



PREPAYMENT MONITORING REPORT

Fourth Quarter 2019

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Introduction

On June 3, 2019, Fannie Mae and Freddie Mac began issuing a new common mortgage-backed security, known as the Uniform Mortgage-Backed Securities or UMBS, through their jointly developed Common Securitization Platform, bringing to fruition important elements of FHFA's *2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac*. On March 12, 2019 forward trading of UMBS began in the "To-Be-Announced" (TBA) market¹, with first settlements of the UMBS trades coinciding with their initial issuance by the Enterprises on June 3, 2019.

FHFA encouraged Fannie Mae and Freddie Mac to develop this new security to broaden and enhance liquidity in the secondary market for residential mortgages and to reduce costs to taxpayers.² To address those goals, UMBS issued by Fannie Mae and Freddie Mac trade in the TBA market without regard to which Enterprise is the issuer, effectively merging the formerly separate markets for mortgage-backed securities issued by each Enterprise.

Consistency of prepayment rates is important to the success of UMBS and to the efficiency and liquidity of the secondary mortgage market. Some industry stakeholders have expressed concern that the rates of prepayment of the Enterprises' securities might materially diverge and undermine their fungibility. FHFA has taken a number of steps to promote the continued consistency of prepayment rates of Fannie Mae- and Freddie Mac-issued mortgage-backed securities (MBS). This quarterly report provides market participants additional transparency into a sample of the data FHFA receives and reviews on a monthly basis.

Ex post monitoring of prepayment rates is part of a broader effort to assure investors that cash flows from UMBS will be similar regardless of which Enterprise is the issuer. This report provides insight into how FHFA monitors the consistency of prepayment rates across cohorts of the Enterprises' TBA-eligible MBS,³ where a cohort consists of those Enterprise TBA-eligible securities

¹ The TBA market is a forward market for certain mortgage-backed securities, including those issued by Fannie Mae and Freddie Mac.

² See *An Update on the Structure of the Single Security*, May 2015, p. 4.

³ To avoid double counting, only first-level securitizations are included in the analysis. Second-level securitizations (Megs, Giants, and Supers) are excluded, with the exception of fastest quartile analyses in which case multi-lender second-level securitizations are included.



with the same coupon, maturity, and loan-origination year and total combined issuance across the Enterprises exceeds \$10 billion. A prepayment on a mortgage loan is the amount of principal paid in advance of the loan's scheduled payments. Full prepayment occurs when a borrower pays off the loan ahead of the scheduled maturity. If a borrower defaults on the mortgage loan, the Enterprise will pay investors the remaining principal balance and remove the loan from the MBS. That action has the same effect on investors as a full prepayment. Partial prepayment occurs when a borrower pays principal in addition to the regularly scheduled payment of principal and interest.



Alignment Requirements

On March 5, 2019, FHFA published the *Uniform Mortgage-Backed Security Final Rule* (Final Rule). The Final Rule codified FHFA thresholds with respect to differences between the prepayment rates of corresponding cohorts of each Enterprises' TBA-eligible securities. The Final Rule uses three-month CPRs rather than one-month CPRs, and, in addition to measuring alignment with respect to entire cohorts, the Final Rule looks to the fastest paying quartile of each cohort. Generally, for the fastest paying quartile of a cohort, the Enterprises must report to FHFA differences between Fannie Mae and Freddie Mac prepayment rates when the divergence between three-month CPRs exceeds five percentage points. For a divergence in three-month CPR in excess of eight percentage points, the Enterprises must provide a written report to FHFA on the causes of the divergence and submit a written remediation plan. In most instances, FHFA's UMBS Governance Committee reviews the reports and may recommend remedial actions.



Prepayment Performance Charts and Tables

FHFA uses the charts and data tables in this report to evaluate the alignment of loan attributes for newly issued Enterprise MBS and the prepayment performance of outstanding Enterprise MBS. These charts and tables have been abridged to improve readability by omitting coupons and years with lower volumes of outstanding securities. FHFA monitors similar information for both Enterprises, focusing primarily on coupons, maturities, and loan-origination years that have minimum combined outstanding principal balances in excess of \$10 billion and whose origination-years are not more than six calendar years prior to the current calendar year. Footnotes to the relevant charts and tables indicate cohorts that are below the \$10 billion threshold.

As mentioned previously, a prepayment on a mortgage loan is the amount of principal paid in advance of the loan's payment schedule. When a loan is prepaid, an MBS investor receives the payment as principal. If the investor paid a premium for the security, the prepayment reduces the investor's yield. Therefore, investors in premium securities look for MBS that are likely to prepay slower than other MBS.

For further descriptions of how FHFA uses this information, see [*Update on the Single Security Initiative and Common Securitization Platform, December 2017*](#).



Charts

Charts 1 and 2 illustrate alignment of entire cohorts, using one-month CPR. FHFA uses the one-month CPR in these charts to assess the alignment at the cohort level for past origination cycles and the general trend of alignment across loan-origination years on a more granular basis than the three-month CPR would afford.

Chart 1 compares one-month CPR for all Fannie Mae and Freddie Mac TBA-eligible 30-year securities for the current year and the prior six years.

