> to be drafted two business days after the Freddie Mac settlement date.
	Post-settlement corrections related to charge-offs will post to the <i>Draft Report</i> to be drafted within two business days of completion.	
<b>DPCP: Non-Interest-Bearing Principal Curtailment</b>	<b>If the transaction is successfully reported:</b>	<b>Then the DPCP amount will post to:</b>
	On or prior to the P&I Determination Date	The current cycle <i>Draft Report</i> to be drafted on the P&I Draft Date.
	After the P&I Determination Date	The next cycle's <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.
<b>DPEX: Non-Interest-Bearing Principal Curtailment Exception</b>	<b>If the transaction is successfully reported:</b>	<b>Then the DPEX amount will post to:</b>
	On or prior to the Payoff Determination Date	The <i>Draft Report</i> to be drafted in accordance with the payoff due date.
	After the Payoff Determination Date	The <i>Draft Report</i> to be drafted on the second business day after the payoff is successfully reported.



Adjustment Code and Description	Adjustment Posting Rule(s)	
<b>EXP:</b> <b>Payoffs (60, 61, 65, 66, 67)</b> <b>Third-Party Foreclosure Sales (71, 73)</b>	<b>For Payoff Transactions (60, 61, 65, 66, 67):</b>	
	<b>If the payoff transaction:</b>	<b>Then the proceeds will post to:</b>
	Is successfully reported on time (within two business days of the payoff date)	The <i>Draft Report</i> to be drafted five business days from the payoff date.
	Is not reported on time (three or more business days from the payoff date)	The <i>Draft Report</i> to be drafted two business days from date the payoff was successfully reported.
	Note: <ul style="list-style-type: none"> <li>▪ If the payoff transaction for a delinquent loan is successfully reported, the delinquent interest will also be posted to the <i>Draft Report</i> to be drafted with the proceeds.</li> <li>▪ Payoff transactions for PARC and FLEX will post to the <i>Draft Report</i> based on the negotiated terms.</li> </ul>	
	<b>For Third-Party Foreclosure Sale Transactions (71, 73):</b>	
The proceeds will post to the <i>Draft Report</i> to be drafted five business days after the date the third-party foreclosure sale transaction is successfully reported. Third-party foreclosure sale transactions for PARC and FLEX loans will post to the <i>Draft Report</i> based on the negotiated terms.		
<b>FXLI: Compensating Interest</b>	Compensating interest will post to the <i>Draft Report</i> to be drafted on the fifth business day of the month following the payoff date.	
<b>IADJ: Interest Adjustment</b>	<b>If the interest adjustment is processed:</b>	<b>Then the amount will post to:</b>
	On or prior to the P&I Determination Date	The current cycle <i>Draft Report</i> to be drafted on the P&I Draft Date.
	After the P&I Determination Date	The next cycle's <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.



Adjustment Code and Description	Adjustment Posting Rule(s)	
<b>I: Interest</b>	Interest will be posted to the next cycle <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.	
	<b>REO Interest Advanced:</b>	
	<b>If the REO is successfully processed:</b>	<b>Then the REO interest advanced will post to:</b>
	On or prior to the P&I Determination Date	The current cycle <i>Draft Report</i> to be drafted on the P&I Draft Date.
	After the P&I Determination Date	The next cycle's <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.
	<b>Reinstatement Interest:</b>	
Reinstatement interest will post to the next cycle's <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.		
<b>LMCI: Loan Modification Capitalized Interest</b>	<b>If the loan modification is settled:</b>	<b>Then the LMCI adjustment will post to:</b>
	On or prior to the P&I Determination Date	The current cycle <i>Draft Report</i> to be drafted on the P&I Draft Date.
	After the P&I Determination Date	The next cycle's <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.
	Post-settlement corrections related to loan modifications will follow the same posting rules outlined above for LMCI adjustments.	
<b>MISI: Miscellaneous Interest</b>	<b>If the loan modification is settled:</b>	<b>Then the MISI adjustment will post to:</b>
	On or prior to the P&I Determination Date	The current cycle <i>Draft Report</i> to be drafted on the P&I Draft Date.
	After the P&I Determination Date	The next cycle's <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.
	Post-settlement corrections related to loan modifications will follow the same posting rules outlined above for MISI adjustments.	





Adjustment Code and Description	Adjustment Posting Rule(s)	
<b>MISP: Miscellaneous Principal</b>	<b>If the loan modification is settled:</b>	<b>Then the MISP adjustment will post to:</b>
	On or prior to the P&I Determination Date	The current cycle <i>Draft Report</i> to be drafted on the P&I Draft Date.
	After the P&I Determination Date	The next cycle's <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.
	Post-settlement corrections related to loan modifications will follow the same posting rules outlined above for MISP adjustments.	
<b>P: Principal Reduction</b>	<b>If the principal amount is reported:</b>	<b>Then the principal reduction will post to:</b>
	On or prior to the P&I Determination Date	The current cycle <i>Draft Report</i> to be drafted on the P&I Draft Date.
	After the P&I Determination Date	The next cycle's <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.
<b>REI: Reinstatement Interest</b>	<b>If the loan modification is settled:</b>	<b>Then the REI adjustment will post to:</b>
	On or prior to the P&I Determination Date	The current cycle <i>Draft Report</i> to be drafted on the P&I Draft Date.
	After the P&I Determination Date	The next cycle's <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.
	Post-settlement corrections related to loan modifications will follow the same posting rules outlined above for REI adjustments.	
<b>RERI: REO Rollback</b>	REO rollbacks processed in the current accounting cycle will post to the next cycle's <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.	
<b>SS: Servicemember</b>	Servicemember transactions processed in the current accounting cycle will post to the next cycle's <i>Draft Report</i> to be drafted on the P&I Draft Date for that cycle.	



Adjustment Code and Description	Adjustment Posting Rule(s)	
<b>Z001: Payoff Remittance 1 Day</b>	<b>If the payoff transaction:</b>	<b>Then the proceeds will post to:</b>
	Is successfully reported on time (within two business days of the payoff date)	The <i>Draft Report</i> to be drafted on the second business day from the payoff date.
	Is not reported on time (three or more business days from the payoff date)	The <i>Draft Report</i> to be drafted on the second business day from date the payoff was successfully reported.
<b>Z002: Payoff Remittance 2 Day</b>	<b>If the payoff transaction:</b>	<b>Then the proceeds will post to:</b>
	Is successfully reported on time (within two business days of the payoff date)	The <i>Draft Report</i> to be drafted on the second business day from the payoff date.
	Is not reported on time (three or more business days from the payoff date)	The <i>Draft Report</i> to be drafted on the second business day from date the payoff was successfully reported.
<b>Z003: Payoff Remittance 3 Day</b>	<b>If the payoff transaction:</b>	<b>Then the proceeds will post to:</b>
	Is successfully reported on time (within two business days of the payoff date)	The <i>Draft Report</i> to be drafted on the third business day from the payoff date.
	Is not reported on time (three or more business days from the payoff date)	The <i>Draft Report</i> to be drafted on the second business day from date the payoff was successfully reported.
<b>Z005: Payoff Remittance 5 Day</b>	<b>If the payoff transaction:</b>	<b>Then the proceeds will post to:</b>
	Is successfully reported on or prior to the Payoff Determination Date	The <i>Draft Report</i> to be drafted on the fifth business day from the payoff date.
	Is not reported on time (five or more business days from the payoff date)	The <i>Draft Report</i> to be drafted on the second business day from date the payoff was successfully reported.



Adjustment Code and Description	Adjustment Posting Rule(s)	
<b>Z006: Payoff Remittance 6 Day</b>	<b>If the payoff transaction:</b>	<b>Then the proceeds will post to:</b>
	Is successfully reported on or prior to the Payoff Determination Date	The <i>Draft Report</i> to be drafted on the sixth business day from the payoff date.
	Is not reported on time (six or more business days from the payoff date)	The <i>Draft Report</i> to be drafted on the second business day from date the payoff was successfully reported.
<b>Z009 Payoff Remittance 9 Day</b>	<b>If the payoff transaction:</b>	<b>Then the proceeds will post to:</b>
	Is successfully reported on or prior to the Payoff Determination Date	The <i>Draft Report</i> to be drafted on the ninth business day from the payoff date.
	Is not reported on time (nine or more business days from the payoff date)	The <i>Draft Report</i> to be drafted on the second business day from date the payoff was successfully reported.

## Additional Cash Management Reports

In addition to the *Draft Report*, the following cash management are also available via the Cash Manager tool:

- *Detail Adjustment Report (DAR)*: Itemizes adjustments made to your portfolio as reflected on the *Monthly Account Statement* and the *Draft Report*.
- *Liquidations Pending Charge-off Report*: A cumulative view of liquidations (e.g. short sales and third-party foreclosure sales) that you have reported via loan-level reporting, but have not received any applicable charge-off credits.
- *Non-sufficient Funds Report*: Identifies all drafts to date that we could not complete due to insufficient funds. You can generate this report on an as needed basis.
- *Negotiated Payoff Report*: Itemizes proceeds due on payoffs negotiated with a special contracted remittance due date.

# Chapter 5: Adjustable-Rate, Step-Rate, and Interest-Only Mortgages

This chapter introduces adjustable-rate, step-rate, and interest-only mortgages, and includes the following topics:

### Adjustable-rate Mortgages (ARMs):

- Definition of an ARM
- Different ARM products eligible for sale to Freddie Mac
- Rate changes
- How a rate change notification works
- How to:
  - Calculate a new Note rate
  - Calculate a new accounting net yield (ANY) rate
  - Identify and resolve common ARM rate discrepancies
- Convertible ARMs

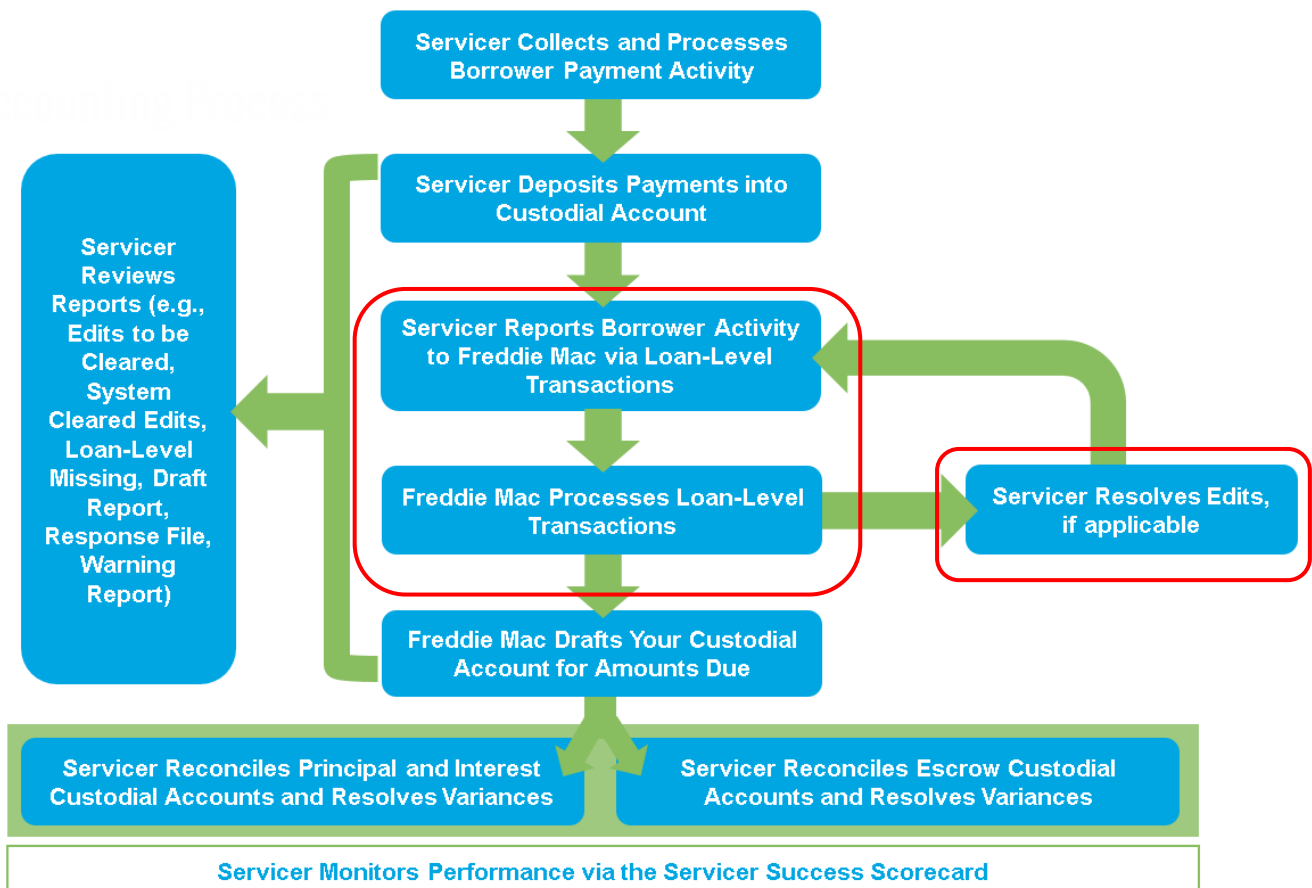
### Step-Rate Mortgages:

- Definition of a step-rate mortgage
- Future Step Rate Schedule Report
- How to report when step-rate mortgages adjust

### Interest-Only Mortgages:

- Definition of an interest-only mortgage
- How to report when the interest-only period ends

Refer to this chapter to ensure you are reporting ARMs, step-rate, and interest-only mortgages correctly when adjustments occur, and when researching reporting discrepancies for these types of loans.





## What is an Adjustable-Rate Mortgage (ARM)?

An ARM is a mortgage that has a Note rate that adjusts periodically based on a specified index.

### Common ARM Terminology

You must be familiar with the definitions for the following ARM terms. Refer to the Glossary in the *Single-Family Seller/Servicer Guide* (Guide) for complete definitions for all terms.

- Accounting net yield (ANY)
- Caps (initial, periodic, and life)
- Index
- Initial period
- Interest change date
- Lifetime ceiling
- Lifetime floor
- Lookback period
- Margin
- Minimum contract servicing spread
- Note rate
- Payment change date
- Rounding

### ARM Programs

ARMs sold to Freddie Mac may have been sold under any of the following programs:

- WAC ARM Cash
- WAC ARM Guarantor
- ARM Cash (no longer available for new loan sales)
- ARM Guarantor (no longer available for new loan sales)

Each of these programs requires you to use a slightly different method to calculate the ANY. Examples of the different methods for calculating the ANY are shown later in this chapter.

The ARM Cash and ARM Guarantor programs are not available for new loan sales, but may exist in your portfolio or you may acquire them through a transfer of servicing.



## Non-Standard ARMs

Freddie Mac may purchase non-standard ARMs (ARM products not in the Guide) on a negotiated basis only.

