Single Security Initiative

Single Security Initiative Update
Agenda

- Single Security Initiative Overview
- Key Considerations
  - Investors
  - Dealers
  - Vendors
  - Sellers
- Recommended Actions
- Questions
- Resources
Overview

Single Security Initiative

- New uniform mortgage-backed security
- Common features
- Single TBA market
- Issued by Fannie Mae and Freddie Mac

Issuer/Guaranty Structure

- Level 1: UMBS; Level 2: Supers
- Supports commingling in second-level resecuritizations
- Issuer of top level security is guarantor

Alignment

- 55-day payment delay
- Prefixes: use Fannie Mae FICC Clearing Code (01F)
- Disclosures: aligned to Freddie Mac new format

Timing

- Implementation in Q2 2019
- Trading activities, including optional exchange*, will begin several months in advance of implementation

* Freddie Mac 45-day TBA securities
Key Considerations – Investors

Documents & Policies
- Portfolio issuer concentration limits
- Investment guidelines
- Exchange approach and timing *
- Offering documents

Processes
- Hedging and best execution practices
- Forward trading and dollar rolls leading up to implementation
- Procedures, documentation, training

Systems
- Vendor development, testing, and implementation timelines
- Presentation and analysis: two TBA markets combining
- Accept Fannie or Freddie collateral for “FNCL” trade

Accounting, Tax, Regulators
- Investment limits, concentration risk
- Treatment for exchanged Freddie Mac securities *

* Freddie Mac 45-day TBA securities
Key Considerations – Dealers

**Processes**
- Forward trading and dollar rolls surrounding implementation
- Exchange: scheduling, settling, float compensation distribution*
- Disclosure file format and timing

**Systems**
- Vendor development, testing, and implementation timelines
- Presentation and analysis: two TBA markets combining
- Analytics, reports, data feeds

**Customers**
- Customer support surrounding go-live period
- Exchange* scheduling

* Freddie Mac Gold PC securities only
# Key Considerations – Vendors

## Processes
- Rate schedule for the 10-day delay compensation (exchange*)

## Systems
- Prefix and pool number content and structure
- System labels and logic**
- Disclosure file format and timing
- Analytics, reports
- Display and reporting of transition to single TBA UMBS

## Customers
- Communication: nature and timing of system changes
- Documentation, training
- Customer testing and support surrounding go-live period

* Freddie Mac 45-day TBA securities
** See Resources page for links
Key Considerations – Freddie Mac Sellers*

**Processes**
- New Freddie Mac cash contract products
- 10-year pricing
- Loan allocation to 0-2 WALA pools
- Loan age calculation

**Systems**
- Prefix and pool number content and structure
- Selling System Security Product IDs
- Analytics, reports
- Disclosure files

**Contracts**
- Security product name changes
- Freddie Mac new 10-year security products

* UMBS features will mimic Fannie Mae MBS; no new changes for Fannie Mae sellers to absorb with the implementation of the new UMBS market
Recommended Actions

Assess
- Review Market Adoption Playbook**
- Complete initial impact assessment
- Develop level of effort estimate

Plan
- Develop plan
- Identify and reach out to internal and external resources, coordinating with other internal divisions
- Identify key milestones to complete changes in 2018

Budget
- Submit and obtain funding, if needed
- Coordinate with other affected internal divisions

Keep Informed
- Sign up for initiative updates
- Participate in working group sessions, trade associations, conferences
- Look for Market Adoption Playbook and FAQ updates

** See Resources page for links
Questions
Resources

Fannie Mae
Website: www.fanniemae.com/singlesecurity
Contact: single_security@fanniemae.com

Freddie Mac
Website: www.freddiemac.com/single_security
Contact: single_security@freddiemac.com

Federal Housing Finance Agency (FHFA)
Website: www.fhfa.gov/PolicyProgramsResearch/Policy/Pages/Single-Security.aspx