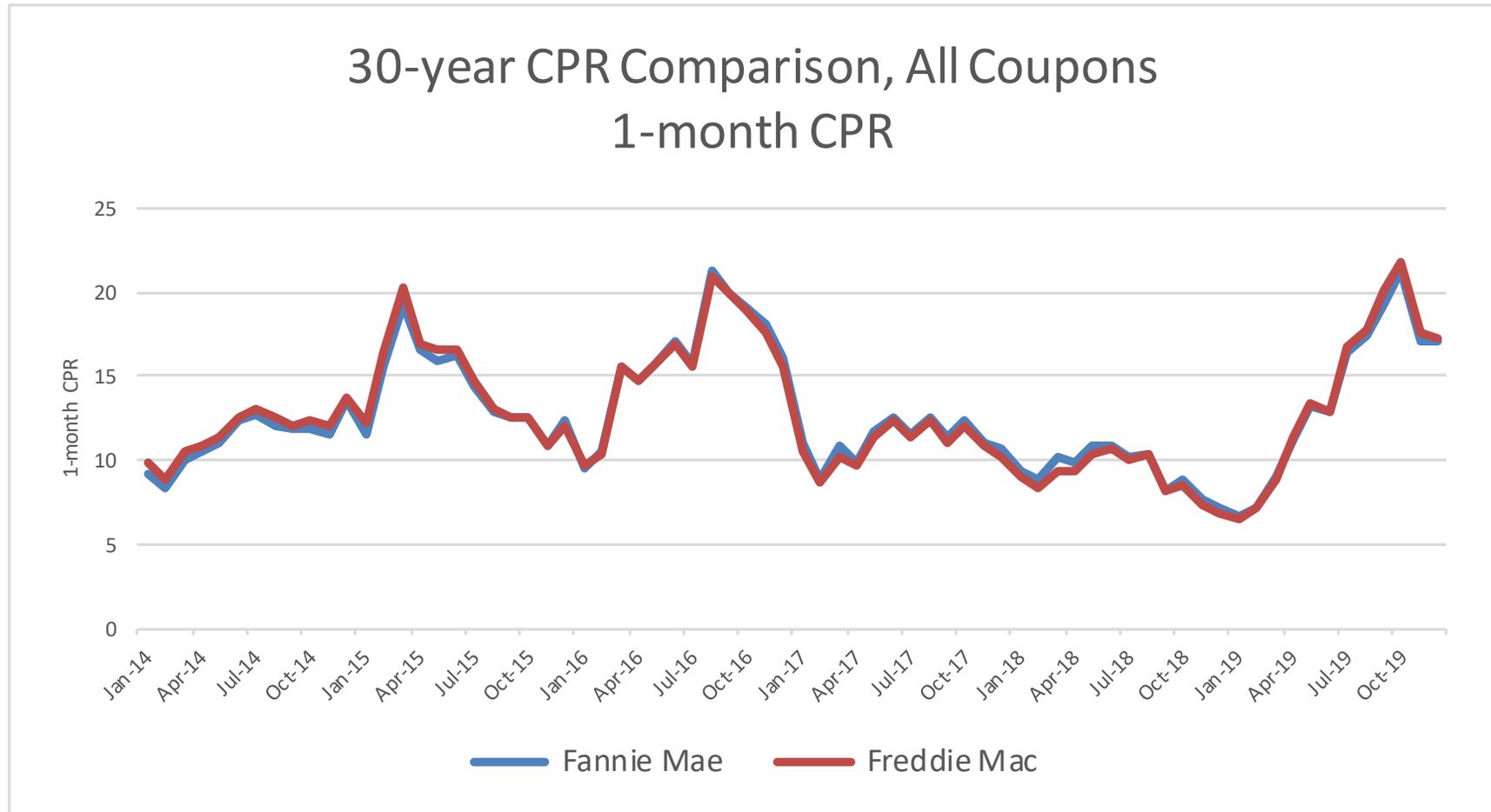
Chart 2 illustrates the comparison of pool loan-origination years for a given TBA-eligible MBS coupon. Chart 2 shows December 2019 one-month prepayment rates for entire cohorts each Enterprise's 30-year MBS for coupons with combined issuance volume outstanding in excess of \$10 billion (2.5%, 3%, 3.5%, 4%, 4.5%, and 5%) and the six loan-origination years prior to the current calendar year.

Charts 3a through 3g illustrate alignment with respect to the fastest paying quartiles of each cohort. FHFA uses these charts to assess alignment with respect to the fastest paying quartiles of cohorts of the Enterprises' TBA-eligible MBS on a historical basis. Chart 3a illustrates alignment in one-month prepayment rates across the Enterprises for recent coupons with issuance greater than \$10 billion. For each coupon in Chart 3a, the illustrated one-month prepayment rates are calculated across the fastest paying quartile at a given point in time. Charts 3b through 3g illustrate the degree of three-month prepayment rate alignment of the fastest paying quartile for each coupon-year cohort.

Chart 4 illustrates the spread between the weighted average loan rates (WACs) in mortgage pools to the coupon on the MBS backed by that pool for 30-year MBS issued by the Enterprises during the quarter. FHFA monitors this spread because differences in the spread between the Enterprises can lead to differences in prepayment rates as interest rates change. Securities with higher spreads are likely to experience faster prepayment rates as borrowers take advantage of opportunities to refinance due to their higher loan rates.



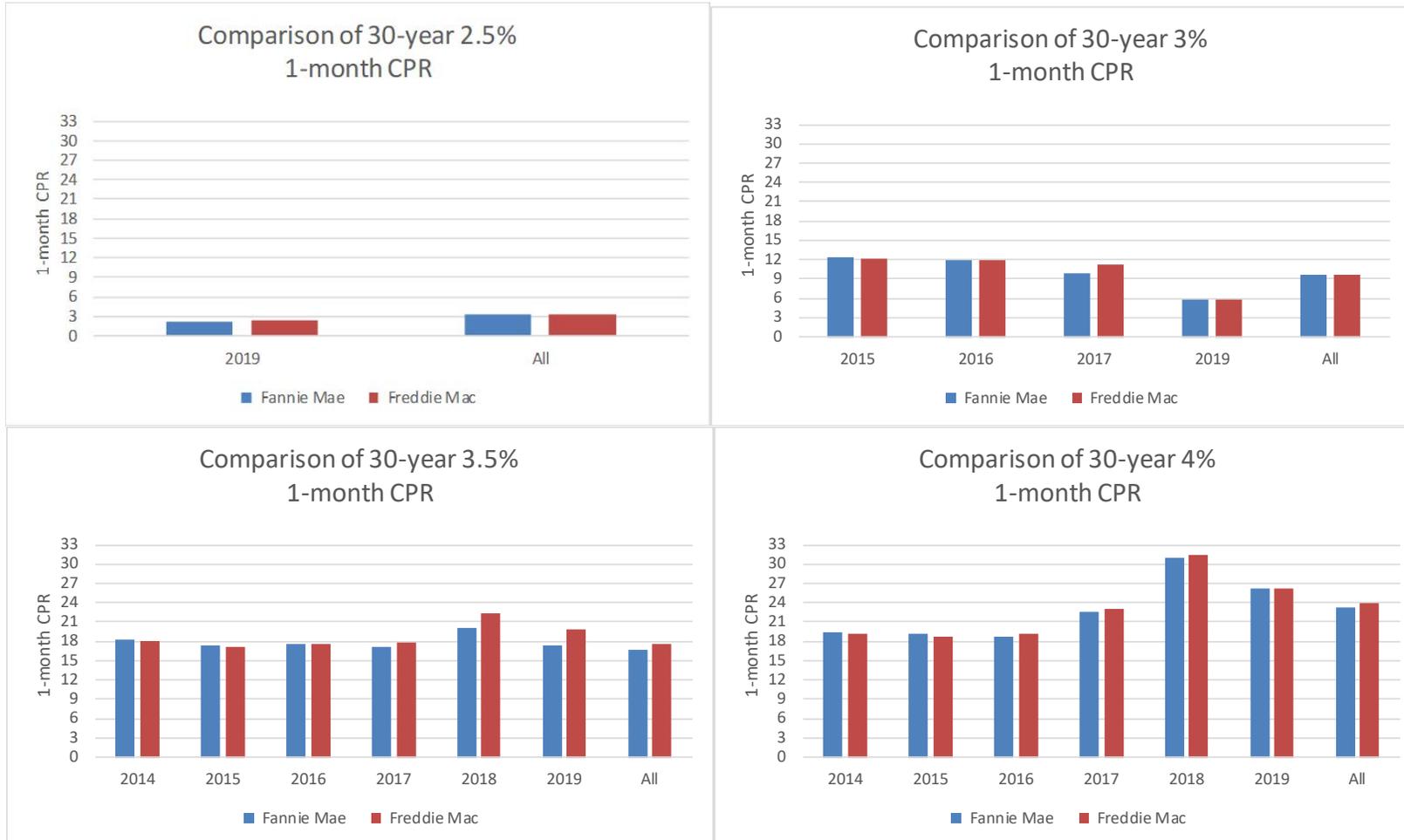
Chart 1: One-month CPR Comparison for 30-Year, for All TBA-Eligible MBS, All Coupons



Source: RiskSpan calculations from data available publicly as of January 2020. Calculations exclude pools with pool age equal to zero.