## Convertible ARMs

A convertible ARM gives the borrower the option to convert the type of interest from an adjustable rate to a fixed rate according to the terms of the Note.

## Note Rate Changes

An ARM mortgage has a specific date on which the interest rate will change (referred to as the interest change date), and specific instructions on how to calculate the new Note rate. The payment change date will occur a month after the interest change date since interest is in arrears. The Note specifies the components for calculating the new Note rate, including the index, lookback, and margin.

To determine the new note rate, take the following steps:

1. Identify the new index.
2. Determine the margin.
3. Add the index and margin.
4. Round the result, according to the rounding rules in the Note.
5. Check the cap restrictions.

## Interest Change Date

The interest change date is each date, as established in the Note, on which any adjustment in the Note rate is effective. Interest must be calculated at the new note rate beginning on this date.

### Example

The interest change date specified in the Note is May 1. The old rate is 7 percent, and the new rate is 8 percent. The April interest collected with the May 1 payment is calculated at 7 percent. Amounts due after May 1 are calculated using the 8 percent interest rate. The payment change date is June 1. May interest collected with the June payment is calculated using the 8 percent interest rate.

## Payment Change Date

The payment change date is each date that the monthly payment reflects any interest rate adjustment. This date will be the first monthly payment date following the Note rate change.

## Note Rate

The Note rate is the interest rate payable under the Note. For ARMs, the Note rate may adjust periodically under the terms of the Note.

## Frequency of Note Rate Changes

The Note specifies how often the Note rate changes. The Note rate will change on a specific date, such as once every six months or once a year.



## Index

The first thing you do when there is a rate change is to determine what index to use to determine the new Note rate.

The index is a fluctuating economic indicator specified in the note whose value is periodically used to adjust the note rate. The specific index you use is identified in the Note, and is usually a publicly available index such as the Treasury index.

## Lookback Period

Once you determine the index, you need to determine the lookback period. The lookback period is the number of calendar days you count back from the interest change date to determine the current index.

The lookback period is stated in the Note, and is generally expressed as the number of days preceding the interest change date. It is usually 45 or 60 days. Lookback days are calendar days, not business days. Do not include the interest change date when counting days.

## Most Recently Available Index

Once you know the interest change date, the index, and the lookback period or the margin, you can determine the index value you must use to calculate the new Note rate. The index may require that you:

- Count back from the interest rate change date the number of calendar days specified in the Note.
- Use the current or most recently available applicable index for that date as specified in the Note. Some indexes are available every Monday, some once a month.

## Example One

Count back 45 days from a May 1 interest change date, and the date is Monday, March 17. If you are using an index available every Monday, then you use the new index available on Monday, March 17. If Monday is a holiday, then the rate would be available on Tuesday. If you use an index published once a month at the end of the month, then you would use the index value that was published at the end of February.

## Example Two

Count back 60 days from a May 1 interest change date, and the date is Sunday, March 2. If you are using an index available every Monday, then use the new index that was available on Monday, February 24. If you use an index published once a month at the end of the month, use the index value that was published at the end of February.



## Rounding

The Note will specify whether the sum of the index and margin must be rounded. Most Notes require that you round the sum to the nearest eighth of a percent. Check the Note for the applicable rounding rules. This is the new Note rate unless a rate cap becomes effective.

The index is 5.49 percent and the margin is 2.50 percent. The new Note rate is 7.99 percent provided rounding is not required under the terms of the Note, and this adjustment is not further limited by a rate cap. If the Note requires that the sum of the index and margin be rounded to the nearest one-eighth of one percent, (0.125%), then the new Note rate is 8 percent, unless the adjustment is further limited by a rate cap.

### Sample ARM Rounding Chart

Between	Round to
0.00 – 0.06	0.000
0.07 – 0.18	0.125
0.19 – 0.31	0.250
0.32 – 0.43	0.375
0.44 – 0.56	05.00
0.57 – 0.68	0.625
0.69 – 0.81	0.750
0.82 – 0.93	0.875
0.94 – 1.00	1.000

## Rounding the New ANY

Round a new ANY using the same method that you use when rounding the Note rate. Round the ANY according to the program under which the mortgage was sold to us:

- Mortgages sold under the WAC ARM program, are rounded at the Note rate. Round to the nearest eighth.
- Mortgages sold under the ARM Guarantor program are rounded at the PC rate. Round to the nearest eighth.
- Mortgages sold under the ARM Cash program are rounded at the ANY rate. Round to the nearest eighth.





# Caps

Once you have rounded the Note rate, you need to determine if it is subject to a cap. A cap can limit the change in the note rate. There are three types of caps:

- Initial
- Periodic
- Lifetime

Initial	Periodic	Lifetime
Specifies the maximum increase or decrease in the Note rate on the first interest change date and is expressed in percentage points.	Specifies the maximum increase or decrease in the Note rate on any interest change date after the first interest change date and is expressed in percentage points.	Specifies the number of percentage points that when added to the initial Note rate yields the lifetime ceiling
<ul style="list-style-type: none"> <li>▪ Limits the movement from the original Note rate to a new rate on the first change date.</li> <li>▪ Applicable to upward or downward change.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limits the movement from the current rate to a new rate.</li> <li>▪ Applicable to upward or downward change.</li> </ul>	<p>A maximum cap plus the initial Note rate is called a lifetime ceiling.</p> <p>A minimum cap less the initial note rate is called a lifetime floor.</p>
<p>On the first interest change date, the Note rate cannot:</p> <ul style="list-style-type: none"> <li>▪ Be greater than the initial Note rate plus the initial cap or below the Note rate less the initial cap.</li> </ul> <p>Example: If the initial cap is 2.00 percent, and the Note rate is 7.00 percent, then the new rate cannot be above 9.00 percent or below 5.00 percent.</p> <ul style="list-style-type: none"> <li>▪ Be greater than the lifetime ceiling, if any, or less than the lifetime floor, if any.</li> </ul>	<p>On each subsequent interest change date, the Note rate <i>cannot</i>:</p> <ul style="list-style-type: none"> <li>▪ Be greater than the current Note rate plus the periodic cap or below the current Note rate less the periodic cap.</li> <li>▪ Be greater than the lifetime ceiling, if any, or less than the lifetime floor, if any.</li> </ul> <p>Example: If the periodic cap is 2.00 percent, and the current note rate is 7.00 percent then the new rate cannot be above 9.00 percent provided this does not exceed the lifetime ceiling, or below 5.00 percent.</p>	<p>Note rate <i>cannot</i>:</p> <ul style="list-style-type: none"> <li>▪ Exceed the lifetime ceiling regardless of how high the index value goes, even if the periodic or initial cap would allow it.</li> <li>▪ Be below the lifetime floor, if any, regardless of how low the index goes even if the periodic or initial cap allows it. Unless our contract specifically allows you to enforce a lifetime floor, you may not enforce it.</li> </ul>



## Example

- If the current Note rate is 7.00 percent, the new index is 8.00 percent, and the margin is 2.50 percent, then the new Note rate would be 10.50 percent without applying caps.
- If the periodic or initial interest cap is 2.00 percent, the maximum Note rate allowed is 9.00 percent (7.00 + 2.00) and the minimum Note rate allowed is 5.00 percent (7.00-2.00).
- The lifetime cap is 15.00 percent.
- The new Note rate would be 9.00 percent because of the periodic cap.

Some ARM programs may have different servicing spreads for loans that are fully adjusted, and/or loans that have a periodic or initial cap, and /or loans that have a lifetime cap.

## Calculating a New ANY

The ANY is the net yield rate Servicers use to report and remit interest due Freddie Mac each month. Every time the Note rate changes, the ANY will change. The process for calculating the new ANY varies depending on the program under which the ARM was sold to Freddie Mac. The ANY equals the required net yield (RNY) except for mortgages sold to Freddie Mac at a discount.

Perform the following steps to calculate the ANY:

1. Determine the margin. This will vary depending on the program.
2. Add the index and the margin or determine the fee, depending on the program.
3. Round to the nearest one-eighth.
4. Check the cap restrictions.
5. Add or subtract the guarantee fee, depending on the program.

See the ANY calculation for WAC ARM Guarantor, ARM Guarantor, ARM Cash and WAC ARM Cash programs and the examples in this section for more information on calculating the ANY.

## ANY Terminology

This section identifies terms used when calculating the new ANY.

### Gross Margin

The margin is the number of percentage points that is added to the index value to establish the new Note rate at each interest change date. The margin is generally between 2.50 percent and 3.00 percent. Once you have determined the index value, you need to add the gross margin to it.

### Guarantee Fee

The required spread (sometimes called the guarantee fee) is the fee Freddie Mac keeps for guaranteeing payment to our investors. It is the difference between the ANY due and the PC rate we pay out. The required spread will be stated in your contract. The required spread is only used in calculating the new ANY for mortgages in the ARM Guarantor program.



## Net Margin

The net margin is the gross margin minus the minimum contract servicing spread. It is used to calculate the new ANY for ARMs sold under the Cash program. You will find the net margin for a mortgage on the *Funding Details Report*.

The net margin is indirectly used in WAC ARM Guarantor calculations, as it is equal to the PC margin and the required spread.

## PC Coupon

The PC Coupon is the interest rate, expressed as an annual percentage, which is passed through monthly to our PC security investors. When calculating new ANYs for ARMs, the PC rate is only used for mortgages in the ARM Guarantor program.

## PC Margin

The PC margin is the weighted average of the margins of the underlying mortgages minus the required spread and the minimum contract servicing spread. The PC margin is the difference between the PC rate and the index. The PC margin is also referred to as the participation certificate or the security margin.

## Servicing Spread

The servicing spread (sometimes called the servicing spread) is the amount you keep for servicing the mortgage for Freddie Mac. It is the difference between the Note rate and the ANY. If we round to the nearest one-eighth when calculating the new ANY and the Note does not provide for rounding the Note rate, the servicing spread may change after a Note rate change, but will be within a range for the term of the Note.

## When to Use the New ANY

The new ANY must be used for the accounting cycle date indicated in the Note and the notification. The Note is the primary source of the interest rate change. The notification is secondary. Notify us immediately if there is a discrepancy between the Note and the interest rate change notification. In the month of the interest change date, you must report the forecasted scheduled interest for the next accounting cycle based on the new rate.

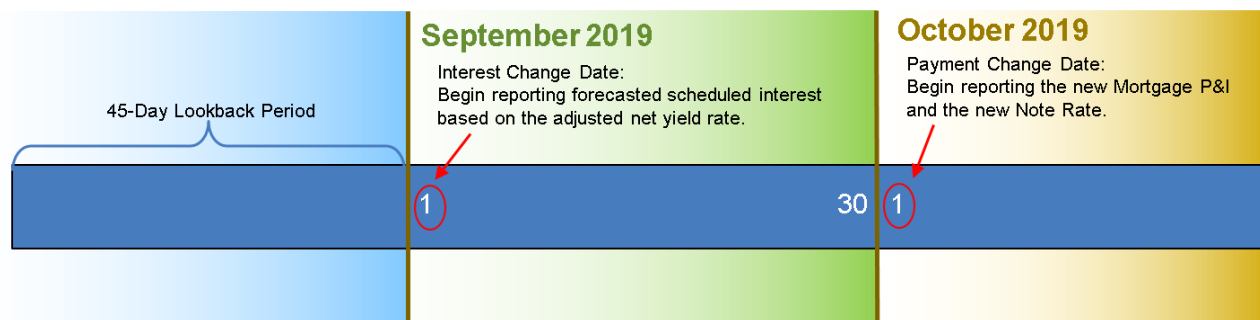
## Example

If a mortgage has an interest change date of September 1 and a payment change date of October 1, you calculate forecasted scheduled interest at the new rate for the September accounting cycle since you are reporting forecasted scheduled interest for October.



## Important Dates for a Sample ARM Note Rate Change

The following highlights important dates for a sample ARM note rate change.



## ANY Calculation for the WAC ARM Guarantor Program

Perform the following steps to calculate the new ANY for ARMs delivered under the WAC ARM Guarantor program:

1. Determine the new index value.
2. Determine the margin.
3. Add the index value and the margin.
4. Round to the nearest one-eighth.
5. Check and apply cap restrictions (initial, periodic and lifetime ceiling).
6. Subtract the servicing spread.

## ANY Calculation for the ARM Guarantor Program

Perform the following steps to calculate the new ANY for ARMs delivered under the ARM Guarantor program:

1. Determine the new index value.
2. Determine the PC (security) margin.
3. Add the index and the PC margin.
4. Round to the nearest one-eighth.
5. Check and apply cap restrictions (initial, periodic and lifetime ceiling).
6. Add the guarantee fee.



# ANY Calculation for the ARM Cash and WAC ARM Cash Programs

Perform the following steps to calculate the new ANY for ARMs delivered under the ARM Cash and WAC ARM Cash Programs:

1. Determine the new index value.
2. Determine the net margin.
3. Add the index value and the net margin.
4. Round to the nearest 1/8.
5. Check and apply cap restrictions (initial, periodic and lifetime ceiling).

## Rate Change Notification

An accounting net yield notification form is available to you via the Loan Level Reporting tool when the Note rate changes on an ARM. Refer to the following table to determine what actions you must take after you retrieve the notification form:

Rate Change Notification Information	Adjustment
You should verify the rate change notification information. If you identify any exceptions or omissions, notify your Freddie Mac representative in writing of the discrepancies.	<b>Interest Rate Adjustment:</b> Depending on the number of days from the date you retrieve the notification until the interest adjustment is effective, you should have notified the borrower of the interest rate change.
You must: <ul style="list-style-type: none"> <li>▪ Report forecasted scheduled interest based on the new accounting net yield rate beginning in the month of the ARM interest rate change date. You will report the scheduled interest for the next accounting cycle based on the new accounting net yield.</li> <li>▪ Report the new adjusted Mortgage P&amp;I and the new adjusted Note Rate in the following cycle (i.e., the cycle of the payment change date).</li> </ul>	<b>Net Yield Adjustment:</b> <ul style="list-style-type: none"> <li>▪ You must ensure that the adjusted individual loan rates support the adjusted net yield.</li> <li>▪ You will be responsible for incurring any net yield interest deficiencies that result from differences in the calculations between you and us.</li> <li>▪ Depending on the next adjustment date at the time you deliver the loan to us, a rate change notification may not be available to you prior to the next net yield adjustment.</li> </ul>



## Using the Rate Change Notification

The rate change notification contains all the data elements you need to verify your ANY calculation and the data elements from the Note. Use the rate change notification to verify the ANY calculation and data elements from the Note.

To verify	Perform the following activities
Your calculation	Ensure your system calculates the new ANY the same way we calculate the new ANY. Formulas for calculating the new ANY are not printed on the actual change notification. However, we provide sample calculations on the following pages.
The data elements	Compare each data element on the rate change notification to the data elements on the note, and on your system. Send your Freddie Mac Loan representative documentation if you find a discrepancy.

