

Overview

Freddie Mac is purchasing nonconvertible SOFR-indexed ARMs under the ARM Cash and WAC ARM Guarantor programs.

The Secured Overnight Financing Rate (SOFR) Index is defined as "For ARMs, the Secured Overnight Financing Rate (SOFR) Index is the compounded 30-day Average SOFR as published by the Federal Reserve Bank of New York." The Federal Reserve Bank of New York (New York Fed) publishes the SOFR Averages and SOFR Index each business day. For the most up-to-date SOFR indices, refer to the Federal Reserve Bank of New York website.

The sections below identify impacts to Loan Advisor tools including Loan Product Advisor[®] and Loan Selling Advisor[®] for SOFR ARMs.

Loan Product Advisor is the cornerstone of Freddie Mac's Loan Advisor. It is our automated loan assessment system that indicates whether a mortgage will be eligible for purchase by Freddie Mac.

To submit SOFR-indexed ARMs through Loan Product Advisor, provide the following data points:

- Index Source Type (Unique ID 102.00) = Other. This data point is required for all eligible ARMs.
- Index Source Type Other Description (Unique ID 102.10) = 30 Day Average SOFR.

Note: For more information refer to the <u>Uniform Residential Loan Application & Uniform Loan Application</u> <u>Dataset</u> webpage.

Loan Selling Advisor is our all-in-one system that integrates secondary marketing functions, from pricing to contracting to funding to loan delivery, making it easier for sellers to deliver loans to Freddie Mac. Listed below are key tips to help you sell and deliver SOFR ARMs to Freddie Mac:

- SOFR ARMs adjust every 6 months, not every year.
- The initial fixed periods are 3, 5, 7 and 10 years.
- Margin Min = 1%, Margin Max = 3%
- The Margin will likely differ due to basis and other market-based adjustments.
- Lookback period = 45 days no change
- Interest rate cap at first adjustment for 3 and 5 years = +/-2%, for 7 and 10 years = +/-5%
- Interest rate cap at subsequent adjustments = +/-1%.
- Life Cap = 5%

Loan Selling Advisor SOFR ARM Contract Products

Cash Execution

- 3-Year 6-Month 30-Day Average SFOR ARM 2/1/5
- 5-Year 6-Month 30-Day Average SOFR ARM 2/1/5
- 7-Year 6-Month 30-Day Average SOFR ARM 5/1/5
- 10-Year 6-Month 30-Day Average SOFR ARM 5/1/5

Guarantor Execution

- 3/6 SOFR ARM NonCnvrt 3-Year 6-Month 30-Day Average SOFR ARM 2/1/5
- 5/6 SOFR ARM NonConvrt 5-Year 6-Month 30-Day Average SOFR 2/1/5
- 7/6 SOFR ARM NonConvrt 7-Year 6-Month 30-Day Average SOFR 5/1/5
- 10/6 SOFR ARM NonCnvrt 10-Year 6-Month 30-Day Average SOFR ARM 5/1/5



Cash Contracts	Example
You can take out SOFR ARM Cash contracts and receive ASAP Funding when you take out a contract: • Click the Index Source Type	Create Contract Contract Information
drop-down menu and select 30 Day Average SOFR	Master Commitment: * V Index Source Type: 30 Day Average SOFR V
Click the Contract Product drop-down menu and select the applicable SOFR product	Contract Product: * Show Details Contract Amount: *
Cash contracts must be manually entered in the system.	Contract Period: 3-Year 6-Month 30-Day Average SOFR ARM 2/1/5 Contract Name: 5-Year 6-Month 30-Day Average SOFR ARM 2/1/5 Contract Period: 10-Year 6-Month 30-Day Average SOFR ARM 5/1/5
Cash Rate Sheets	Example
You have the option to create cash rate sheets for SOFR ARMs.	Request Cash Rate Sheet I Information will be lost when switching between contract options, servicing options and pricing detail. Select the parameters below to request Cash Rate Sheet * Required Image: Select the parameters below to request Cash Rate Sheet * Required Image: Select the parameters below to request Cash Rate Sheet * Required Image: Select the parameters below to request Cash Rate Sheet * Required Image: Select the parameters below to request Cash Rate Sheet * Decritot Level Pricing Image: Select the parameters balow to request Cash Rate Sheet * Decritot Level Pricing Select the parameters balow to request Cash Rate Sheet * Type here % Select the parameters balow to parameters balow to request Decritot Select * Select Select the of Month 30-Day Average SOFR ARM 5/1/5 * Decritot Select Other (Decritor * * Other (Decritor * * Other (Decritor * Other (Decritor * * Other (Decritor * * Other (Decritor * Select * * * Select * * Diverse f Month 30-Day Average SOFR ARM 5/1/5 * * * * Select * * * * * * * Main Sciego *