Chart 2: December 2019 One-month CPR on All 30-year, TBA-eligible MBS by Coupon and Loan-Originiation Year*

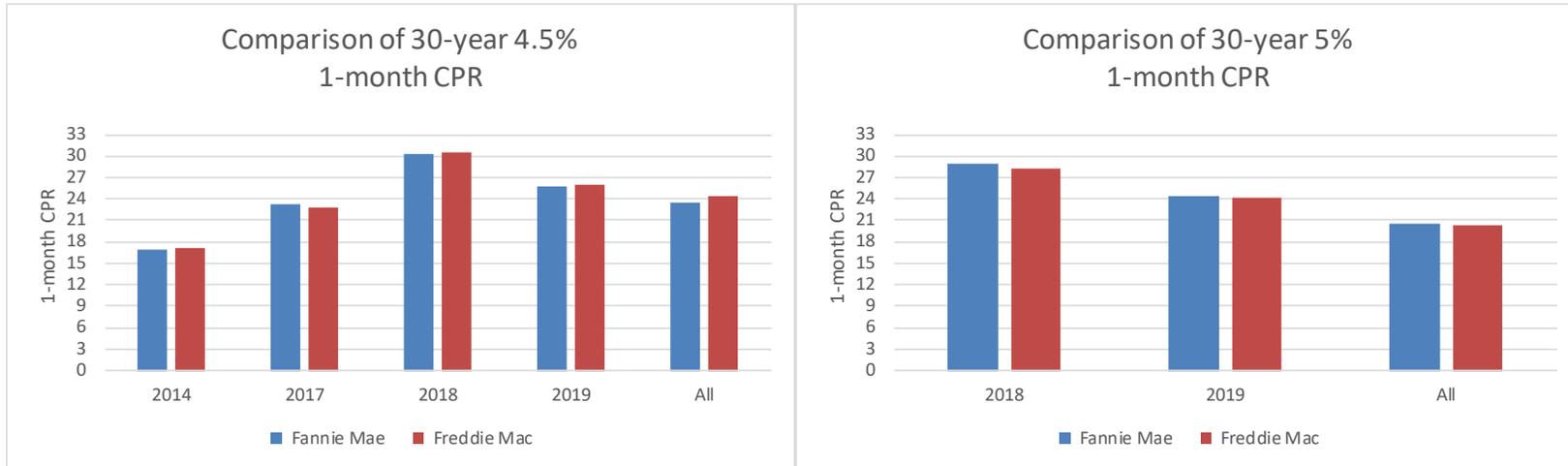


* The 2.5 percent coupon cohorts for 2014, 2015, 2016, 2017, and 2018, and the 3 percent coupon cohorts for 2014 and 2018. are omitted because each has a combined UPB below the \$10 billion threshold.

Source: RiskSpan calculations from data available publicly as of January 2020. Calculations exclude pools with pool age equal to zero.



Chart 2: December 2019 One-month CPR on All 30-year, TBA-eligible MBS by Coupon and Loan-Origination Year*

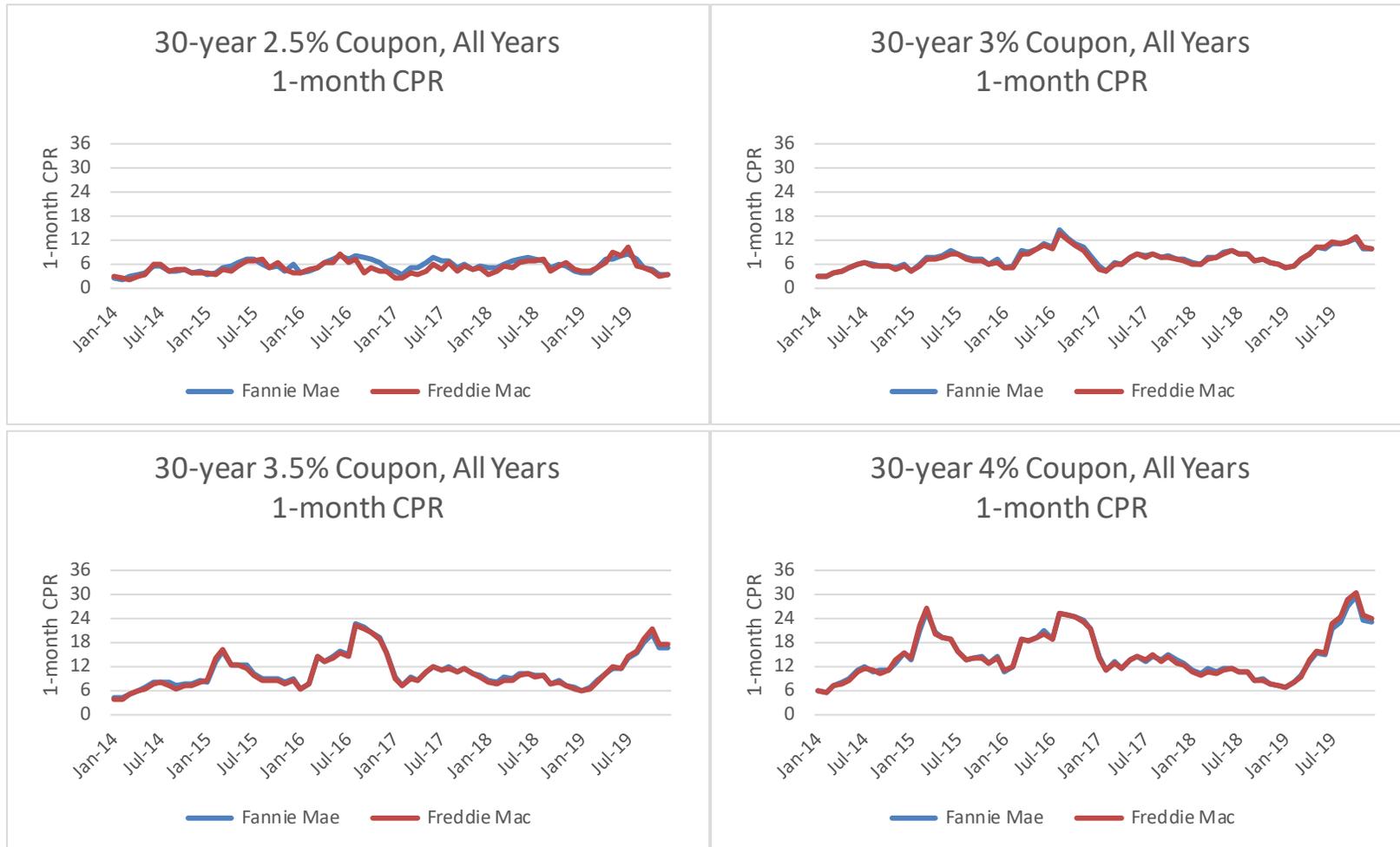


* The 4.5 percent coupon cohorts for 2015 and 2016, and the 5 percent coupon cohorts for 2014, 2015, 2016, and 2017, are omitted because each has a combined UPB below the \$10 billion threshold.

