



Freddie Mac FAQs

Hurricanes Harvey and Irma Freddie Mac CRT

1. How are loans affected by natural disasters treated in Freddie Mac Fixed Severity CRT transactions?

At issuance, certain fixed severity CRT transactions (listed below) provide for an 18-month moratorium period on declaring a Credit Event based on a delinquency of 180 days or more on loans that receive any form of relief as a result of being affected by a natural disaster. The specific language is provided below and can be found in the transactions' operative deal documents on the Freddie Mac CRT website http://www.freddiemac.com/creditriskofferings/legal_doc.html :

In the event of a natural disaster we may offer relief, such as deferral of payments or permanent modification of the terms of a Reference Obligation, to affected Mortgagors. If, pursuant to any relief we may offer, a Mortgagor makes reduced payments or defers making payments on their related Reference Obligation, Freddie Mac will not, for a period of 18 months, declare a Credit Event based on a delinquency of 180 days or more with respect to such Reference Obligation. Such 18-month period will commence the month the applicable servicer begins reporting to Freddie Mac that such Reference Obligation was affected by a natural disaster. Upon the expiration of such 18-month period, if the related Reference Obligation is 180 days or more delinquent, such Reference Obligation will immediately become a Credit Event Reference Obligation. In providing such relief, we will not distinguish from Mortgage Loans that are not in the Reference Pool.

The following fixed-rate CRT transactions are covered by this language:

STACR	ACIS
STACR 2014-DN3	ACIS 2015-1
STACR 2014-DN4	ACIS 2015-2
STACR 2014-HQ1	ACIS 2015-3
STACR 2014-HQ2	
STACR 2014-HQ3	
STACR 2015-DN1	
STACR 2015-HQ1	
STACR 2015-HQ2	

2. How are loans affected by natural disasters treated in Freddie Mac Fixed Severity CRT transactions that are not covered above?

Certain earlier fixed severity CRT transactions (listed below) did not provide for an 18-month Credit Event moratorium for natural disaster relief and mortgage loans in those transactions will be determined to be Credit Events when they become 180 days or more delinquent.

These include the following fixed rate CRT transactions:

STACR	ACIS
STACR 2013-DN1	ACIS 2013-1
STACR 2013-DN2	ACIS 2014-1
STACR 2014-DN1	ACIS 2014-2
STACR 2014-DN2	ACIS 2014-3

3. How are loans affected by natural disasters treated in Freddie Mac Actual Loss CRT transactions?

In the event of a natural disaster Freddie Mac may offer relief, such as full or partial deferral of payments and forbearance of foreclosure for a period of up to 12 months which could be followed by a permanent modification of the terms of a Reference Obligation, to affected Mortgagors. There is no language related to an 18 month moratorium on loans affected by natural disasters in actual loss transactions.

- In the case of deferral of full or partial payments on the affected Reference Obligations the payment of principal related to the loan referenced in the CRT pool will be reduced in whole or part and has the effect of slowing down principal payments in the CRT pool for the outstanding time period of the deferral. During this period there is no impact to interest payments on the CRT pool.
- In the case of a permanent modification that involves changing the terms of the Mortgage Loan and results in a Modification Shortfall where the Original Accrual Rate multiplied by the UPB of the Reference Obligation exceeds the Current Accrual rate multiplied by the interest bearing UPB and subsequently leads to a Modification Loss Amount, this loss amount will be passed on to the CRT tranches reverse sequentially beginning with reducing the payment on the Interest Amount and then writing down principal. Depending on the terms of the modification the CRT investor could be unaffected.

4. What are Freddie Mac's requirements for flood coverage insurance on loans?

A flood zone determination (FZD) must be made for each property securing a Mortgage sold to Freddie Mac. A FZD must be documented by a completed FEMA Standard Flood Hazard Determination Form (SFHD). If the SFHDF identifies the insurable improvements on the Mortgaged Premises as located in an area that has been identified as a Special Flood Hazard Area (SFHA) containing the letter "A" or "V" within its designated zone on a flood map (Flood Hazard Boundary Map or Flood Insurance Rate Map) of FEMA, the Seller/Servicer must ensure that flood insurance is obtained and maintained on such improvements for the term of the Mortgage.

The Seller/Servicer may waive the flood insurance requirement if:

- The Borrower and the Seller/Servicer have obtained, following a joint request to FEMA as provided under federal law, a Letter of Determination Review (LODR) concluding that the insurable improvements are not in the SFHA, or
- The Borrower has provided the Seller/Servicer with a Letter of Map Amendment (LOMA) from FEMA excluding the insurable improvements or the entire property from the SFHA, or
- The Borrower has provided the Seller/Servicer with a Letter of Map Revision (LOMR) from FEMA removing the community's SFHA designation

5. Under what scenarios will MI not cover claim amounts?

MI does not cover claims if defaults are primarily due to property damage, the property is uninhabitable, or the restored property is expected to sell in excess of the claim amount.

6. How will claim filings work for loans with transferred titles?

Freddie Mac intends to file claims that are covered under the MI policy for loans that have transferred titles (foreclosure, short sale, or deed in lieu).

7. What happens when MI companies deny the claim or don't pay the full claim amount?

If Freddie Mac files a claim and that claim is denied or curtailed by the MI, the STACR/ACIS investor still receives full claim credit.

8. What happens to losses that are not covered by MI?

The intent of the STACR/ACIS MI backstop is to protect the investor from claim disputes between the MI company and Freddie Mac. It is not intended to create investor protection for defaults that are not covered by MI policies.