There are four different rate change notification formats. Each of the Freddie Mac programs (WAC ARM Guarantor, ARM Guarantor, WAC ARM Cash and ARM Cash programs) have different data elements involved in the rate change.

Rate change notifications are not available for rate changes on newly funded mortgages.



## Loan Setup

When we fund an ARM, the *Funding Details Report* includes the net mortgage margin, lifetime cap, life floor, and interest change (rate adjustment) date. Verify the accuracy of the information when you receive the *Funding Details Report*. Do not wait until there is an interest rate change. Send supporting documentation to your Freddie Mac representative if there is a discrepancy.

## Sample for the WAC ARM Guarantor Program

### Interest Rate Change Notification

NOTIFICATION OF ARM LOANS NET YIELD ADJUSTMENT							
SELLER/SERVICER: 999999							
PRODUCT TYPE: 1 YR 2% WAARM GU FA							
UTILIZE THE APPLICABLE "NEW NET YIELD" TO CALCULATE NET YIELD INTEREST DUE FREDDIE MAC ON THE ARM LOANS INDICATED BELOW BEGINNING WITH THE APRIL ACCOUNTING CYCLE.							
SERVICER LOAN NUMBER	FREDDIE MAC LOAN NUMBER	CURRENT INDEX	GROSS MARGIN	ROUNDED GROSS YIELD	CAP	SERVIC- ING FEE	NEW NET YIELD
1239	123456789	3.879	2.3750	6.2500	N	0.375	5.8750

### Interest Rate Change Calculation

Below is the calculation for ARMs sold under the WAC ARM Guarantor program.

1. Determine the new index value.	3.879
2. Determine the margin. (Shown in the Gross Margin field.)	2.375
3. Add the index value and the margin.	6.254
4. Round to the nearest one-eighth.	6.250
5. Check cap restrictions (initial, periodic, life).	No restrictions in this example.
6. New Note rate:	6.250
7. Subtract the servicing spread.	.375
<b>New ANY</b>	<b>5.875</b>



# Sample for the ARM Guarantor Program

## Interest Rate Change Notification

NOTIFICATION OF ARM LOANS NET YIELD ADJUSTMENT							
SELLER/SERVICER: 999999							
PRODUCT TYPE: 1YR 2% ARM GUAR							
UTILIZE THE APPLICABLE "NEW NET YIELD" TO CALCULATE NET YIELD INTEREST DUE FREDDIE MAC ON THE ARM LOANS INDICATED BELOW BEGINNING WITH THE APRIL ACCOUNTING CYCLE.							
SERVICER LOAN NUMBER	FREDDIE MAC LOAN NUMBER	CURRENT INDEX	PC MARGIN	ROUNDED ADJUSTED PC COUPON	CAP	GUARAN- TEE FEE	NEW NET YIELD
1237	123456789	3.630	1.875	5.500	Y	0.250	5.7500

## Interest Rate Change Calculation

Below is the calculation used for ARMs sold under the ARM Guarantor program.

1. Determine the new index value.	3.630
2. Determine the PC (security) margin.	1.875
3. Add the index value and the PC margin.	5.505
4. Round to the nearest one-eighth.	5.500
5. Check cap restrictions (initial, periodic, life).	No restrictions in this example.
6. Add the guarantee fee (also called the required spread)	0.250
<b>New ANY</b>	<b>5.750</b>





# Sample for the WAC ARM Cash and ARM Cash Program

## Interest Rate Change Notification

NOTIFICATION OF ARM LOANS NET YIELD ADJUSTMENT					
SELLER/SERVICER: 999999					
PRODUCT TYPE: 2-5 1 YR RATE CAP FA					
UTILIZE THE APPLICABLE "NEW NET YIELD" TO CALCULATE NET YIELD INTEREST DUE FREDDIE MAC ON THE ARM LOANS INDICATED BELOW BEGINNING WITH THE APRIL ACCOUNTING CYCLE.					
SERVICER LOAN NUMBER	FREDDIE MAC LOAN NUMBER	CURRENT INDEX	NET MARGIN	CAP	NEW NET YIELD
1233	123456783	3.630	1.8750	N	5.5000

## Interest Rate Change Calculation

Below is the calculation used for ARMs sold under the ARM Cash program.

1. Determine the new index value.	3.630
2. Determine the net margin.	1.8750
3. Add the index value and the net margin.	5.5050
4. Round to the nearest one-eighth.	5.5000
5. Check cap restrictions (initial, periodic, life).	No restrictions in this example.
<b>New ANY</b>	<b>5.50</b>

## Identify and Resolve ARM Interest Discrepancies

Data integrity is very important. You can have multiple interest rates for the same loan-level transaction. Calculating the interest due for exception transactions (i.e. as reinstatements, payoffs, third-party foreclosure sales, or transfers to REO) can cover more than one month. Different ANYs are used in different parts of the calculation if there was a rate change during a particular period.



## Resolving Common Discrepancies

Use the information below to help you resolve common ARM interest rate discrepancies.

Discrepancy	Unless your contract states otherwise:
The Note has floors. Unless our contract specifically allows you to enforce a lifetime floor, you may not enforce it.	This is a non-standard Note. <ul style="list-style-type: none"> <li>The floors must be waived.</li> <li>The borrower must be notified that the floor provision will not be enforced.</li> </ul>
We round to the nearest one-eighth but the note: <ul style="list-style-type: none"> <li>Does not round.</li> <li>Rounds to something other than one-eighth.</li> <li>Rounds to the next highest one-eighth.</li> <li>Rounds to the next lowest one-eighth.</li> </ul>	This is a non-standard Note. You will have a variable servicing spread. This should have been specified in the contract. At no time may the servicing spread fall below the minimum or go above the maximum stated in the contract. If it does, please contact your Freddie Mac representative.
The product type specified at the top of the Notification of ARM Loans Net Yield Adjustment form does not match the note.	<ul style="list-style-type: none"> <li>The incorrect product was delivered.</li> <li>The mortgage may have to be repurchased. Please contact your Freddie Mac representative.</li> </ul>
The intervals (annually, semi-annually) between the Note rate adjustments specified in the Note do not match the product delivered.	
The index on the Note does not match the index specified at delivery.	
The interest change date on the Note does not match the interest change date at delivery.	
The look back period on the Note does not match the lookback period specified at delivery.	<ul style="list-style-type: none"> <li>The incorrect information was delivered at funding.</li> <li>Contact your Freddie Mac representative. The product type will determine how this discrepancy is resolved.</li> </ul>
The margin on the note does not match the margin specified at delivery.	
The periodic cap on the Note does not match the periodic cap at delivery.	
The lifetime ceiling (also called maximum rate) on the Note does not match the lifetime ceiling specified at delivery.	
The required spread does not match the required specified at delivery.	Check the contract.

The information used for ARM calculations is based on the information delivered at the time of funding.



## Convertible ARMs

A convertible ARM has an option for the borrower to convert the adjustable interest rate to a fixed interest rate during a specified time (“conversion window”) based on a specified conversion formula. The requirements for converting the adjustable interest rate to a fixed interest rate are in the Note. Once the mortgage is converted to a fixed interest rate, we call it a converted mortgage.

If a borrower exercises the option to convert the adjustable interest rate to a fixed interest rate on a convertible ARM owned by Freddie Mac prior to the conversion date, you must report the conversion to Freddie Mac through the repurchase/resale process.

With the repurchase/resale process, you must repurchase the converted mortgage by the fifth business day after the conversion date and, subsequently, resell the converted mortgage back to us.

## Servicer Obligations

You must make information concerning the applicable Freddie Mac or Fannie Mae required net yield (RNY) for the purchase of 30-year and 15-year fixed-rate mortgages under 60-day mandatory delivery commitments readily available to borrowers. You may not refer or advise borrowers to contact us directly concerning the required net yield.

## Investor Impacts

Investors of Freddie Mac PCs comprising convertible ARM securities are aware of the impacts converting loans have on the performance of the PCs. The impacts include:

- Adjustments to the weighted average coupon of the PC each time an ARM within the PC converts to a fixed rate of interest
- Reductions to the PC’s unpaid principal balance each time an ARM in a PC converts to a fixed rate of interest

## Buydown Features

The RNY for the converted mortgage will not be adjusted based on your previous election of the buyup or buydown feature for the convertible ARM.



## Eligibility for Conversion

To convert the adjustable interest rate on a convertible ARM owned by Freddie Mac to a fixed interest rate, all terms of the note and rider must be met. In order to exercise the conversion option, the following conditions must be satisfied:

- The borrower must not be in default on the day the borrower exercises the option to convert.
- The conversion option must be properly exercised.
- The borrower must convert within the period, or on the specified date, that is the conversion window, but the conversion date may occur as late as the first day of the second month following the last day in the conversion window.
- The borrower must not be in default on the conversion date.
- Form 3180, *Freddie Mac Multistate Agreement to Convert*, must be executed by you and the borrower.
- The maximum fee that may be charged to the borrower for processing the conversion is \$250.
- The new Note rate must be properly calculated.

For convertible ARMs with non-standard conversion conditions sold to us as a specially negotiated product:

- Any other provisions specified in the master agreement under which the convertible ARMs were sold to us
- Any other terms of the Note except those specifically prohibited by Freddie Mac in the master agreement under which the convertible ARM was sold

If the above conversion eligibility requirements are not satisfied, we may require you to repurchase the mortgage and/or to indemnify us against any losses that may result from the failure to comply with the eligibility requirements. Freddie Mac reserves the right to take whatever other action we deem appropriate to protect our interests and enforce our rights.



# Summary of the Repurchase and Resale Process

You must process and notify us of the conversion according to the following requirements:

Timing	Actions
When you receive notice from the borrower that he or she wants to exercise the conversion option	<p>Prior to repurchase, you must:</p> <ul style="list-style-type: none"> <li>▪ Prepare Form 3180 for the borrower.</li> <li>▪ Arrange for the borrower to execute Form 3180.</li> </ul> <p>Use the following formula to calculate the repurchase price of the converted mortgage:</p> <p>The amount of Freddie Mac’s participation interest in the UPB of the mortgage, including any applicable negative amortization</p> <p style="text-align: center;">+</p> <p>Accrued interest at the current ANY from the first day of the month of repurchase through the day prior to the repurchase</p> <hr style="width: 80%; margin-left: auto; margin-right: auto;"/> <p style="text-align: center;">Repurchase price of the converted mortgage</p>
By the fifth business day after the conversion date of any converted mortgage	<ul style="list-style-type: none"> <li>▪ Report the mortgage to us as paid in full – conversion through the Loan Level Reporting tool. Ensure the “Payoff Date” field contains the conversion date.</li> <li>▪ Request the release of the Note.</li> </ul>
Within 60 days of the conversion date	<p>You must resell the converted mortgage to us in accordance with the requirements outlined in Guide Section 6302.32 for delivery of Freddie Mac-owned converted mortgages.</p> <ul style="list-style-type: none"> <li>▪ You must deliver the original convertible ARM Note with the executed Form 3180 for certification by the document custodian.</li> <li>▪ At our request, you must provide us with documentation to evidence that you have resold to us all mortgages processed through the repurchase/resale path as required by the Guide and other purchase documents.</li> <li>▪ Because the borrower was qualified at the time of origination of the convertible ARM, no re-underwriting is required for a Freddie Mac-owned converted mortgage resold to us under the repurchase/resale process.</li> <li>▪ Post-settlement delivery fees are not assessed for mortgages sold to us as Freddie Mac-owned converted mortgages under the repurchase/resale process.</li> <li>▪ We will purchase all Freddie Mac-owned converted mortgages you have repurchased, delivered, and resold under the repurchase/resale process, provided we have statutory authority to do so at such time.</li> <li>▪ We reserve the right to require you, at such time that we deem appropriate, to use an automated conversion process instead of the resale/repurchase process.</li> </ul>



## Special Warranties

You represent and warrant that:

- You will not conduct any advertising or promotional activities that have the effect of encouraging a borrower to exercise, or discouraging a borrower from exercising, the conversion option with respect to any convertible ARM.
- You will implement the conversion option in accordance with the terms of the note and applicable law.
- The converted mortgage remains fully enforceable against the borrower and, in addition to the requirements of Guide the title insurance policy or attorney's opinion of title insures that the first lien priority of the mortgage will not be impaired because of the conversion to a fixed interest rate.

## Convertible ARMs Sold with Recourse

A convertible ARM that was sold to us with recourse, as provided in the recourse obligation, ceases once the mortgage has been converted.





## Reporting When a Step-Rate Mortgage Adjusts

It's important to be familiar with the following dates when reporting step-rate mortgages:

- **Interest Effective Date:** The date on which the new interest rate is effective. Interest must be calculated at the new Note rate beginning on this date.
- **Payment Effective Date:** The date on which the borrower's monthly payment reflects the interest rate adjustment. This date will be the first monthly payment date following the interest effective date.

When reporting mortgages

In the month of:	Report:
Interest Effective Date	Forecasted scheduled interest for the next accounting cycle based on the new ANY.
Payment Effective Date	<ul style="list-style-type: none"> <li>▪ The new mortgage P&amp;I (P&amp;I constant)</li> <li>▪ The new Note rate.</li> </ul>

### Example

In the following example, the note rate increased in July, and the P&I constant increased in August.

On July 1<sup>st</sup>, the borrower made their July payment. The Servicer reported the July principal payment, and the forecasted scheduled interest for August based on the new ANY. On August 1, the borrower made their August payment based on the new P&I constant.

Current Accounting Cycle: July XXXX  
 June's Ending UPB: \$96,945.91  
 Note Rate: .0200  
 Servicing Fee: .0025

Step Rate Interest Effective Date: July 1, XXXX  
 Note Rate Effective July 1<sup>st</sup>: .0300  
 Step Rate Payment Effective Date: August 1, XXXX

Interest rate change is effective July 1<sup>st</sup>, therefore August forecasted scheduled interest is calculated based on the new interest rate.  
 $\$96,107.49 \times 0.0275 \div 12 = \$220.25$

Loan Activity:

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	July	7/6	7/1	\$1,000	\$838.42	\$220.25	\$96,107.49	N/A	N/A
P&I	August	8/5	8/1	\$1,050	\$809.73	\$218.39	\$95,297.76	N/A	N/A

P&I constant changes





## Initial Interest<sup>SM</sup> (Interest-Only) Mortgages

Initial Interest Mortgages are mortgages that require (i) interest only payments for a specified period of time beginning with the first monthly payment after the Note date, and (ii) principal and interest payments on a fully amortizing basis for the remainder of the mortgage term.

During the interest-only period, monthly payments consist of interest only. The interest-only period begins on the date of the first monthly interest-only payment stated in the Note, and concludes on the last day of the month prior to the first amortizing payment date. **Note:** If a principal curtailment is received during the interest-only period, the monthly mortgage P&I (P&I constant) could change.