Source: RiskSpan calculations from data available publicly as of January 2020. Calculations exclude pools with pool age equal to zero.



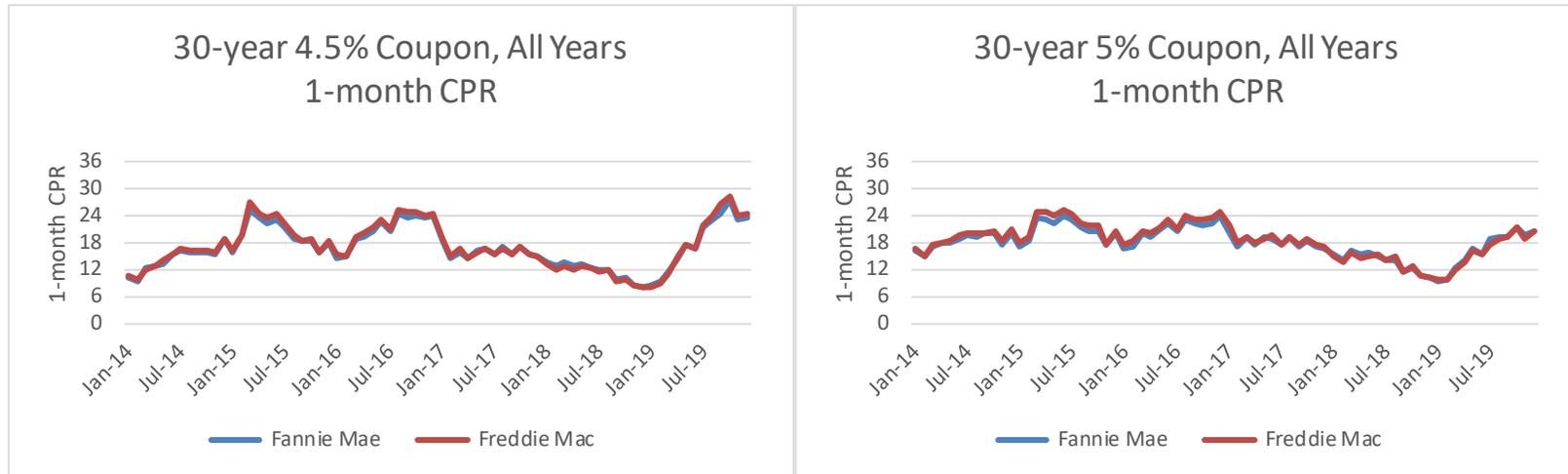
Chart 3a: One-month CPR on All 30-year, TBA-eligible MBS by Coupon



Source: RiskSpan calculations from data available publicly as of January 2020. Calculations exclude pools with pool age equal to zero.

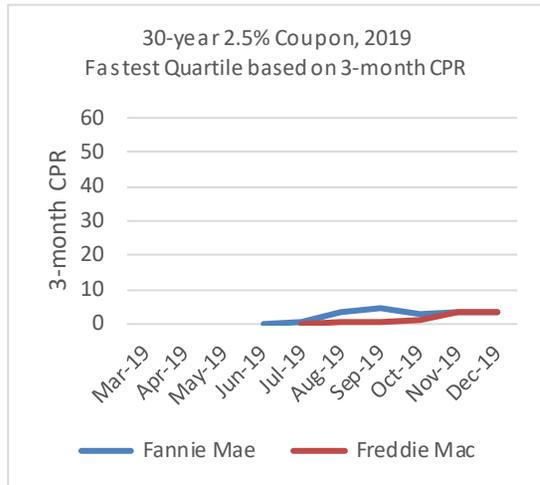


Chart 3a: One-month CPR on All 30-year, TBA-eligible MBS by Coupon



Source: RiskSpan calculations from data available publicly as of January 2020. Calculations exclude pools with pool age equal to zero.

Chart 3b: Three-month CPR on 30-year Fastest Paying Quartiles, 2.50 Percent Coupon TBA-eligible MBS by Loan-Origination Year*