See the information below for examples of SOFR ARM contract types in Loan Selling Advisor:





Guarantor Contracts	Example
You can take out SOFR ARM Guarantor contracts. When you take out a contract, click the Product Type drop-down menu to select the applicable SOFR product and select an Index Source Type of 30 Day Average SOFR. Guarantor Contracts may be imported (using an XML file) or manually entered in the system.	Request Price Product Options Contract Name: Delivery Type:* Pool Type:* Optional Pool Type:* Optional Product Type:* Optional Product Type:* Index Source Type:* 10/6 SOFR ARM Security Product:* 7/6 SOFR ARM ScoFR ARM Prepayment Penalty Indicator:* 3/6 SOFR ARM Prepayment Adjustment Index Lead Days Count:*
Guarantor Rate Sheet	Example
Create Guarantor Rate Sheets for SOFR ARM products.	Request Price • Denotes a required field • Request Price • All Pricing • All ARM Products • Of/01/2023 • • Of/30/2023 • • Of/30/2023





You must deliver the ULDD Index Source Type (Sort ID 110) of 30 Day Average SFOR for SOFR ARM loans. The section below provides examples of the required ARM loan data delivery fields in Loan Selling Advisor.

Loan Page – Section Name	Example
CLOSING Section, ARM Details, First Adjustment and Subsequent Adjustment	Create New Loan
	ARM Details
	Initial Fixed Period Effective Months Count: %
	Index Source Type: 30 Day Average SOFR \checkmark
	Interest And Payment Adjustment Index Lead Days Count: Floor Rate Percent:
	Disclosed Index Rate Percent: % Interest Rate Rounding Type:
	Interest Rate Rounding Percent: %
	Per Change Rate Adjustment Frequency Months Count: Per Change Maximum Increase Rate Percent: %
	First Rate Adjustment Effective Date: mm/dd/yyyy Per Change Maximum Decrease Rate Percent: %
	Subsequent Adjustment
	Per Change Rate Adjustment Frequency Months Count: Per Change Maximum Increase Rate Percent: %
	Subsequent Rate Adjustment Effective Date: mm/dd/yyyy 🛗 Per Change Maximum Decrease Rate Percent: %
MODIFICATION Section, ARM Details, First Adjustment and Subsequent Adjustment	Create New Loan
	Initial Fixed Period Effective Months Count:
	First Rate Change Payment Effective Date: mm/dd/yyyy 🛗 Ceiling Rate Percent: %
	Index Source Type: V 30 Day Average SOFR V
	Interest And Payment Adjustment Index Lead Days Count: Floor Rate Percent: %
	Disclosed Index Rate Percent:
	Interest Rate Rounding Percent:
	First Adjustment
	Per Change Rate Adjustment Frequency Months Count: Per Change Maximum Increase Rate Percent: %
	First Rate Adjustment Effective Date: mm/dd/yyyy 🛗 Per Change Maximum Decrease Rate Percent: %
	Subsequent Adjustment
	Per Change Rate Adjustment Frequency Months Count: Per Change Maximum Increase Rate Percent: %
	Subsequent Rate Adjustment Effective Date: mmi/dd/yyyy 🛗 Per Change Maximum Decrease Rate Percent: %

Note: For **Freddie Mac Document Custodians**, as part of the note certification process, the Custodian must verify, for ARM Notes with the revision date "(rev. 2/20)," that the Lifetime Floor is equal to the ARM's Margin as stated in the note. If it does not, the discrepancy will be reported in Loan Selling Advisor as a documentation issue (certification issue), and the note will not be certified for sale.





Resources

For more information on selling and delivering SOFR ARMs to Freddie Mac, refer to the following resources: <u>LIBOR Transition Playbook</u> <u>Freddie Mac's Prefix Library</u> <u>Loan Product Advisor</u> (webpage) <u>ULDD – Export Specification – Phase 4a</u> <u>ULDD Appendix D – Import Specification</u> <u>Loan Selling Advisor Import Guarantor Contract Specification</u> *Single Family Seller/Servicer Guide Bulletins,* 2020-1, 2020-9 and 2020-13

 This information is not a replacement or substitute for the requirements in the Freddie Mac Single-Family

 Seller/Servicer Guide and your other Purchase Documents.

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