## How to Report When the Interest-Only Period Ends

At the conclusion of the interest-only period, you will begin reporting principal and interest due, as well as the new P&I constant. For example, if the interest-only period ends on July 31<sup>st</sup>, you will report principal and interest, in the August accounting cycle, with the new P&I constant.

### Example

In this example, the loan is current. The interest-only period expired on July 31<sup>st</sup>. In the August accounting cycle, the borrower made their payment, which consisted of principal and interest. Forecasted scheduled interest is reported based on the current cycle ending gross UPB for August. The new P&I constant is also reported during the August cycle.

Current Accounting Cycle: August XXXX  
May Ending UPB: \$150,000  
Servicing Fee: .0025  
Note Rate: 0.0525

P&I Constant in Interest-Only Period: \$656.25  
End of Interest-Only Period: July 31, XXXX  
P&I Constant at End of Interest-Only Period: \$1,200  
Accounting Net Yield (ANY): .0500

*Loan Activity:*

Reported Activity	Cycle	Date Reported	DDLPI	P&I Constant	Principal Reported	Interest	Ending UPB	Exception Code	Exception Date
P&I	June	6/3	6/1	\$656.25	\$0	\$625.00	\$150,000	N/A	N/A
P&I	July	7/6	7/1	\$656.25	\$0	\$625.00	\$150,000	N/A	N/A
P&I	August	8/5	8/1	\$1,200	\$543.75	\$622.73	\$149,456.25	N/A	N/A

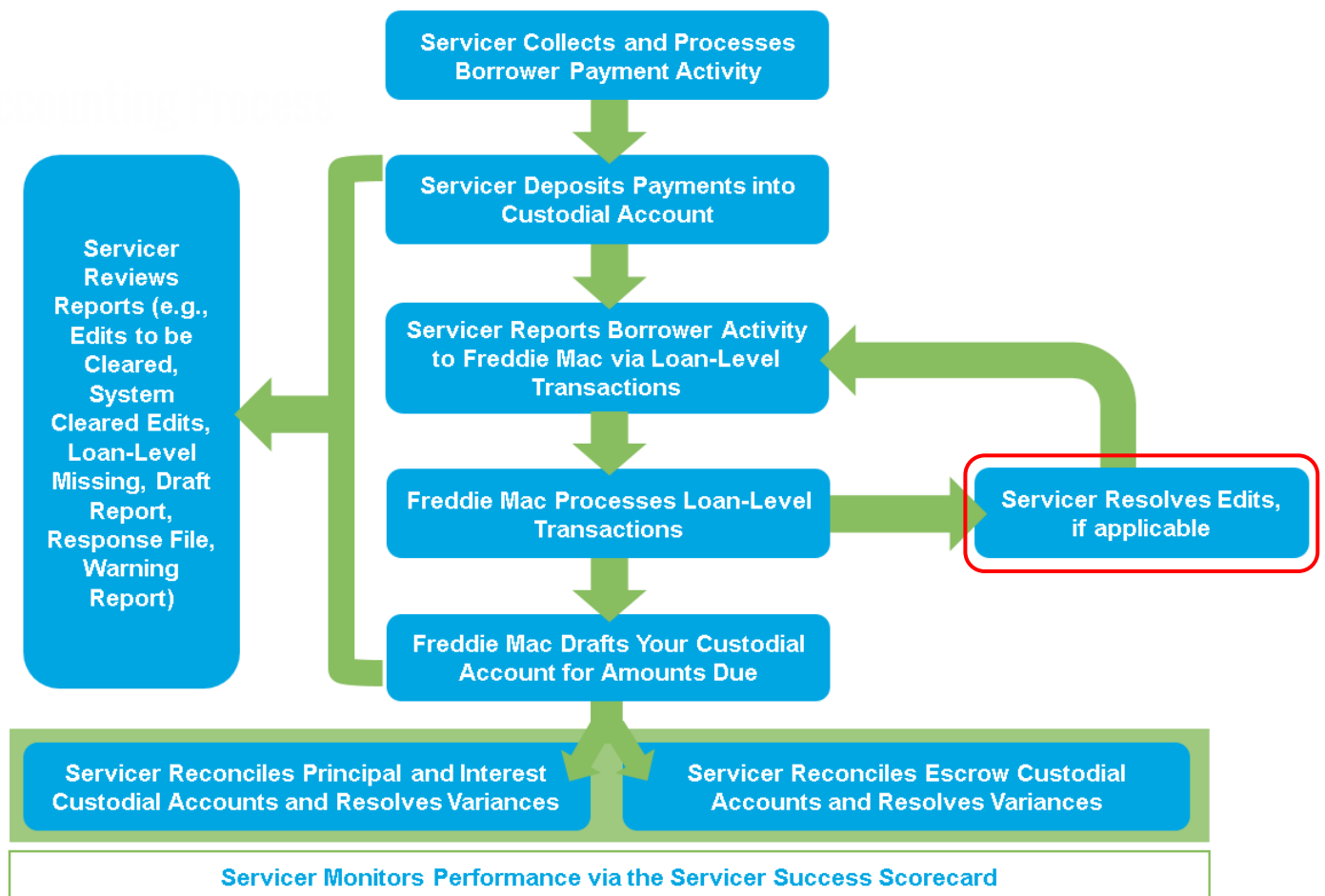
P&I constant changes

Principal due is reported

## Overview

When we receive your loan-level transactions, we compare the data you reported to what we expected, and notify you of any discrepancies via our daily edit reports, which are available the Loan Level Reporting tool. Each discrepancy (or edit) is listed on our daily edit reports with an edit code that identifies the discrepancy. We expect you to resolve the edits listed on your daily edit reports and ensure that you have given us accurate information. To prevent the same edits from recurring, improve your performance, and avoid compensatory fees, determine and correct the root cause before reporting the loan in subsequent cycles.

This chapter provides charts containing edit and warning codes that apply to both missing loans and transaction processing. Refer to this chapter as you review your daily edit reports to ensure you are taking the appropriate actions to resolve reporting discrepancies.





## Missing Loans

Any loan on the *Servicer Loan Transactions Missing (Loan-Level Missing)* report without an asterisk (\*) is a missing loan (i.e., you have not reported a transaction for this loan number).

Missing loans are usually caused by one of the following reasons:

- You transmitted this loan with an invalid loan number and the loan is on the *LLR Edits to be Cleared* report with edit code 101.
- You did not indicate that this loan was sold to us in your investor reporting system.
- You closed this loan on your system, but we have not closed it on ours.
- There is a transfer of servicing problem.

To resolve a loan with an asterisk (\*), refer to the *LLR Edits to be Cleared* report and resolve the individual edit codes.

To resolve a missing loan, you must submit a transaction for it.

## Types of Edits

As we receive your transactions, we compare specific data elements to our database. You must clear or resolve any loan edit before our system will accept a valid transaction for that loan.

The following table identifies and provides a brief description of each type of edit, explains how to identify the edit, and outlines what high-level actions you must take to resolve the edit.

Type of Edit	Description	How to Identify	Required Actions
System-Cleared (soft edit)	Edits that our system clears automatically	Identified on the <i>LLR System Cleared Edits</i> report, available via the Loan Level Reporting tool.	We change the appropriate data elements to match what we expect and then process the updated transaction.
Fatal (hard edit)	Edits that our system cannot clear automatically	Identified on the <i>LLR Edits to be Cleared</i> report, available via the Loan Level Reporting tool.	You must correct the transaction to resolve these edits.
Warnings	Transactions we have processed that may require your additional attention or verification.	Identified on the <i>LLR Warning</i> report, available via the Loan Level Reporting tool.	Review all warnings and submit updated transactions, if necessary.



# Understanding the Edit and Warning Tables

For each edit and warning code, we identify the following:

- Applicable exception code(s)
- A description that outlines why the edit or warning code was generated, including potential causes
- How to resolve the edit or address the warning

Information for each edit and warning code is presented in table format, as outlined below.

Edit or Warning Code		Fatal Edit	-OR-	System-Cleared Edit
<b>Exception Codes that May Receive this Edit:</b> Identifies the exception codes that can receive this edit or warning.				
<b>Description</b>	Summarizes why our system generated the edit or warning code. Provides common causes of the edit or warning code. Some edit codes have multiple potential causes.			
<b>How to Resolve</b>	Identifies what must be done to resolve the edit and whether you must submit a corrected transaction for the current cycle. In all cases, you should determine and resolve the cause of the error so that it does not occur again in the next cycle.			
	<b>If you resolve an edit or a warning from:</b>	<b>Then:</b>		
	The <i>LLR Edits to be Cleared</i> report	Submit a corrected transaction to clear the edit.		
	The <i>Servicer Loan Transactions Missing</i> report ( <i>Loan-Level Missing</i> report)	You must transmit information on the loan immediately.		
	The <i>LLR System Cleared Edits</i> report	Submit a corrected transaction if necessary.		
	The <i>LLR Warning</i> report			
The <i>Loan Reconciliation Difference</i> report	You cannot submit a corrected transaction if we have finished processing loan data for the cycle. Resolve the problem by the next accounting cycle.			

### Important: Custodial Account Impacts

Always consider the impact of an edit or warning to your custodial account. A custodial account adjustment is necessary when the amount you deposited or the amount you adjusted your delinquent prepaid interest for is different from the amount due we processed for a loan.

Some loans have more than one edit code. A custodial account adjustment may not be necessary for each code. You need to use the total change in amount due to determine if there is a custodial account action necessary.



## Edits You Do Not Have to Address

The following edits may be generated for any transaction. You are not responsible for taking any action on these edits – we will address them.

- 100
- 102
- 103
- 104
- 106
- 108
- 110
- 209
- 216
- 221
- 222
- 223
- 228
- 229
- 230
- 238
- 239
- 808
- 809



Edit Code 101		Fatal Edit
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>Description</b>	<p>Invalid Freddie Mac loan number.</p> <p>You reported a Freddie Mac loan number that our system does not recognize because:</p> <ul style="list-style-type: none"> <li>▪ You entered an incorrect loan number.</li> <li>▪ You reported a valid loan number but we closed that loan in a previous cycle by processing a payoff, third-party foreclosure sale, or REO transaction.</li> <li>▪ You reported a loan number for a loan we do not own.</li> </ul> <p>Cross-reference all loans without an asterisk (*) on the <i>Loan-Level Missing</i> report to determine if a data entry error occurred when the loan was set up on your investor reporting system.</p> <p>If you reported this loan using your institution's loan number, it will appear on the edit report. It may be easier for you to research this loan by referencing your loan number.</p> <p>Research the cause of the error by going back to the first cycle the edit code appeared for this loan and then refer to the following:</p>	
	<b>If:</b>	<b>Then:</b>
	Your records indicate that the loan was a new funding the cycle it first appeared with this edit code	Locate the <i>Funding Detail Report</i> for this loan to determine the correct loan number.
	This is not a data entry error on a new loan	<p>The problem is probably due to one of the following:</p> <ul style="list-style-type: none"> <li>▪ A payoff for a newly funded loan that occurred before the first accounting cycle, or</li> <li>▪ A loan we processed in a previous cycle as an REO or an FHA/VA HUD conveyance and it was not removed from your servicing system.</li> </ul>
<b>How to Resolve</b>	Refer to the following:	
	<b>If you:</b>	<b>Then:</b>
	Entered an incorrect loan number	<p>Correct the loan number and retransmit.</p> <p><b>Note:</b> The incorrect loan number will remain on the <i>LLR Edits to be Cleared</i> report until the end of the cycle.</p>
	<p>Reported a loan</p> <ul style="list-style-type: none"> <li>▪ We did not purchase, or</li> <li>▪ That has been processed as a payoff, third-party foreclosure sale, or REO in a previous cycle</li> </ul>	Remove the loan from your Freddie Mac portfolio on your investor reporting system.
	Processed the loan as a payoff in error or as a FHA/VA conveyance and it was redeemed	Contact your Freddie Mac Loan Portfolio Specialist.
Processed the loan as an REO and the loan is a redemption	Forward the funds to our REO department.	



<b>Edit Code 105</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>Description</b>	Invalid Servicer number for this loan. You reported this loan with a Servicer number that is different from the number of the Servicer of record in our system. A transfer of servicing problem or data entry error can cause this edit. The following table identifies potential causes of this edit:	
	<b>If:</b>	<b>Then:</b>
	The loan is not involved in a transfer of servicing	The incorrect Servicer number was in the transmission's header record.
	You reported the transaction via the Loan Level Reporting tool	You reported the transaction using the incorrect Servicer number.
	You are transferring the loan to another Servicer	We processed the transfer of servicing request before you transferred the loan.
	You received the loan in a transfer of servicing and the loan was included in the transfer request	We have not processed the transfer of servicing request. You reported the loan prior to the effective date of transfer.
	You received the loan in a transfer of servicing but the loan was <u>not</u> included in the transfer request	We did not transfer the loan to you as it was not included in the transfer of servicing request.
<b>How to Resolve</b>	Regardless of the cause of the edit, the loan needs to be reported under the Servicer of record.	
	<b>If:</b>	<b>Then:</b>
	The loan is not involved in a transfer of servicing	Retransmit the loan with the correct Servicer number.
	The loan is, or recently was, involved in a transfer of servicing	<p>You must coordinate reporting with the other Servicer involved until the transfer problem is resolved.</p> <p>To resolve a transfer of servicing problem you need to:</p> <ul style="list-style-type: none"> <li>▪ Determine the appropriate accounting cycle for the loan to be transferred.</li> <li>▪ Coordinate reporting with the other Servicer involved.</li> <li>▪ Submit an amended transfer of servicing request, if necessary.</li> <li>▪ Inform your Freddie Mac Loan Portfolio Specialist of the problem.</li> </ul> <p><b>Note:</b> A transfer of servicing problem may not be resolved in the same accounting cycle.</p>
	<p>The Servicer of record is responsible for reporting this loan, and we will draft funds due for the loan from the Servicer of record's custodial bank account until the transfer of servicing issue is resolved.</p> <p>Account for this loan in the Servicer of record's custodial account, including accounting for all funds, and delinquent or prepaid interest.</p>	



<b>Edit Code 105, continued</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>How to Resolve, continued</b>	<p>If the edit is the result of a transfer of servicing problem, the edit will continue until the problem is resolved.</p> <p>If you are actively involved in transfers of servicing, ensure only the loans included in the transfer of servicing request are transferred and that the transfer coincides with the effective date.</p>	

<b>Edit Code 107</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>Description</b>	<p>The Servicer number you reported is not defined in our system as servicing any loans in the cycle you are reporting for.</p> <p>This edit occurs if you:</p> <ul style="list-style-type: none"> <li>▪ Entered an incorrect Servicer number.</li> <li>▪ Are using a new Freddie Mac Servicer number before you are authorized to use it.</li> <li>▪ Are using a Servicer number we have discontinued.</li> </ul>	
<b>How to Resolve</b>	<p>Submit a transaction with the correct Servicer number. Contact your Freddie Mac Loan Portfolio Specialist if you need assistance.</p> <p>Account for all funds (including delinquent interest and prepaid interest) for the loan in the Servicer of record's custodial account.</p>	

<b>Edit Code 200</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>Description</b>	<p>Invalid exception action code. The numeric code you reported in the exception code field of your transmission was not a valid exception code, or the data reported is not consistent with the exception code.</p> <p>Possible causes of this error include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>▪ Data entry error</li> <li>▪ Invalid exception code reported</li> <li>▪ Reported data for a loan that is inconsistent with the exception code. For example:               <ul style="list-style-type: none"> <li>– Exception code 50 (Reinstatement) is reported for a loan in its fourth cycle of delinquency</li> <li>– Exception code 91 (P&amp;I Recast) reported for an inactive loan with incorrect DDLPI movement</li> <li>– Exception code 80 (Balance Correction) reported without an increase to the UPB in the fourth cycle of delinquency</li> <li>– Exception code 80 (Balance Correction) reported without an increase to the UPB with a current DDLPI on an inactive loan</li> <li>– Exception code 40 (Inactivation) reported with a partial or full reinstatement</li> </ul> </li> </ul>	
<b>How to Resolve</b>	<p>Determine the changes necessary to the data reported and submit a corrected transaction.</p>	





<b>Edit Code 201</b>	
Exception Codes that May Receive this Edit: 71, 72, or 73.	
<b>Description</b>	<p>Exception code specifies wrong loan type. You reported an exception code specific to a type of product that is different from this loan's product.</p> <p>This edit is generated if you:</p> <ul style="list-style-type: none"> <li>▪ Reported exception code 72 or 73 for a conventional foreclosure.</li> <li>▪ Reported exception code 71 for an FHA/VA foreclosure.</li> <li>▪ Delivered the incorrect loan type to Freddie Mac.</li> </ul>
<b>How to Resolve</b>	Determine the correct loan product (FHA/VA or conventional) and submit a corrected transaction, or notify us if our database is incorrect.