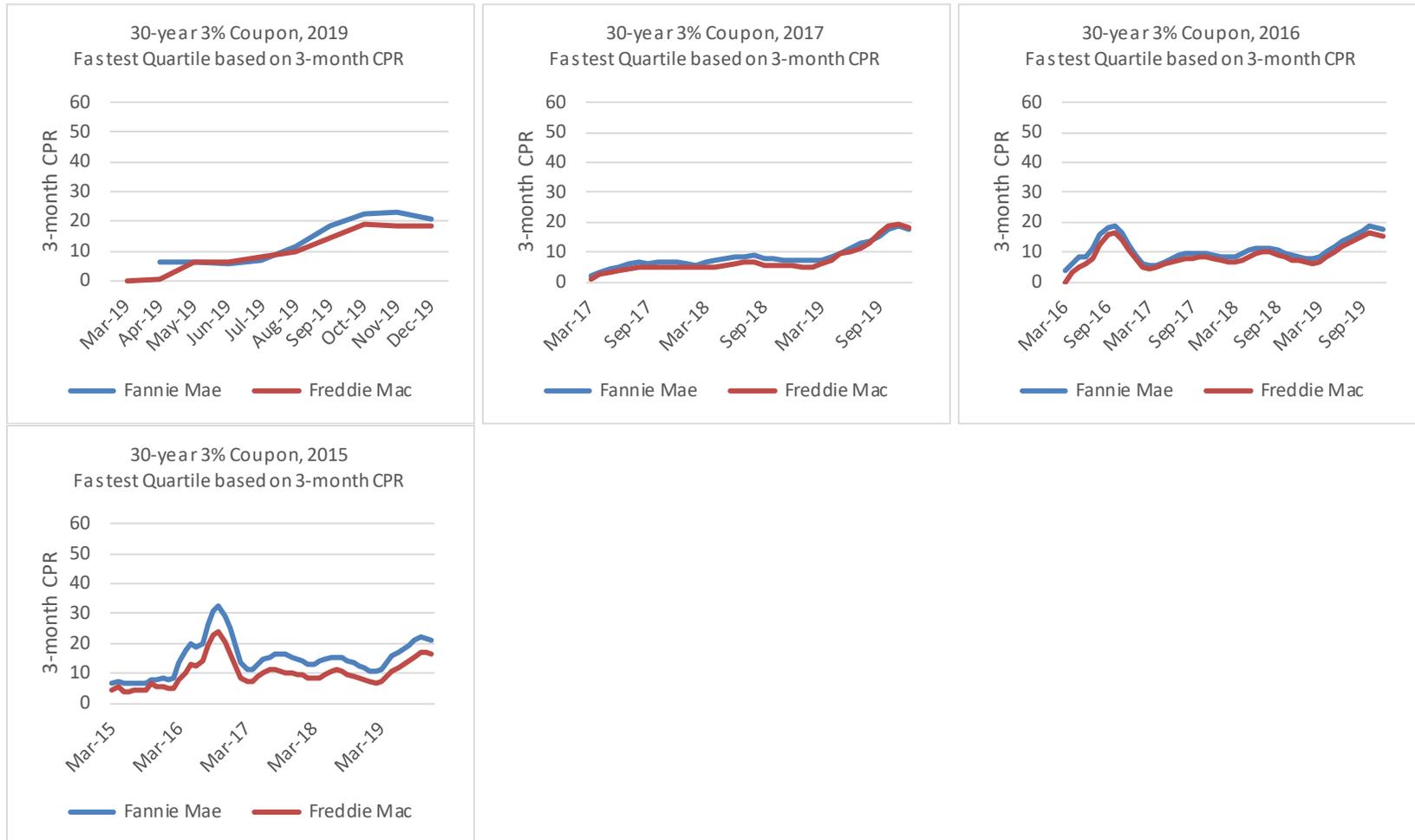


* The 2014, 2015, 2016, 2017, and 2018 cohorts are omitted because each has a combined UPB below the \$10 billion threshold.

Source: RiskSpan calculations from data available publicly as of January 2020. Calculations exclude pools with pool age equal to two or less.



Chart 3c: Three-month CPR on 30-year Fastest Paying Quartiles, 3.00 Percent Coupon TBA-eligible MBS by Loan-Origination Year*

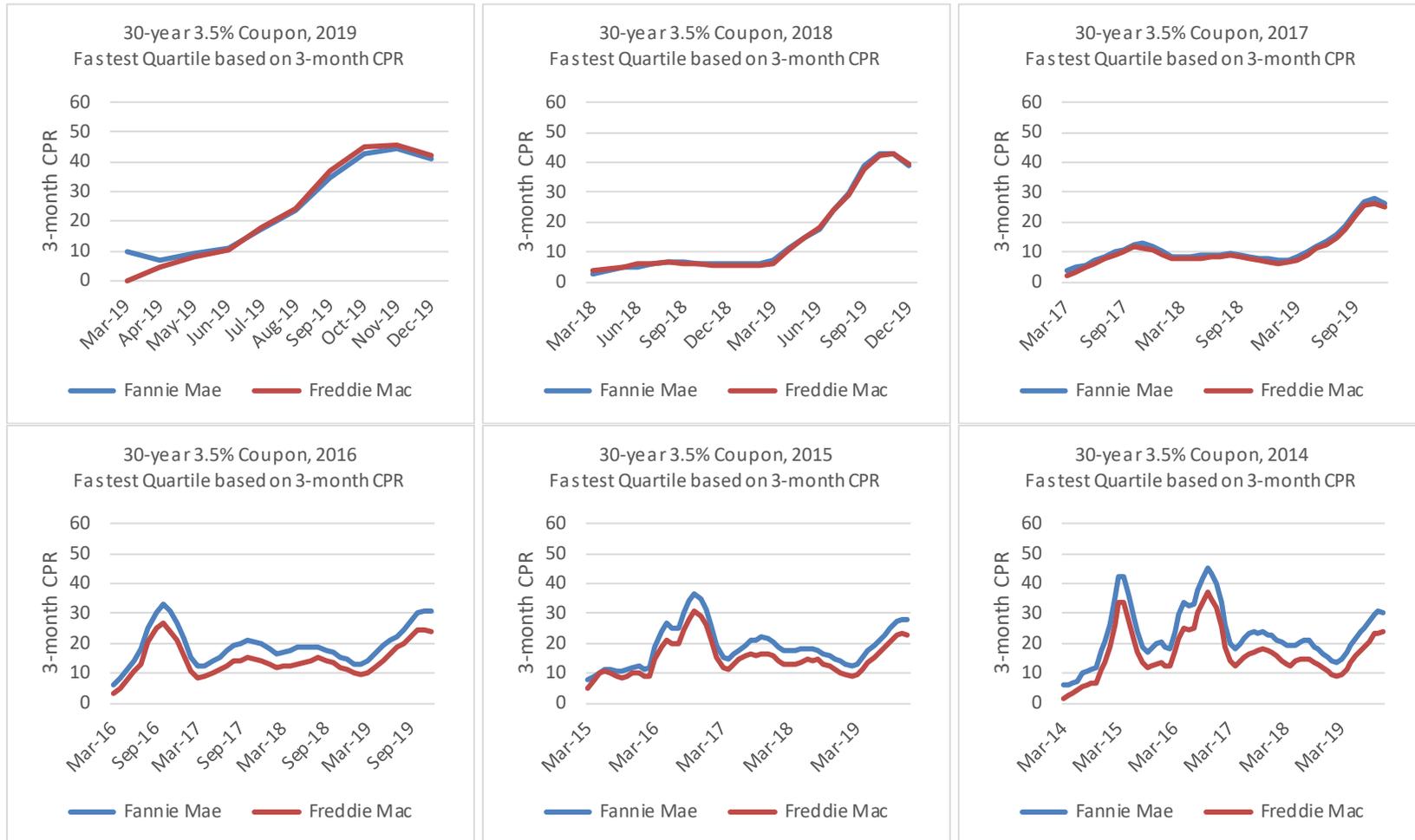


* The 2014 and 2018 cohorts are omitted because each has a combined UPB below the \$10 billion threshold.

Source: RiskSpan calculations from data available publicly as of January 2020. Calculations exclude pools with pool age equal to two or less.



