

# Daily Prepayment Report

## Frequently Asked Questions (FAQs)

Version 1

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March 2023



# General FAQs

1. What is a voluntary prepayment?
  - A voluntary prepayment occurs when a loan is paid-off prior to the maturity date, either when the borrower repays the note amount in full, or the loan is refinanced.
2. Does the report include partial voluntary prepayments?
  - No. The report does not include partial voluntary prepayments, such as curtailments.
  - The report only includes full voluntary prepayments.
3. When is the voluntary prepayment represented on the report?
  - The report will include voluntary prepayment transactions reported to and processed by Freddie Mac for each day of the preceding week. The day that the payoff is represented on the report may be different than the day that the borrower paid off the loan as the Servicer has two business days to report the payoff to Freddie Mac. This will result in payoff activity being represented on weekends and holidays within the report.
4. What is an involuntary prepayment?
  - Involuntary prepayments could include prepayments resulting from repurchases of mortgages from UMBS, MBS, or PCs because of borrower defaults or breaches of representations and warranties by mortgage sellers, or from foreclosures.
5. This is currently a weekly trend file, will this ever become daily?
  - Currently, a daily publication of the file is not in scope.
6. What is the timing for the publication of this file?
  - File will be published at 4:30 pm every Wednesday.
7. The information that is posted on the file is from what reporting period?
  - The report is generated on a weekly basis and includes payoff activity for each day (Saturday to Friday) in the previous week. The report is cumulative for the entire factor month and will represent payoff activity from the day after the second business day (BD2+CD1) through the second business day (BD2). The report will include voluntary prepayment transactions reported to and processed by Freddie Mac for each day of the preceding week.
8. What is the Single-Month Mortality (SMM) rate? And calculation?
  - The monthly prepayment rate of the cohort on the reported date.
  - $\text{Sum (Unscheduled Principal Reduction Amount for Day 1) + (Principal Reduction Amount for Day 2), etc.} / (\text{Scheduled Ending Balance for the upcoming factor})$
  - This value is not represented as a percentage.



9. How is the Single-Month Mortality (SMM) rate measured?

- The SMM is measured as a per-month percentage of mortgages in the MBS cohort that will be paid off early while the CPR gives the annual prepayment percentage as opposed to a monthly snapshot.

10. What is the Conditional Prepayment Rate (CPR)?

- A Conditional prepayment rate (CPR) is an estimate of the percentage of a loan pool's principal that is likely to be paid off prematurely.
- The annualized prepayment rate of the cohort on the reported date.
- $CPR = 1 - (1 - SMM)^{12} * 100$
- Represented as a percentage.

11. How are the cohorts grouped?

- Cohorts are grouped by security type, coupon, and issuance year (current factor date minus weighted average loan age (WALA)).

12. What securities will be included on the report at a cohort level?

- Securities will be included in a cohort (unless specified as an exclusion in the next question) and represented on the report if that cohort has an outstanding UPB of at least \$500 million.
- Eligible securities will be grouped into one of the following 'Types of Security'.
  - 30yr TBA Eligible
  - 20yr TBA Eligible
  - 15yr TBA Eligible
  - 10yr TBA Eligible
  - Super-Conforming > 15yr (FRE)
  - Super-Conforming <= 15yr (FRE)
  - Other Fixed-Rate > 15yr (FRE)
  - Other Fixed-Rate <= 15yr (FRE)
  - Government Fixed-Rate (FRE)
  - ARM (after 2006) (FRE)
  - RPL (FRE)

13. What securities that are currently excluded from the report?

- Securities issued in the current reporting month
- Multifamily securities
- ARM securities issued prior to 2006
- Resecuritizations (level 2 securities)
- Pseudopools

14. Why are we seeing an increase in payoff activity occurring on Saturdays?

- Beginning in December 2020, Freddie Mac expanded servicer payoff reporting to include (i) reporting on additional Saturdays throughout the month and (ii) additional systems runs on those Saturdays. The new schedule provides for systems runs all Saturdays except the first Saturday of the month.



15. How is the file accessed?

- The file is posted in the Data Files and Reports section of Security Lookup on the Freddie Mac website. Users will need to create a login profile and accept data usage terms and conditions to access the files.
- Users may also access the Supplemental Daily Prepayment Report, which is a cumulative excel version of the report, via the Daily Prepayment Report webpage on our website.
  - <https://capitalmarkets.freddiemac.com/mbs/daily-prepayment-report>

16. How are the cohorts bucketed based on the WA Net Interest Rate?

WA Net Interest Rate (Cohort)	WA Net Interest Rate Ranges (Underlying Securities)
0.500	< 0.750
1.000	= 0.750 to < 1.250
1.500	= 1.250 to < 1.750
2.000	= 1.750 to < 2.250
2.500	= 2.250 to < 2.750
3.000	= 2.750 to < 3.250
3.500	= 3.250 to < 3.750
4.000	= 3.750 to < 4.250
4.500	= 4.250 to < 4.750
5.000	= 4.750 to < 5.250
5.500	= 5.250 to < 5.750
6.000	= 5.750 to < 6.250
6.500	= 6.250 to < 6.750
7.000	= 6.750 to < 7.250
7.500	= 7.250 to < 7.750
8.000	= 7.750 to < 8.250
8.500	= 8.250 to < 8.750
9.000	= 8.750 to < 9.250
9.500	= 9.250 to < 9.750
10.000	= 9.750 to < 10.250
10.500	= 10.250 to < 10.750
>= 11.000	>= 10.750

17. If I have a question about the Daily Prepayment Report, who can I contact?

- [investor\\_inquiry@freddiemac.com](mailto:investor_inquiry@freddiemac.com)