Fatal Edit

<b>Edit Code 202</b>	
Exception Codes that May Receive this Edit: 70, 71, 72, or 73	
<b>Description</b>	Invalid loan status. This edit is generated if you reported the wrong exception code or the prerequisite action was not reported to us via EDR.
<b>How to Resolve</b>	<p>Take one of the following actions:</p> <ul style="list-style-type: none"> <li>▪ Verify that you reported the correct activity via EDR or correct sale result via the Foreclosure/DIL notification. <ul style="list-style-type: none"> <li>– If the activity reported is incorrect, send another EDR transmission to correct it.</li> <li>– If the sale result reported is incorrect, contact your Freddie Mac Foreclosure/Bankruptcy Specialist.</li> </ul> </li> <li>▪ Verify that the correct exception code was reported and submit another transaction if necessary.</li> </ul>

Fatal Edit

<b>Edit Code 203</b>	
Exception Codes that May Receive this Edit: 40	
<b>Description</b>	<p>You reported an inactivation for a loan that was already inactivated.</p> <p>Once a loan is inactivated, report the loan as a P&amp;I – inactive mortgage transaction until the loan partially or fully reinstates, pays off, goes to third-party foreclosure sale, or becomes REO. You may need to correct your system programming if it is including exception code 40 with loans that were previously inactivated.</p>
<b>How to Resolve</b>	If this loan is still inactive, we will automatically clear the edit. If a different exception code should have been reported, submit another transaction for the loan.

System-Cleared Edit



<b>Edit Code 204</b> Exception Codes that May Receive this Edit: 50		<b>System-Cleared Edit</b>
<b>Description</b>	You reported a reinstatement for a loan that is not inactive in our records. Our records may indicate the loan is active if you tried to inactivate the loan in a previous cycle, but we could not process the transaction.	
<b>How to Resolve</b>	If you intended to report a different exception code, submit an updated transaction. If you tried to reinstate a loan that you reported in the same cycle as an inactivation, report a P&I transaction with the correct principal, interest due, and DDLPI.	

<b>Edit Code 206</b> Exception Codes that May Receive this Edit: 40		<b>Fatal Edit</b>
<b>Description</b>	Alternate method loans cannot be inactivated. You reported an inactivation for a loan that is reported under the alternate accounting method, which does not permit inactivation.	
<b>How to Resolve</b>	Submit a corrected transaction with a P&I transaction type. To prevent this edit, adjust your system so that an inactivation is not reported in the fourth month of delinquency for loans serviced under the alternate accounting method.	

<b>Edit Code 207</b> Exception Codes that May Receive this Edit: May occur with any exception code.		<b>Fatal Edit</b>
<b>Description</b>	You reported a non-numeric code in the exception code field. This edit is usually caused by a data entry error.	
<b>How to Resolve</b>	To resolve, submit a corrected transaction with a valid exception code.	



Edit Code 208		Fatal Edit
Exception Codes that May Receive this Edit: Blank (P&I transaction)		
<b>Description</b>	Exception code 80 is needed for a balance correction. You reported an ending unpaid principal balance (UPB) that is greater than the beginning UPB on a loan that does not allow negative amortization, but did not report exception code 80 with the transaction.	
<b>How to Resolve</b>	<b>If:</b>	<b>Then:</b>
	The ending UPB has increased from the prior cycle	Submit an updated transaction that includes exception code 80. <b>Note:</b> You must also provide supporting documentation if the curtailment reversal is greater than \$3,000.
	You reported an incorrect ending UPB	Submit an updated transaction with the correct ending UPB.

Edit Code 210		System-Cleared Edit
Exception Codes that May Receive this Edit: 80		
<b>Description</b>	A balance correction is not needed. You reported this loan as a balance correction (exception code 80) but the loan's ending UPB is not greater than its beginning UPB. If you reported exception code 80 because you had a payment reversal during the current cycle, submit an updated transaction without exception code 80. Exception code 80 should only be reported if the payment was applied in one cycle and then reversed the following cycle.	
<b>How to Resolve</b>	We will process this transaction without exception code 80 and process principal due to match the reported ending UPB. If the ending UPB you reported is incorrect, report a corrected transaction to correct the error.	



Edit Code 211 Exception Codes that May Receive this Edit: 65		Fatal Edit
<b>Description</b>	Reported as a repurchase, but not approved as a repurchase. You reported exception code 65 (Payoff – Repurchase) for a loan that we have not approved for repurchase.	
<b>How to Resolve</b>	Refer to the following to determine how to resolve this edit:	
	<b>If the loan:</b>	<b>Then:</b>
	Has been approved for repurchase (repurchase required by Freddie Mac) or is a delinquent recourse loan	Send your Freddie Mac Portfolio Specialist a copy of the repurchase letter or the Freddie Mac-approved Form 105, <i>Multipurpose Loan Servicing Transmittal</i> . We will adjust our system and clear the edit.
	Is an ACARM that you cannot process as a normal conversion	Notify your Freddie Mac Portfolio Specialist. We will adjust our system and clear the edit.
	Is a modification/refinance that you must report as a repurchase	
Has not been approved by Freddie Mac for repurchase	Report the loan as a P&I transaction for the current cycle. Request approval for repurchase from Freddie Mac if you want to repurchase the loan in the following cycle. <b>Note:</b> <ul style="list-style-type: none"> <li>▪ If we do not process a repurchase for this loan in the current cycle, continue reporting it as a P&amp;I transaction until we approve the repurchase.</li> <li>▪ To prevent this edit from occurring, ensure that you have received approval prior to reporting a repurchase.</li> <li>▪ If we do not process a repurchase for this loan, adjust your custodial account for the repurchase proceeds you deposited and for any adjustments for delinquent or prepaid interest.</li> </ul>	



Edit Code 212		Fatal Edit
Exception Codes that May Receive this Edit: 65		
<b>Description</b>	Reported repurchase, but a waiver has been approved. You reported a repurchase transaction, but we have waived the repurchase requirement. To prevent this edit, coordinate all required reporting with other areas in your organization that service your Freddie Mac portfolio.	
<b>How to Resolve</b>	Submit a corrected transaction to process this loan as a P&I transaction, or if applicable, a different exception code. Ensure that you adjust your custodial account for the repurchase proceeds you deposited, and for any adjustments for delinquent or prepaid interest.	

Edit Code 213		Fatal Edit
Exception Codes that May Receive this Edit: 66		
<b>Description</b>	You reported exception code 66 (Payoff – Conversion) for a loan that our records indicate is either not a convertible ARM or is a convertible ARM that does not use the repurchase path.	
<b>How to Resolve</b>	If the loan is a convertible ARM, send supporting documentation to your Freddie Mac Loan Portfolio Specialist. We will adjust our system and the edit will be deleted. If the loan is not a convertible ARM, submit another transaction with the correct exception code.	

Edit Code 214		Fatal Edit
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>Description</b>	You reported a transaction for a loan we previously closed in our systems by processing a transfer to REO or a HUD conveyance. This edit usually results when one of the following occurs: <ul style="list-style-type: none"> <li>▪ A closed loan is not removed from your investor reporting system.</li> <li>▪ A loan has been transferred to REO and the borrower has redeemed the property.</li> </ul>	
<b>How to Resolve</b>	Discontinue reporting this loan number unless the loan has gone to Real Estate Owned (REO) and the borrower has redeemed the property. If the property has been redeemed, contact your Freddie Mac Loan Portfolio Specialist.	
	<b>If the loan was processed as:</b>	<b>Then:</b>
	An REO and was redeemed	Forward the funds to the REO department.
	A payoff in error or as an FHA/VA conveyance and was redeemed	Contact your Freddie Mac Loan Portfolio Specialist.



Warning Code 215 Exception Codes that May Receive this Edit: Blank (P&I transaction for an inactive loan)	
<b>Description</b>	Reinstatement not reported, loan reinstated by Freddie Mac. You reported a current DDLPI and the corresponding payment activity for an inactive loan, but did not report exception code 50 (Full Reinstatement).
<b>How to Resolve</b>	No reporting action is required. This edit is notification that Freddie Mac reinstated the loan. Ensure that you update your system to reflect the reinstatement.

Warning Code 220 Exception Codes that May Receive this Edit: 71, 73	
<b>Description</b>	Redemption period may exist; verify transaction. You reported an FHA/VA third-party foreclosure sale (exception code 73) or third-party foreclosure sale (exception code 71), and need to verify: <ul style="list-style-type: none"><li>▪ That you reported the correct exception code.</li><li>▪ Whether there is a redemption period.</li></ul>
<b>How to Resolve</b>	Take the following actions: <ul style="list-style-type: none"><li>▪ Verify that you have reported the correct exception code.</li><li>▪ Verify that no redemption period exists. If one does, submit a P&amp;I transaction. Continue to report the loan as a P&amp;I transaction until the redemption period expires or the property is redeemed.</li></ul>



<b>Edit Code 224</b> Exception Codes that May Receive this Edit: 70		Fatal Edit
<b>Description</b>	Sale result is not REO. You reported a transaction to transfer a loan to REO, but a foreclosure sale result has not been reported to support this action.	
<b>How to Resolve</b>	Determine the foreclosure sale result.	
	<b>If this loan:</b>	<b>Then:</b>
	Was not sold at foreclosure sale	Report the foreclosure sale result via the Foreclosure Sale Reporting tool. We will clear this edit once we process the notification.
	Was sold at foreclosure sale	Take the following actions: <ul style="list-style-type: none"> <li>▪ Report the foreclosure sale result via the Foreclosure Sale Reporting tool, and</li> <li>▪ Submit a corrected loan-level transaction to report this loan as a third-party foreclosure sale if you have received the proceeds, or as a P&amp;I transaction if you have not. If you have not received the proceeds, continue to report this loan as a P&amp;I transaction until you receive the sale proceeds, at which time you will report this loan as a third-party foreclosure sale.</li> </ul>
	Has not gone to foreclosure sale	Submit a P&I transaction.
	Ensure that you determine any custodial account impacts:	
	<b>If:</b>	<b>Then:</b>
	The REO is processed	No custodial account action required.
	The foreclosure sale resulted in a third-party sale and you have deposited the proceeds	There should be no custodial account impact.
	The foreclosure sale resulted in a third-party sale and you have not received the proceeds, or the foreclosure sale has not occurred yet	Continue to account for the delinquent interest on this loan.



Edit Code 225		Fatal Edit
Exception Codes that May Receive this Edit: 71, 73		
<b>Description</b>	Sale result is not a third-party foreclosure sale. You reported a third-party foreclosure sale via loan-level reporting, but a foreclosure sale result has not been reported to support this action.	
<b>How to Resolve</b>	Determine the foreclosure sale result.	
	<b>If this loan:</b>	<b>Then:</b>
	Was sold at foreclosure sale	Report the foreclosure sale result via the Foreclosure Sale Reporting tool. We will clear this edit once we process the notification.
	Was not sold at foreclosure sale	Take the following actions: <ul style="list-style-type: none"> <li>▪ Report the foreclosure sale result via the Foreclosure Sale Reporting tool, and</li> <li>▪ Submit a corrected loan-level transaction to report this loan as a transfer to REO.</li> </ul>
	Has not gone to foreclosure sale	Submit a P&I transaction.
	Ensure that you determine any custodial account impacts:	
	<b>If:</b>	<b>Then:</b>
	A third-party sale is processed	There is no custodial account action required.
	The foreclosure sale resulted in an REO	There should be no custodial account impacts.
	The foreclosure sale has not occurred yet	Continue to account for the delinquent interest on this loan.





Edit Code 226		
Exception Codes that May Receive this Edit: 70		
<b>Fatal Edit</b>		
<b>Description</b>	The foreclosure sale result was reported as a deed-in-lieu of foreclosure, not REO. You reported a transaction to transfer this loan to REO, but your organization reported the foreclosure sale result as a deed-in-lieu.	
<b>How to Resolve</b>	Verify the foreclosure sale result.	
	<b>If this loan:</b>	<b>Then:</b>
	Is a deed-in-lieu of foreclosure	Contact your Freddie Mac Loan Portfolio Specialist.
	Is not a deed-in-lieu of foreclosure	Contact your Freddie Mac Workout Specialist.



Edit Code 227		Fatal Edit
Exception Codes that May Receive this Edit: 72		
<b>Description</b>	Sale result is not FHA/VA conveyance. You reported a transaction to convey this loan to HUD, but your organization has not reported this result via the Foreclosure Sale Reporting tool.	
<b>How to Resolve</b>	Verify the status of the loan.	
	<b>If:</b>	<b>Then:</b>
	You did not report the sale result via the Foreclosure Sale Reporting tool	Report the sale result.
	You reported an incorrect sale result via the Foreclosure Sale Reporting tool	Contact your Freddie Mac Workout Specialist.
	You reported an incorrect exception code	Submit another loan-level reporting transaction with the correct exception code.