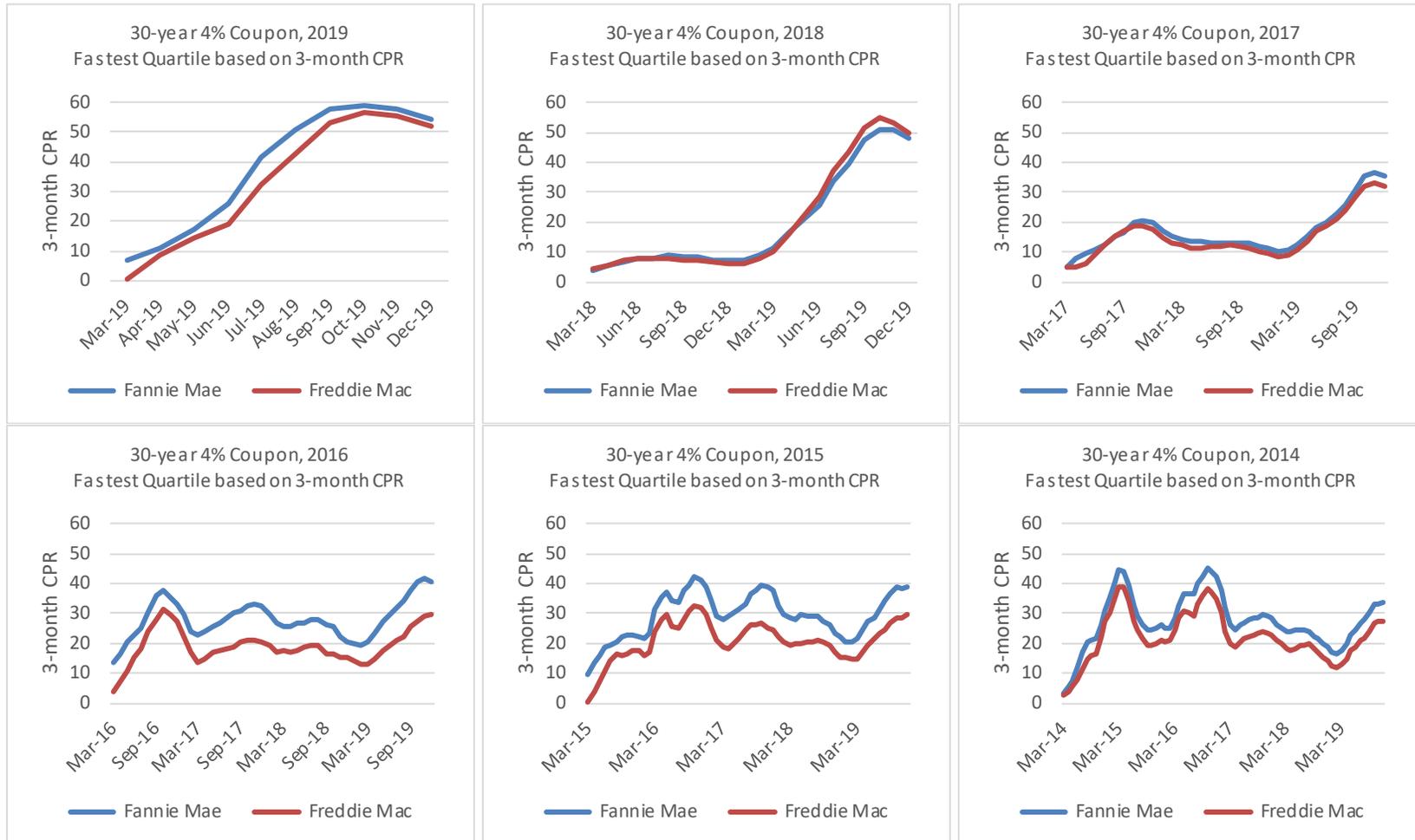
Chart 3d: Three-month CPR on 30-year Fastest Paying Quartiles, 3.50 Percent Coupon TBA-eligible MBS by Loan-Origination Year



Source: RiskSpan calculations from data available publicly as of January 2020. Calculations exclude pools with pool age equal to two or less.



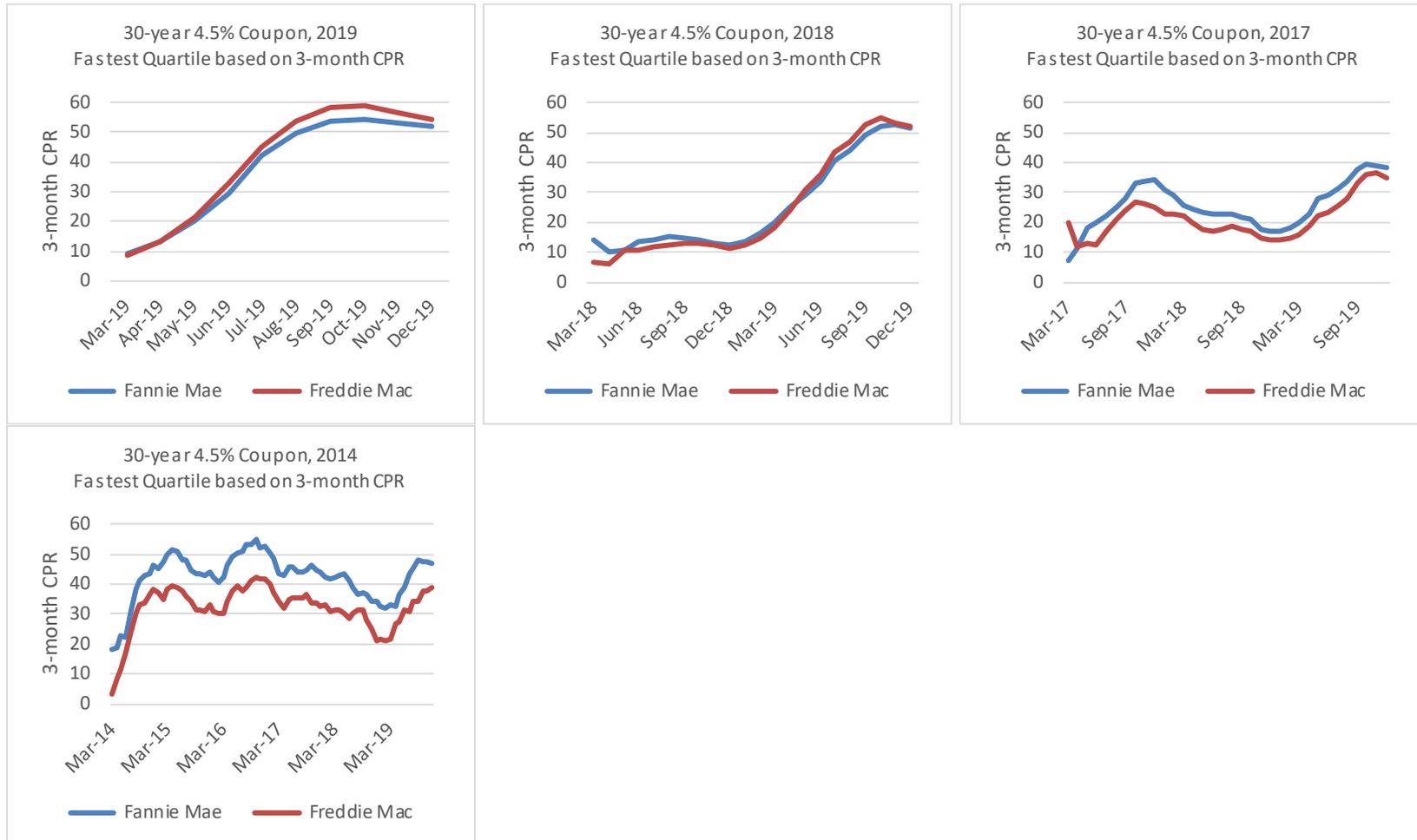
Chart 3e: Three-month CPR on 30-year Fastest Paying Quartiles, 4.00 Percent Coupon TBA-eligible MBS by Loan-Origination Year



Source: RiskSpan calculations from data available publicly as of January 2020. Calculations exclude pools with pool age equal to two or less.



Chart 3f: Three-month CPR on 30-year Fastest Paying Quartiles, 4.50 Percent Coupon TBA-eligible MBS by Loan-Origination Year

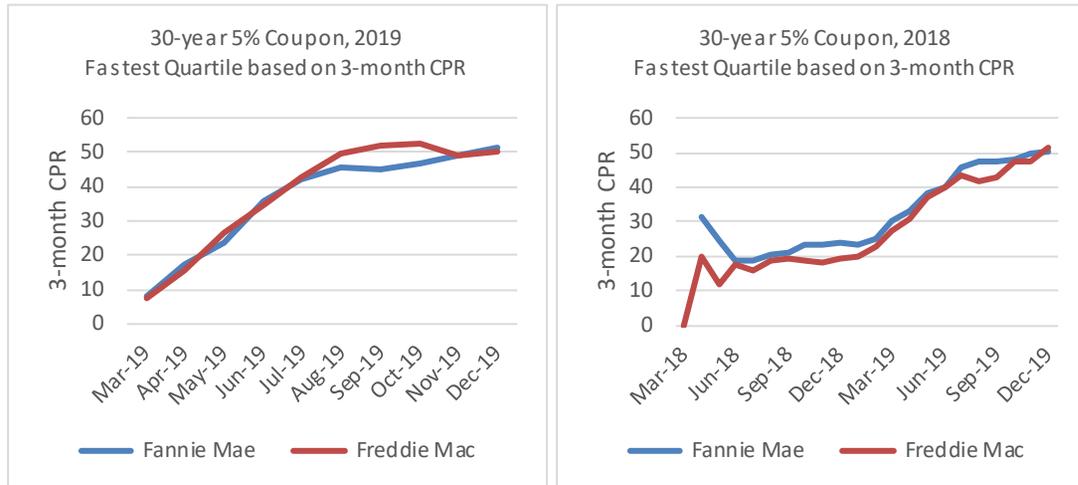


* The 2015 and 2016 cohorts are omitted because each has a combined UPB below the \$10 billion threshold.

Source: RiskSpan calculations from data available publicly as of January 2020. Calculations exclude pools with pool age equal to two or less.



Chart 3g: Three-month CPR on 30-year Fastest Paying Quartiles, 5.00 Percent Coupon TBA-eligible MBS by Loan-Origination Year

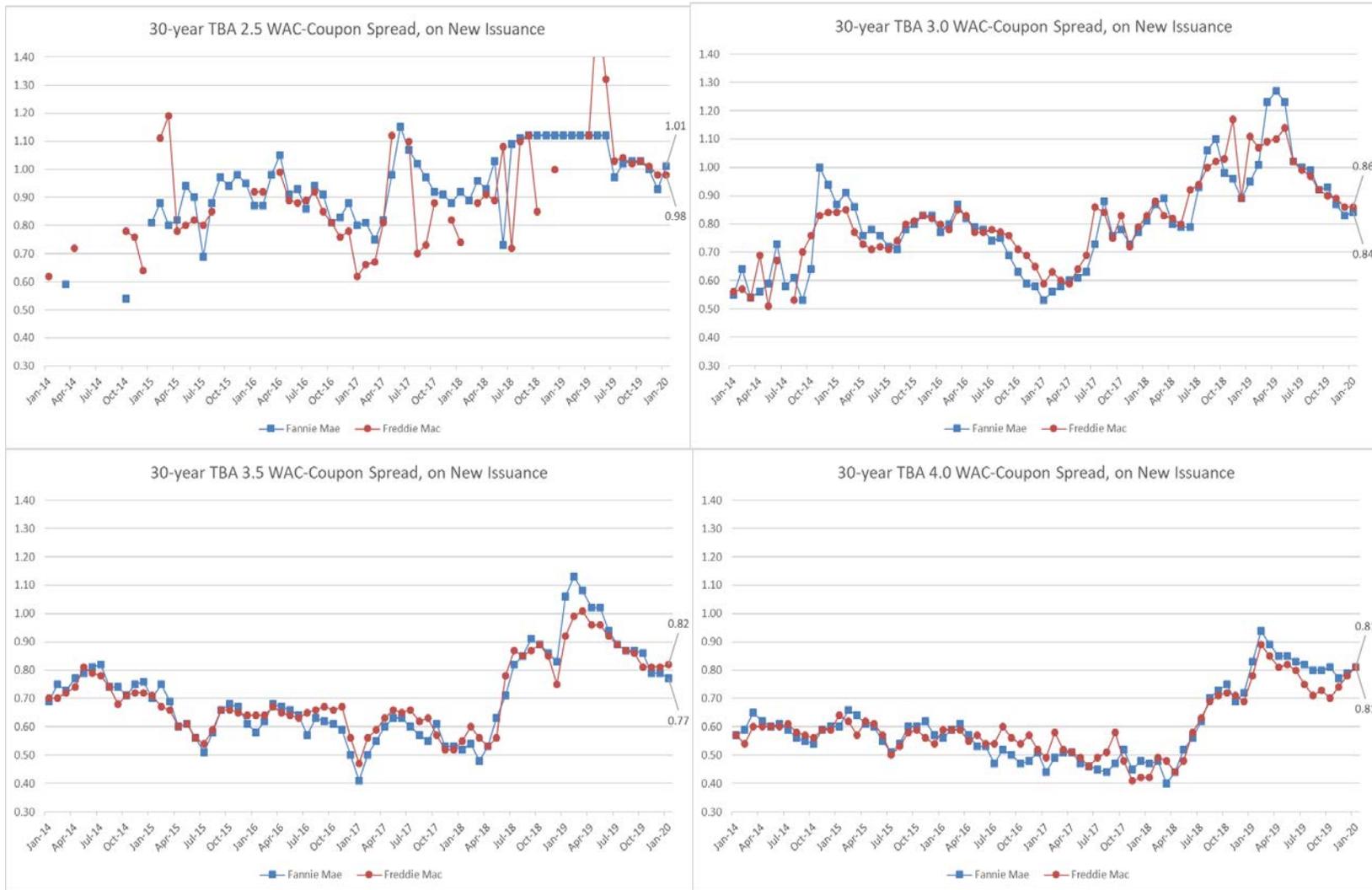


* The 2014, 2015, 2016, and 2017 cohorts are omitted because each has a combined UPB below the \$10 billion threshold.

Source: RiskSpan calculations from data available publicly as of January 2020. Calculations exclude pools with pool age equal to two or less.