Edit Code 232		Fatal Edit
Exception Codes that May Receive this Edit: 60		
<b>Description</b>	Reported matured loan with outstanding repurchase due. You reported exception code 60 (Payoff – Matured) for an outstanding repurchase.	
<b>How to Resolve</b>	Report a corrected transaction with exception code 65 (Payoff – Repurchase).	

Edit Code 233		Fatal Edit
Exception Codes that May Receive this Edit: 61		
<b>Description</b>	Reported prepaid loan with outstanding repurchase due. You reported exception code 61 (Payoff – Prepaid) for an outstanding repurchase.	
<b>How to Resolve</b>	Report a corrected transaction with exception code 65 (Payoff – Repurchase).	

Edit Code 235		Fatal Edit
Exception Codes that May Receive this Edit: 66		
<b>Description</b>	You reported exception code 66 (Payoff – Conversion) for an outstanding repurchase.	
<b>How to Resolve</b>	Report another transaction with exception code 65 (Payoff – Repurchase).	



Edit Code 236		Fatal Edit
Exception Codes that May Receive this Edit: 60, 61, 65, 66, 67		
<b>Description</b>	Loan is in REO status. Payoff cannot be processed. You reported a payoff transaction for a loan that your organization reported as REO via the Foreclosure Sale Reporting tool.	
<b>How to Resolve</b>	Verify the correct activity for this loan:	
	<b>If this loan:</b>	<b>Then:</b>
	Should be transferred to REO	Submit a corrected transaction to transfer the loan to REO. <b>Note:</b> If we process an REO, and you deposited repurchase proceeds in your custodial account, withdraw the proceeds.
	Should not be transferred to REO	Contact Freddie Mac's Loss Mitigation department.

Edit Code 237		System-Cleared Edit
Exception Codes that May Receive this Edit: 61, 66		
<b>Description</b>	Matured loan error. You reported exception code 66 (Payoff – Conversion) or exception code 61 (Payoff – Prepaid) for a loan that our records indicate is matured.	
<b>How to Resolve</b>	We will process this transaction as a matured payoff (exception code 60). Verify that the transaction we processed is correct.	

Edit Code 242		Fatal Edit
Applicable Exception Codes: 40		
<b>Description</b>	Loan is not in the fourth cycle of delinquency; inactivation is not allowed.	
<b>How to Resolve</b>	Submit a P&I transaction.	

Warning Code 243	
Exception Codes that May Receive this Edit: Blank (P&I transaction), 80, 91	
<b>Description</b>	Inactivation not reported. Loan inactivated by Freddie Mac. You did not report exception code 40 (Inactivation) for a loan in its fourth cycle of delinquency.
<b>How to Resolve</b>	No action is required. Freddie Mac inactivated the loan. Ensure that the loan is inactivated on your servicing system.



<b>Warning Code 310</b>	
Exception Codes that May Receive this Edit: May occur with any exception code.	
<b>Description</b>	Duplicate transaction ignored. Transactions for duplicate loan numbers were reported in the same processing window.
<b>How to Resolve</b>	Verify the transaction we processed. Submit a corrected transaction, if necessary.

<b>Edit Code 311</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>Description</b>	Reporting cycle error. The transaction you reported is not for the current accounting cycle.	
<b>How to Resolve</b>	Submit a corrected transaction for the current accounting cycle.	

<b>Edit Code 400</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>Description</b>	Invalid DDLPI. One of the following occurred: <ul style="list-style-type: none"> <li>▪ The DDLPI format is incorrect.</li> <li>▪ There was a data entry error.</li> <li>▪ The prior cycle DDLPI day was the first of the month, and the current cycle DDLPI day reported is not the first of the month.</li> <li>▪ The prior cycle DDLPI day was not the first of the month, and the current cycle DDLPI day reported is the first of the month.</li> <li>▪ The reported DDLPI is equal to or greater than the maturity date and a liquidation transaction is expected.</li> <li>▪ The DDLPI is invalid for the transaction type reported.</li> <li>▪ The DDLPI you are reporting the month of funding or the month after funding is less than the DDLPI at purchase.</li> </ul>	
<b>How to Resolve</b>	Submit an updated transaction with the correct DDLPI.	

<b>Edit Code 404</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: 67, 70, 71, 72, 73		
<b>Description</b>	DDLPI reported is different from the prior cycle DDLPI. DDLPI movement not allowed when reporting a short sale, third-party foreclosure sale, or REO.	
<b>How to Resolve</b>	Submit an updated transaction with the correct DDLPI.	



<b>Edit Code 405</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: Blank (P&I transactions), 40, 50, 80, 91		
<b>Description</b>	<p>No DDLPI movement is allowed after a foreclosure sale result is reported. No principal should be reported and the DDLPI cannot move after you have reported a foreclosure sale result.</p> <p>One of the following occurred:</p> <ul style="list-style-type: none"> <li>▪ The DDLPI reported is different from the DDLPI reported at the time the foreclosure sale was reported.</li> <li>▪ Principal is reported for a loan that was reported as a foreclosure sale.</li> </ul>	
<b>How to Resolve</b>	Submit an updated P&I transaction with the DDLPI that was reported at the time of the foreclosure sale.	

<b>Edit Code 406</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: Blank (P&I transactions), 50, 80, 91		
<b>Description</b>	<p>ARM terms not available for the DDLPI.</p> <p>This edit results from the following:</p> <ul style="list-style-type: none"> <li>▪ Data entry error</li> <li>▪ The DDLPI reported is for a period where the index is not available to calculate the payment.</li> </ul>	
<b>How to Resolve</b>	Submit an updated transaction. Report prepayments on ARMs only through the month of the interest rate change date.	

<b>Warning Code 409</b>	
Exception Codes that May Receive this Edit: Blank (P&I transactions), 50, 80, 91	
<b>Description</b>	<p>Non-standard DDLPI movement for principal reported. The DDLPI movement reported is not consistent with the principal reported. Freddie Mac has processed the transaction; additional review for accuracy is recommended.</p> <p>This warning may result from the following:</p> <ul style="list-style-type: none"> <li>▪ Principal reduction reported, but DDLPI moved backward on a prepaid loan.</li> <li>▪ A balance correction is reported, but the DDLPI moved forward on a current or prepaid loan.</li> <li>▪ Misapplication of curtailment.</li> <li>▪ Misapplication of prepayment.</li> </ul>
<b>How to Resolve</b>	Verify the transaction we processed is correct. If it is, no further action is required. Otherwise, submit an updated transaction.



Edit Code 411		System-Cleared Edit
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>Description</b>	Last Payment Received Date (LPRD) error. The Last Payment Received Date is incorrect. One of the following occurred: <ul style="list-style-type: none"> <li>▪ The LPRD is greater than the current date.</li> <li>▪ The LPRD is invalid.</li> <li>▪ The LPRD is missing.</li> </ul>	
<b>How to Resolve</b>	Refer to the following:	
	<b>If:</b>	<b>Then:</b>
	This edit appears on the <i>LLR System Cleared Edits</i> report	Ensure the correct LPRD is reported next cycle.
	You receive this edit with another edit on the <i>LLR Edits to be Cleared</i> report	Submit a revised transaction with corrected data.

Edit Code 412		System-Cleared Edit
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>Description</b>	The Last Payment Received Date (LPRD) is prior to the origination date. You reported a LPRD that is earlier than the date the loan was originated. This edit is usually caused by a data entry error.	
<b>How to Resolve</b>	Refer to the following:	
	<b>If:</b>	<b>Then:</b>
	This edit appears on the <i>LLR System Cleared Edits</i> report	Ensure the correct LPRD is reported next cycle.
	You receive this edit with another edit on the <i>LLR Edits to be Cleared</i> report	Submit a revised transaction with corrected data.

Edit Code 501		Fatal Edit
Exception Codes that May Receive this Edit: 60, 61, 65, 66, 67, 70, 71, 72, 73		
<b>Description</b>	Exception date is required. You submitted a transaction with an exception code that requires an exception date, but the exception date field is blank. An exception date is required for all payoffs, third-party foreclosure sales, transfers to REO, and HUD conveyances.	
<b>How to Resolve</b>	Submit another transaction with the correct exception date.	



Edit Code 502		System-Cleared Edit
Exception Codes that May Receive this Edit: Blank (P&I transactions), 40, 50, 80, 91		
<b>Description</b>	Exception date is not applicable. You provided an exception date for a transaction that does not require one.	
<b>How to Resolve</b>	We will process the transaction without the exception date. Verify the transaction we processed and submit a corrected transaction if necessary.	

Edit Code 503		Fatal Edit
Exception Codes that May Receive this Edit: 60, 61, 65, 66, 67, 70, 71, 72, 73		
<b>Description</b>	Exception date error. One of the following occurred: <ul style="list-style-type: none"> <li>▪ Data entry error.</li> <li>▪ The exception date reported is not formatted correctly.</li> <li>▪ The exception date reported is after the current cycle.</li> <li>▪ The exception date reported is prior to the funding date.</li> </ul>	
<b>How to Resolve</b>	Submit another transaction with the correct exception date.	

Edit Code 505		Fatal Edit
Exception Codes that May Receive this Edit: 71, 73		
<b>Description</b>	The exception date reported is not the same as the foreclosure sale date. The exception date reported via your loan-level transaction is different from the foreclosure sale date reported via the Foreclosure Sale Reporting tool.	
<b>How to Resolve</b>	Determine the correct exception date.	
	<b>If:</b>	<b>Then:</b>
	The foreclosure sale date reported via Foreclosure Sale Reporting tool was incorrect	Submit another notification in the Foreclosure Sale Reporting tool and include the correct exception date.
	The exception date reported for the loan-level reporting transaction was incorrect	Submit another loan-level reporting transaction and include the correct exception date.



Warning Code 506	
Exception Codes that May Receive this Edit: 60, 61, 65, 66, 67, 70, 71, 72, 73	
<b>Description</b>	The exception date reported is prior to the current cycle. This warning may result when the actual transaction date (e.g., foreclosure sale date) was in a previous accounting cycle.
<b>How to Resolve</b>	Verify the exception date and submit a corrected transaction if necessary.

Edit Code 512		Fatal Edit
Exception Codes that May Receive this Edit: 70, 73		
<b>Description</b>	Foreclosure sale date cannot be before the foreclosure start date. You reported a loan-level transaction with a foreclosure sale date that is earlier than the foreclosure start date (date foreclosure proceedings began on the loan) you reported via EDR. This edit is usually the result of a data entry error.	
<b>How to Resolve</b>	Verify the foreclosure sale date.	
	<b>If the foreclosure sale date reported is:</b>	<b>Then:</b>
	Correct and the foreclosure start date is incorrect	Send an EDR transmission to correct the foreclosure start date.
	Incorrect and the foreclosure start date is correct	Contact your Freddie Mac Foreclosure/Bankruptcy Specialist.

Edit Code 600		System-Cleared Edit
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>Description</b>	Interest error. The interest due reported does not equal Freddie Mac's expected interest. This edit can occur for a variety of reasons, including, but not limited to the following: <ul style="list-style-type: none"> <li>▪ Data entry error.</li> <li>▪ The incorrect UPB was used to calculate scheduled interest. (<b>Note:</b> The current cycle's ending UPB must be used.)</li> <li>▪ An incorrect accounting net yield (ANY) was used to calculate interest.</li> <li>▪ No interest is expected as the loan is inactive and the DDLPI did not advance beyond the inactivation date.</li> <li>▪ A new interest amount is expected due to a step-rate interest change date.</li> <li>▪ A new interest amount is expected due to an Interest Only (IO) conversion date being reached.</li> </ul>	





<b>How to Resolve</b>	You may submit an updated transaction with the correct interest due amount. You should determine and resolve the root cause of the error so that it does not occur again in the next cycle.
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<b>Warning Code 605</b> Exception Codes that May Receive this Edit: 50, 60, 61, 65, 66, 67, 71, 73, 91	
<b>Description</b>	Delinquent interest may be due on alternate method loan. You reported a transaction for a loan reported under our alternate method program, and delinquent interest may be due. Reminder: Alternate method loans are not inactivated. Therefore, exception code 50 does not apply.
<b>How to Resolve</b>	Verify if any delinquent interest is due, and submit an updated transaction if necessary. Verify that you either have cash receipts or a decrease in delinquent interest to offset the interest due. When calculating interest due on loans reported under our alternate method reporting program, remember to pass through all delinquent interest when the loan liquidates.

<b>Edit Code 606</b> Exception Codes that May Receive this Edit: Blank (P&I transactions), 40, 80, 91	
<b>Description</b>	Interest error in the month of inactivation. The interest you reported is not equal to zero and the loan: <ul style="list-style-type: none"><li>▪ Was reported as inactive in prior cycles, or</li><li>▪ Was in the fourth (or greater) month of delinquency.</li></ul> <b>Note:</b> Freddie Mac will inactivate a loan when it reaches the fourth month of delinquency if no inactivation is reported.
<b>How to Resolve</b>	No action is required. You may submit an updated transaction with the correct interest amount due.

System-Cleared Edit



Edit Code 608		System-Cleared Edit
Exception Codes that May Receive this Edit: Blank (P&I transactions), 40, 80, 91		
<b>Description</b>	<p>Interest on partial reinstatement error. The interest you reported on an inactive loan did not match the interest expected for the DDLPI reported.</p> <p>Possible causes of this edit include:</p> <ul style="list-style-type: none"> <li>▪ The DDLPI reported is beyond the inactivation date, but the interest reported did not support the DDLPI.</li> <li>▪ Negative principal reduction reported on a loan that had a prior partial reinstatement.</li> </ul> <p><b>Note:</b> A partial reinstatement occurs when one (or more) full monthly payment is made on an inactive loan but does not bring the loan current.</p>	
<b>How to Resolve</b>	<p>No action is required. We will calculate interest due. You may submit an updated transaction with the correct interest due amount.</p>	

Edit Code 700		Fatal Edit
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>Description</b>	<p>Principal due is calculated incorrectly. The difference between the previous cycle's ending UPB and the current cycle's ending UPB does not equal the principal due reported for the current cycle.</p> <p>This edit code usually caused by:</p> <ul style="list-style-type: none"> <li>▪ Newly funded loans. The beginning balance for newly funded loans is the purchase balance. The actual loan balance may not match the purchase balance when the loan is set up on your system because payments were received that reduced the purchase balance or the scheduled payment was not received to match the scheduled balance delivered.</li> <li>▪ Data entry errors.</li> <li>▪ Miscalculation of reported curtailments or curtailment reversals.</li> <li>▪ Incorrect principal payment reported.</li> <li>▪ Incorrect ending UPB reported.</li> <li>▪ A payment and a payoff being received in the same cycle. The principal due on all payoffs must equal the previous cycle's ending balance. If you receive a payment and the loan then pays off in the same cycle, the actual payoff amount will be less than the beginning UPB. You must include the principal reduction received with the payment in the payoff principal.</li> </ul>	
<b>How to Resolve</b>	<p>If you reported the wrong ending UPB or exception code, submit a corrected transaction. Last cycle's ending balance minus the current cycle's reported ending balance should equal the principal due reported.</p> <ul style="list-style-type: none"> <li>▪ For new fundings, always verify the UPB set up on your investor accounting system with the UPB on the <i>Funding Detail Report</i>. Consider automating your loan set-up process.</li> <li>▪ Change your system logic if your system does not include all principal payments with the payoff UPB.</li> </ul> <p>Verify the amount deposited into your custodial account for this transaction, and make any necessary adjustments.</p>	



Edit Code 702		Fatal Edit
Exception Codes that May Receive this Edit: Blank (P&I transactions), 40, 70, 72, 80, 91		
<b>Description</b>	Principal due must be zero in the month of inactivation or when reporting an REO or FHA/VA foreclosure/conveyance.	
<b>How to Resolve</b>	Determine if you received a payment:	
	<b>If you:</b>	<b>Then:</b>
	Reported exception code 40 and received one or more full monthly payment(s), making the loan less than four months delinquent	Submit a P&I transaction with the correct principal due amount and supporting DDLPI. (Do not report exception code 40.)
	Reported exception code 40 and did not receive a payment	Submit a transaction with exception code 40 with zero principal due.
	Reported exception code 70 or 72 and received a payment	Submit a P&I transaction with zero principal due.

Warning Code 708	
Exception Codes that May Receive this Edit: Blank (P&I transactions) 40, 50, 80, 91	
<b>Description</b>	Negative principal reduction reported in excess of \$3,000. You reported a balance correction with a negative principal reduction amount greater than \$3,000. <b>Note:</b> This does not include payment reversals.
<b>How to Resolve</b>	Freddie Mac processed the transaction. However, you must provide documentation to your Freddie Mac Loan Portfolio Specialist to support the negative principal reduction amount no later than EOM plus one business day.

Edit Code 709		Fatal Edit
Exception Codes that May Receive this Edit: Blank (P&I transactions), 91		
<b>Description</b>	You reported a deferred UPB value that is greater than the original deferred unpaid principal balance for the modification. A data entry error may have occurred when you updated your system with the deferred UPB amount.	
<b>How to Resolve</b>	Report another transaction with the correct deferred UPB amount. <b>Note:</b> Update your system to reflect the correct deferred UPB or contact your Freddie Mac Loan Portfolio Specialist if you have verifiable evidence that Freddie Mac used the incorrect values to establish the deferred balance at the time of the modification.	



Edit Code 710		Fatal Edit
Exception Codes that May Receive this Edit: Blank (P&I transactions), 91		
<b>Description</b>	You reported a P&I transaction for a loan with an interest-bearing UPB equal to zero. When the interest-bearing UPB is equal to zero, you are required to collect the non-interest-bearing portion of the loan (deferred UPB) and report a payoff transaction. You may have reported an incorrect transaction type.	
<b>How to Resolve</b>	Report a payoff transaction to liquidate the outstanding balance of the deferred UPB. Deposit funds for the balance of the deferred UPB into your custodial account, if necessary. Monitor low-balance mortgages with a deferred UPB. When the borrower makes the last payment prior to the maturity date, you must also liquidate the deferred UPB.	

Edit Code 711		Fatal Edit
Exception Codes that May Receive this Edit: Blank (P&I transactions), 40, 50, 60, 61, 65, 66, 67, 70, 71, 80, 91		
<b>Description</b>	<p>Deferred principal curtailment error. The difference between the deferred UPB value reported for the current cycle and the deferred UPB value reported for the prior cycle is not equal to the deferred principal curtailment amount reported for the current cycle.</p> <p>Possible causes include, but are not limited to the following:</p> <ul style="list-style-type: none"> <li>▪ A data entry error may have occurred when you updated your system with the deferred UPB amount.</li> <li>▪ The deferred principal curtailment amount reported for the current cycle was calculated incorrectly.</li> <li>▪ A deferred principal curtailment payment was misapplied.</li> </ul>	
<b>How to Resolve</b>	Submit a corrected transaction. Ensure that the deferred principal curtailment amount you report for the current cycle equals the prior cycle deferred UPB minus the current cycle deferred UPB. Adjust your deposit to the custodial account for any change in principal due, if necessary.	



## Edit Code 713

System-Cleared Edit

Exception Codes that May Receive this Edit: Blank (P&I transactions), 40, 50, 60, 61, 65, 67, 80, 91

<b>Description</b>	<p>The value reported for the borrower incentive curtailment amount is incorrect.</p> <p>Possible causes include, but are not limited to the following:</p> <ul style="list-style-type: none"><li>▪ A data entry error occurred. You may have applied this amount as principal reduction.</li><li>▪ You did not apply the borrower incentive curtailment to reduce the unpaid principal balance on the loan history for the current cycle.</li><li>▪ You do not agree with the amount issued for the borrower incentive curtailment and elected to report zero until the difference is resolved.</li><li>▪ You do not agree with the amount issued for the borrower incentive curtailment and elected to report the amount you believe is the correct borrower incentive curtailment.</li></ul> <p>Ensure the borrower incentive payment was posted accurately and reported in the Borrower Incentive Curtailment Amount field.</p> <p>If you do not agree with the payment amount, contact the Program Administrator at the following website to submit an incentive inquiry request: <a href="https://www.hmpadmin.com/portal/index.jsp">https://www.hmpadmin.com/portal/index.jsp</a>.</p>
<b>How to Resolve</b>	<p>No action is required. You may submit an updated transaction to reflect the Borrower Incentive Curtailment Amount Freddie Mac and the Program Administrator paid.</p>



## Edit Code 715

Fatal Edit

Exception Codes that May Receive this Edit: Blank (P&I transactions) 40, 50, 80, 91

<b>Description</b>	<p>Principal payment due error.</p> <p>This edit is generated when one or both of the following occur:</p> <ul style="list-style-type: none"> <li>▪ The principal due reported is not equal to the Freddie Mac expected value, and/or</li> <li>▪ The DDLPI reported does not correspond to the principal due reported. (For example, if two monthly principal payments are reported, then the DDLPI should move by two months.</li> </ul> <p>Potential causes of this edit include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>▪ Principal reported for P&amp;I activity is not consistent for DDLPI</li> <li>▪ Incorrect P&amp;I constant reported</li> <li>▪ Incorrect prior cycle ending UPB</li> <li>▪ Incorrect borrower incentive curtailment</li> <li>▪ Curtailment reported on a delinquent loan</li> <li>▪ Negative principal reduction reported is not consistent for DDLPI reported</li> <li>▪ Principal reported not valid – modification processed in cycle</li> <li>▪ Principal reported on inactive loan is not an increment of a least one full monthly payment</li> <li>▪ Insufficient principal reported for full reinstatement</li> </ul>		
<b>How to Resolve</b>	<p>Identify the cause of the edit. This edit is typically caused by an error in the principal due reported or DDLPI reported.</p> <ul style="list-style-type: none"> <li>▪ Validate that the principal reported is the amount that was intended and not a data entry error.</li> <li>▪ Validate that the DDLPI reported is the date that was intended and not a data entry error.</li> </ul> <p>Correct any data entry errors and submit an updated transaction.</p> <p>If the edit is not the result of a data entry error in the principal due reported or DDLPI reported, validate the following data elements for accuracy as outlined below and submit an updated transaction.</p>		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; padding: 5px;">DDLPI</td> <td style="padding: 5px;">The DDLPI must correlate to the number of full monthly principal payments reported. A full monthly principal payment is required to move the DDLPI by each month.</td> </tr> </table>	DDLPI	The DDLPI must correlate to the number of full monthly principal payments reported. A full monthly principal payment is required to move the DDLPI by each month.
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	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; padding: 5px;">Principal payment due</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> <li>▪ For a current or prepaid loan, any principal in excess of a full monthly payment will be applied as a curtailment.</li> <li>▪ Curtailments are not accepted on delinquent loans. Excess principal reported on a delinquent loan that does not equal a full monthly payment will cause the transaction to fail.</li> </ul> </td> </tr> </table>	Principal payment due	<ul style="list-style-type: none"> <li>▪ For a current or prepaid loan, any principal in excess of a full monthly payment will be applied as a curtailment.</li> <li>▪ Curtailments are not accepted on delinquent loans. Excess principal reported on a delinquent loan that does not equal a full monthly payment will cause the transaction to fail.</li> </ul>
Principal payment due	<ul style="list-style-type: none"> <li>▪ For a current or prepaid loan, any principal in excess of a full monthly payment will be applied as a curtailment.</li> <li>▪ Curtailments are not accepted on delinquent loans. Excess principal reported on a delinquent loan that does not equal a full monthly payment will cause the transaction to fail.</li> </ul>		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; padding: 5px;">Mortgage P&amp;I</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> <li>▪ The mortgage P&amp;I reported does not support the principal payment due. If a mortgage P&amp;I payment change is not expected, report the same mortgage P&amp;I that was reported last month.</li> </ul> </td> </tr> </table>	Mortgage P&I	<ul style="list-style-type: none"> <li>▪ The mortgage P&amp;I reported does not support the principal payment due. If a mortgage P&amp;I payment change is not expected, report the same mortgage P&amp;I that was reported last month.</li> </ul>	
Mortgage P&I	<ul style="list-style-type: none"> <li>▪ The mortgage P&amp;I reported does not support the principal payment due. If a mortgage P&amp;I payment change is not expected, report the same mortgage P&amp;I that was reported last month.</li> </ul>		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; padding: 5px;">Prior cycle ending UPB</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> <li>▪ Use the correct prior cycle ending UPB to validate the principal payment due and the new mortgage P&amp;I, if required.</li> </ul> </td> </tr> </table>	Prior cycle ending UPB	<ul style="list-style-type: none"> <li>▪ Use the correct prior cycle ending UPB to validate the principal payment due and the new mortgage P&amp;I, if required.</li> </ul>	
Prior cycle ending UPB	<ul style="list-style-type: none"> <li>▪ Use the correct prior cycle ending UPB to validate the principal payment due and the new mortgage P&amp;I, if required.</li> </ul>		



Edit Code 715, continued			Fatal Edit
Exception Codes that May Receive this Edit: Blank (P&I transactions) 40, 50, 80, 91			
<b>How to Resolve, continued</b>	Negative principal reduction	<ul style="list-style-type: none"> <li>The backward movement of the DDLPI must correlate to the number of full monthly principal payments being reversed.</li> </ul>	
	Full reinstatement	<ul style="list-style-type: none"> <li>When reporting a full reinstatement to bring a loan current, all principal due must be reported with a current or prepaid DDLPI.</li> </ul>	

Edit Code 801			Fatal Edit
Exception Codes that May Receive this Edit: Blank (P&I transactions) 40, 50, 70, 72, 80, 91			
<b>Description</b>	<p>Ending UPB must not be zero. You reported a transaction with an ending balance equal to zero, but you are not liquidating the loan.</p> <p>This edit is typically caused by one of the following:</p> <ul style="list-style-type: none"> <li>A data entry error occurred.</li> <li>An incorrect exception code was reported.</li> <li>The last payment on the mortgage was collected, but not reported as a payoff.</li> </ul>		
<b>How to Resolve</b>	Verify the correct ending balance and then refer to the following table:		
	<b>If:</b>	<b>Then submit a transaction with the correct:</b>	
	The ending balance is zero	Payoff or third-party foreclosure sale exception code.	
	The ending balance is not zero	Ending balance.	

Edit Code 804			Fatal Edit
Exception Codes that May Receive this Edit: 70, 72			
<b>Description</b>	<p>Ending UPB is not equal to previous cycle's ending UPB. You reported a change in principal balance for an inactive DIL/REO.</p> <p>This edit is typically caused by one of the following:</p> <ul style="list-style-type: none"> <li>A data entry error occurred.</li> <li>An incorrect exception code was reported.</li> </ul>		
<b>How to Resolve</b>	Verify the correct ending balance and submit an updated transaction.		



Warning Code 806 Exception Codes that May Receive this Edit: 80	
<b>Description</b>	Negative amortization balance not adjusted due to balance correction (exception code 80). You reported a principal balance correction for a loan that allows negative amortization.
<b>How to Resolve</b>	This warning occurs any time exception code 80 is reported for a loan that allows negative amortization. Verify that the balance increase is appropriate for the loan. If it is, no action is needed. Otherwise, submit a corrected transaction.

Edit Code 807 Exception Codes that May Receive this Edit: Blank (P&I transactions), 40, 50, 80, 91		Fatal Edit
<b>Description</b>	Ending UPB must not be less than zero. You reported a negative ending unpaid principal balance.	
<b>How to Resolve</b>	Verify the correct information for this loan and submit another transaction.	

Edit Code 810 Exception Codes that May Receive this Edit: 60, 61, 65, 66, 67		Fatal Edit
<b>Description</b>	<p>Payoff balance is greater than purchase balance. You reported a payoff transaction and the principal due is greater than the balance we paid for the loan.</p> <p>This edit occurs when a reported payoff balance is greater than the purchase amount, usually for one of the following reasons:</p> <ul style="list-style-type: none"> <li>▪ Data entry error.</li> <li>▪ Funding error (which may have been corrected through negative principal reduction).</li> <li>▪ A new loan purchased at the scheduled balance, but paid off prior to the first payment.</li> </ul>	
<b>How to Resolve</b>	<p>The payoff amount must be equal to our previous cycle's ending balance or the purchase amount if it is a new funding.</p> <p>Verify the loan balance and refer to the following:</p>	
	<b>If:</b>	<b>Then:</b>
	The payoff balance reported is incorrect	<ul style="list-style-type: none"> <li>▪ Submit a corrected transaction.</li> <li>▪ Adjust your deposit if you deposited the additional principal and interest in your custodial account.</li> </ul>





	The payoff balance reported is correct	<ul style="list-style-type: none"> <li>Research why it is greater than the purchase UPB.</li> <li>Contact your Freddie Mac Loan Portfolio Specialist if you need assistance.</li> </ul>
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Edit Code 811		Fatal Edit
Exception Codes that May Receive this Edit: Blank (P&I transactions), 80, 91		
<b>Description</b>	The ending UPB, interest-bearing UPB and deferred UPB cannot be zero for an active loan. A data entry error may have occurred.	
<b>How to Resolve</b>	Report a payoff transaction to liquidate the outstanding balance of the deferred UPB. Verify the funds you have deposited. Deposit additional funds into your custodial account, if necessary. <b>Note:</b> Monitor low-balance mortgages with a deferred UPB. When the borrower makes the last payment prior to the maturity date, you must also liquidate the deferred UPB.	

Edit Code 813		Fatal Edit
Exception Codes that May Receive this Edit: Blank (P&I transactions), 40, 50, 80, 91		
<b>Description</b>	The amount reported for the current UPB is not equal to the sum of the interest-bearing UPB and deferred UPB. A data entry error may have occurred. <b>Note:</b> This edit also applies to partial reinstatements reported using the P&I (blank) exception code.	
<b>How to Resolve</b>	Verify the unpaid principal balances. Submit a corrected transaction and ensure that the current UPB equals the sum of the interest-bearing UPB and deferred UPB.	

Edit Code 814		Fatal Edit
Exception Codes that May Receive this Edit: 40, 50, 70, 80, 91		
<b>Description</b>	The interest-bearing UPB must not be zero for an inactivation, reinstatement, transfer to REO, or balance correction. You may have selected an incorrect transaction type/exception code. When the interest-bearing UPB equals zero, you must report a payoff or third-party foreclosure sale transaction to liquidate the entire UPB, including any remaining deferred balance.	
<b>How to Resolve</b>	Verify the interest-bearing UPB. Make the necessary changes and submit a corrected transaction. Deposit additional funds, as necessary, to account for any changes in principal due.	



<b>Edit Code 815</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: 40, 50, 70, 80, 91		
<b>Description</b>	The deferred UPB must not be zero for an inactivation, reinstatement, transfer to REO, or principal balance correction. Possible causes include the following: <ul style="list-style-type: none"><li>▪ A data entry error occurred.</li><li>▪ Your system was updated with an incorrect value for the deferred UPB at time of modification.</li><li>▪ Inaccurate values for the deferred principal curtailment amount have been reported in prior cycles.</li></ul>	
<b>How to Resolve</b>	Verify the deferred UPB. Make the necessary changes and submit a corrected transaction. Verify the funds you have deposited. Deposit additional funds, as necessary, to account for any changes in principal due.	

<b>Edit Code 816</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: 60, 61, 65, 67, 71		
<b>Description</b>	You reported a liquidation, but the ending interest-bearing UPB is not equal to zero. The ending UPB for liquidations must be equal to zero. This edit may result from a data entry error or you may have reported an incorrect exception code.	
<b>How to Resolve</b>	Verify the type of transaction you want to report. Submit another transaction with the correct exception code. Verify the funds you have deposited. Adjust your deposit to the custodial account for any change in principal due, if necessary.	

<b>Edit Code 817</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: 60, 61, 65, 67, 71		
<b>Description</b>	You reported a liquidation, but the ending deferred UPB is not equal to zero. The ending UPB for liquidations must be equal to zero. This edit may result from a data entry error or you may have reported an incorrect exception code.	
<b>How to Resolve</b>	Verify the type of transaction you want to report. Submit another transaction with the correct exception code. Verify the funds you have deposited. Adjust your deposit to the custodial account for any change in principal due, if necessary.	



<b>Edit Code 818</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: 70, 71		
<b>Description</b>	<p>The interest-bearing UPB reported for the current cycle for an inactive REO/DIL loan is not equal to the previous interest-bearing UPB.</p> <p>Possible causes include the following:</p> <ul style="list-style-type: none"> <li>▪ A data entry error occurred.</li> <li>▪ An incorrect exception code was reported.</li> <li>▪ A partial payment was applied to a loan in an inactive status.</li> </ul>	
<b>How to Resolve</b>	Refer to the following table to determine what action you must take to resolve the edit.	
	<b>If you:</b>	<b>Then:</b>
	Did not receive a payment	Submit a corrected transaction and ensure the interest-bearing UPB equals the prior cycle's interest-bearing UPB.
	Reported an incorrect exception code	Submit another transaction with the correct exception code.

<b>Edit Code 819</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: Blank (P&I transactions) 40, 70, 71, 80, 91		
<b>Description</b>	<p>The deferred UPB is not equal to previous cycle's ending deferred UPB. You reported a change in the deferred UPB for a loan that is inactive.</p> <p>Possible causes include the following:</p> <ul style="list-style-type: none"> <li>▪ A data entry error occurred.</li> <li>▪ An incorrect exception code was reported.</li> <li>▪ A partial curtailment was applied the deferred UPB for loan in an inactive status.</li> </ul>	
<b>How to Resolve</b>	Refer to the following table to determine what action you must take to resolve the edit.	
	<b>If you:</b>	<b>Then:</b>
	Did not receive a payment	Submit another transaction and ensure the deferred UPB equals the prior cycle's deferred UPB.
	Reported an incorrect exception code	Submit another transaction with the correct exception code.
	Verify the funds you have deposited. Adjust your deposit to the custodial account for any change in principal due, if necessary.	



<b>Edit Code 822</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: Blank (P&I transactions), 50, 80, 91		
<b>Description</b>	<p>The ending interest-bearing UPB reported is less than zero and the loan does not allow negative amortization.</p> <p>Possible causes include the following:</p> <ul style="list-style-type: none"> <li>▪ A data entry error occurred.</li> <li>▪ An incorrect exception code was reported.</li> </ul>	
<b>How to Resolve</b>	<p>Verify the correct transaction type and interest-bearing UPB for the loan. Submit another transaction with the correct exception code and interest-bearing UPB value.</p> <p>Verify the funds you have deposited. Adjust your deposit to the custodial account for any change in principal or interest due, if necessary.</p>	

<b>Edit Code 823</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: Blank (P&I transactions), 50, 80, 91		
<b>Description</b>	<p>The ending deferred UPB reported is less than zero.</p> <p>Possible causes include the following:</p> <ul style="list-style-type: none"> <li>▪ A data entry error occurred.</li> <li>▪ The deferred UPB was miscalculated.</li> </ul>	
<b>How to Resolve</b>	<p>Verify the correct deferred UPB for the loan. Submit another transaction with the correct deferred UPB value.</p> <p>Verify the funds you have deposited. Adjust your deposit to the custodial account for any change in principal due, if necessary.</p>	

<b>Edit Code 826</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: Blank (P&I transactions), 80, 91		
<b>Description</b>	<p>The loan has reached maturity and must be paid off during the current cycle.</p> <p>Possible causes include, but are not limited to the following:</p> <ul style="list-style-type: none"> <li>▪ Incorrect maturity date provided by Seller at funding</li> <li>▪ Incorrect exception code reported</li> </ul>	
<b>How to Resolve</b>	<p>Submit a corrected transaction to pay off the loan using exception code 60 (Payoff – Matured).</p> <p>Verify the funds you have deposited. Adjust your deposit to the custodial account for any change in proceeds, if necessary.</p>	



### Edit Code 827

Exception Codes that May Receive this Edit: 80

Fatal Edit

<b>Description</b>	<p>The current UPB is greater than the purchase UPB. You are reporting negative principal reduction that increases the UPB above the purchased UPB. Possible causes include, but are not limited to the following:</p> <ul style="list-style-type: none"> <li>▪ Funding error</li> <li>▪ Data entry error</li> <li>▪ A new loan purchased and delivered at the scheduled balance</li> <li>▪ You updated the terms of a modification on your system before Freddie Mac completed the modification.</li> </ul>	
<b>How to Resolve</b>	Determine the cause of the edit and refer to the following table:	
	<b>If the edit is the result of:</b>	<b>Then:</b>
	A data entry error	Submit a corrected transaction.
	A funding-related error	Contact your Freddie Mac Loan Portfolio Specialist to resolve. Ensure you have the Note and <i>Funding Detail Report</i> for reference prior to contacting Freddie Mac.
	The terms of a modification being updated on your system before Freddie Mac completed the modification	Submit a corrected transaction. Monitor the <i>Modifications Status Report</i> , available in the Loan Level Reporting tool, to identify settled modifications and modifications in error.
Verify the funds you have deposited. Adjust your deposit to the custodial account for any change in principal due, if necessary.		



<b>Edit Code 828</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: 80		
<b>Description</b>	<p>The interest-bearing UPB reported for the current cycle is greater than the original modified/recast interest-bearing UPB.</p> <p>You reported an interest-bearing UPB value that is greater than the original interest-bearing unpaid principal balance for the modification or recast.</p> <p>Possible causes include, but are not limited to the following:</p> <ul style="list-style-type: none"><li>▪ Data entry error</li><li>▪ Loan modification error</li></ul>	
<b>How to Resolve</b>	<p>Contact your Freddie Mac Workout Support representative to resolve UPB errors due to modification. Do not report negative principal reduction to correct modification errors.</p> <p>If the loan has not been modified, submit another transaction with the correct interest-bearing UPB amount.</p> <p><b>Note:</b></p> <ul style="list-style-type: none"><li>▪ This edit may appear in future cycles until the variance between the interest-bearing UPB on your system and Freddie Mac's interest-bearing UPB has been resolved.</li><li>▪ Verify the funds you have deposited. Adjust your deposit to the custodial account for any change in principal due, if necessary.</li></ul>	

<b>Edit Code 829</b>		<b>Fatal Edit</b>
Exception Codes that May Receive this Edit: 80		
<b>Description</b>	<p>The current deferred UPB is greater than the original deferred UPB.</p> <p>You reported a deferred UPB value that is greater than the original deferred unpaid principal balance for the modification.</p> <p>Possible causes include, but are not limited to the following:</p> <ul style="list-style-type: none"><li>▪ Data entry error</li><li>▪ Loan modification error</li></ul>	
<b>How to Resolve</b>	<p>Contact your Freddie Mac Workout Support representative to resolve UPB errors due to modification. Do not report negative deferred principal curtailment payments to correct modification errors.</p> <p>If the loan has not been modified, submit another transaction with the correct deferred UPB amount.</p> <p><b>Note:</b></p> <ul style="list-style-type: none"><li>▪ This edit may appear in future cycles until the variance between the deferred UPB on your system and Freddie Mac's deferred UPB has been resolved.</li><li>▪ Verify the funds you have deposited. Adjust your deposit to the custodial account for any change in principal due, if necessary.</li></ul>	



Edit Code 900		System-Cleared Edit
Exception Codes that May Receive this Edit: May occur with any exception code.		
<b>Description</b>	Prepayment penalty must be zero. You reported a prepayment penalty that is not due to us.	
<b>How to Resolve</b>	Verify if a prepayment penalty is due, per the Note.	
	<b>If, per the Note, a prepayment penalty:</b>	<b>Then:</b>
	Is due	Contact your Freddie Mac Loan Portfolio Specialist.
	Is not due	We will process the transaction with no prepayment penalty. Withdraw and return to the borrower, any prepayment penalties you collected, but are not due to us.



## Edit Code 910

Fatal Edit

Exception Codes that May Receive this Edit: Blank (P&I transactions) 40, 50, 80, 91

<b>Description</b>	<p>P&amp;I constant mismatch. The P&amp;I constant reported does not match Freddie Mac's expected P&amp;I constant.</p> <p>Potential causes include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>▪ Data entry error</li> <li>▪ Recast P&amp;I miscalculated</li> <li>▪ Recast reported during prepaid period</li> <li>▪ Exception code 91 not reported for a recast</li> <li>▪ A modification was processed, therefore a new P&amp;I amount is expected</li> <li>▪ P&amp;I change expected for a step-rate mortgage</li> <li>▪ P&amp;I change reported for a step-rate mortgage is incorrect</li> <li>▪ P&amp;I constant change reported, but not expected</li> <li>▪ Funding error</li> </ul> <p><b>Note:</b> This edit is not applicable to ARM loans.</p>			
<b>How to Resolve</b>	Refer to the following table:			
	<b>If:</b>	<b>Then:</b>		
	You reported a P&I transaction	<p>Verify the following data elements:</p> <ul style="list-style-type: none"> <li>▪ Current mortgage P&amp;I</li> <li>▪ Prior cycle ending UPB</li> <li>▪ Remaining months to maturity or maturity date</li> <li>▪ Note rate</li> <li>▪ Prior cycle DDLPI</li> </ul>		
		<b>If:</b>	<b>Then:</b>	
		No change is expected in this accounting cycle	Submit an updated transaction with the same mortgage P&I as the prior cycle.	
A change is expected in this accounting cycle		Refer to the instructions on the following page.		





## Edit Code 910, continued

Fatal Edit

Exception Codes that May Receive this Edit: Blank (P&I transactions) 40, 50, 80, 91

How to Resolve, continued	If:	Then:		
	You reported exception code 91 (Recast)	<p>Consider the following questions:</p> <ul style="list-style-type: none"> <li>▪ Did you intend to report a new mortgage P&amp;I payment? If no change was intended, the value should be the same as last cycle. Submit a P&amp;I transaction.</li> <li>▪ Was a sufficient amount of principal curtailment reported in a previous cycle to support the new mortgage P&amp;I? The new mortgage P&amp;I will not be accepted unless the correct curtailment was reported in previous cycles. If the correct curtailment amount was not previously submitted, submit an updated transaction to report the correct principal curtailment and current mortgage P&amp;I for the current cycle; report exception code 91 (Recast) and the new mortgage P&amp;I amount in the next cycle.</li> <li>▪ Were the correct data elements used to calculate the new mortgage P&amp;I? Recalculate the mortgage P&amp;I using the correct Note rate, remaining months to maturity, prior cycle ending UPB, and prior cycle DDLPI. Submit an updated transaction with the correct mortgage P&amp;I and exception code 91.</li> </ul>		
	The loan is an IO (when fully amortizing)	Validate the following data elements and take corrective action as necessary.		<p>If no mortgage P&amp;I change is expected, the mortgage P&amp;I should not change from the prior cycle. Submit an updated transaction with the correct P&amp;I payment.</p> <p>Notify Freddie Mac if an incorrect mortgage P&amp;I was previously reported and processed.</p>
		Current Mortgage P&I		
	Remaining Months to Maturity	Recalculate the mortgage P&I using the correct remaining months to maturity. Submit an updated transaction.		
The loan is a step rate	Refer to the Loan Modification Agreement to validate the mortgage P&I. Submit an updated transaction with the correct mortgage P&I per the Loan Modification Agreement.			



## Edit Code 915

Exception Codes that May Receive this Edit: Blank (P&I transactions), 40, 50, 80, 91

Fatal Edit

<b>Description</b>	<p>The Note rate you reported is not equal to the Note rate Freddie Mac expected. Potential causes include, but are not limited to the following:</p> <ul style="list-style-type: none"><li>▪ Data entry error</li><li>▪ Note rate change expected for an ARM or step-rate mortgage</li><li>▪ A modification with a Note rate change was processed, therefore a new Note rate is expected.</li><li>▪ A rate change was not expected.</li></ul>
<b>How to Resolve</b>	<p>Review the Response File to determine what the Freddie Mac expected Note rate is. Report the Note rate Freddie Mac is expecting. Keep the following in the mind:</p> <ul style="list-style-type: none"><li>▪ The Note rate should not change unless:<ul style="list-style-type: none"><li>– The loan is an ARM or a step-rate mortgage that is in the month of the payment change date, or</li><li>– The loan has been modified with a new Note rate.</li></ul></li><li>▪ The mortgage Note or the modification agreement is the official source for the Note rate.</li></ul>