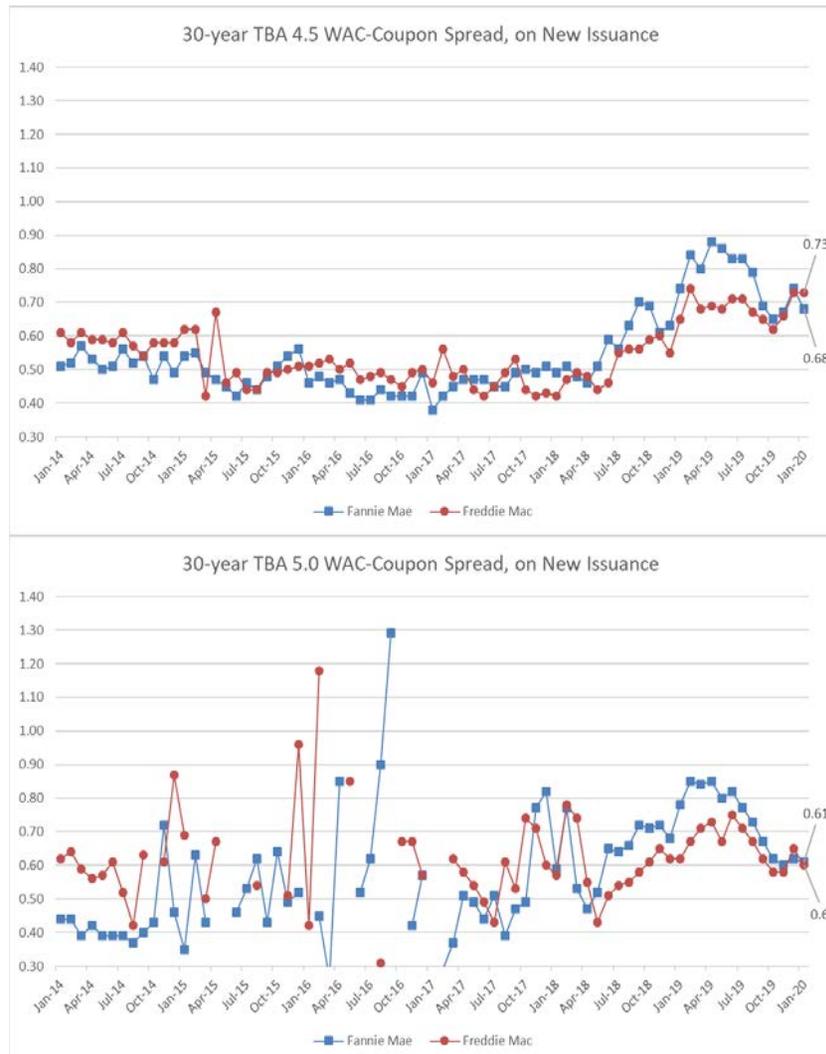
Chart 4: Comparison of Weighted Average Loan Rate to Coupon Spread on New 30-year MBS Issuance



Source: RiskSpan calculations from data available publicly as of January 2020. Gaps in data may occur in some months due to a lack of MBS issuance.



Chart 4: Comparison of Weighted Average Loan Rate to Coupon Spread on New 30-year MBS Issuance



Source: RiskSpan calculations from data available publicly as of January 2020. Gaps in data may occur in some months due to a lack of MBS issuance.



Data Tables

FHFA uses Table 1, the Annual Vintage Report, to compare, at the cohort level, Fannie Mae's and Freddie Mac's three-month prepayment rates with cohort attributes, such as the weighted-average loan rate (WAC), the weighted-average loan maturity (WAM), the weighted-average loan age (WALA), and the unpaid principal balance (UPB). These comparisons provide context to understand better any significant differences in CPRs across the Enterprises.

Table 2, the Quartile Report, is used to compare the range of prepayment rates across all of the TBA-eligible MBS that have the same coupon issued by a given Enterprise. To do so, all of an Enterprise's TBA-eligible MBS pools outstanding in the month, excluding specified pools as defined in the glossary, and bearing the stated coupon are ranked by their three-month CPRs from fastest to slowest. The pools are then grouped into quartiles based on UPB. The Report presents the WALA, WAC, average loan size (ALS), and credit score (FICO) for each quartile. Quartile 1 in this table corresponds to the fastest paying quartile. Table 2 presents this information as of the end of the quarter.

Table 3, the Total Industry Issuance Report, provides a comparison, at the coupon cohort level, of Fannie Mae's and Freddie Mac's previous three months of issuance, with various key loan attributes that would affect the expectations of prepayments and delinquencies. FHFA uses this report to identify any differences in loan attributes that may cause a divergence in prepayment rates. The attributes that generally create faster prepayments, such as high credit score and low loan-to-value (LTV) ratio, also generally lower defaults. Analyzing new issuance data allows FHFA and the Enterprises to make timely adjustments to business practices to reduce potential misalignments in future prepayment rates.



Table 1: 30-year, Fastest Quartile of TBA-eligible MBS Vintage Report

Coupon	Year	Weighted Average Coupon (percent)		Weighted Average Maturity (months)		Weighted Average Loan Age (months)		Unpaid Principal Balance (\$ billions)		Three Month Conditional Prepayment Rates (percent)					
		FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE	December		November		October	
										FNM	FRE	FNM	FRE	FNM	FRE
2.5	2019	3.54	3.54	351	354	4	4	10.4	3.8	3.40	3.30	3.20	3.30	3.00	1.30
3	2015	3.82	3.82	293	297	56	56	10	9.5	20.80	16.30	21.90	17.10	22.30	16.80
	2016	3.75	3.75	309	316	43	42	41.1	38.8	17.80	15.20	18.40	16.00	18.60	16.20
	2017	3.79	3.96	325	330	28	26	3.2	3.6	17.60	18.30	18.50	19.60	17.90	18.50
	2019	4.05	4.02	350	351	7	7	23.8	19.4	20.70	18.30	22.90	18.60	22.60	19.20
3.5	2014	4.25	4.23	286	290	64	63	6.9	6.4	30.40	23.80	30.70	23.60	29.70	23.10
	2015	4.15	4.16	297	304	54	51	19.3	17.3	27.90	22.80	27.80	23.30	27.50	23.00
	2016	4.17	4.19	308	315	44	42	10.3	10.6	30.60	23.80	31.00	24.50	30.40	24.60
	2017	4.11	4.15	322	326	31	32	29.7	19.3	26.10	25.30	27.80	26.40	27.00	25.90
	2018	4.44	4.39	339	341	16	17	9.2	7.6	38.70	39.40	42.90	42.70	42.80	42.50
	2019	4.54	4.47	347	349	9	9	21.6	15.8	40.80	42.40	44.40	45.60	42.70	45.30
4	2014	4.58	4.59	285	289	66	65	7.1	6.8	33.60	27.40	33.20	27.30	33.00	26.60
	2015	4.60	4.59	300	303	53	53	2.2	1.8	38.90	29.50	38.50	28.40	39.00	28.50
	2016	4.58	4.61	310	312	43	45	1.5	1.8	40.80	29.70	41.50	28.90	40.70	27.40
	2017	4.47	4.53	323	326	31	32	14.2	10.6	35.20	32.20	36.40	33.20	35.30	32.00
	2018	4.76	4.77	341	345	15	14	27.1	15.2	48.10	49.80	51.00	53.50	51.00	54.70
	2019	4.94	4.85	345	348	11	11	9.1	4.9	54.10	51.80	57.70	55.30	59.20	56.40
4.5	2014	5.12	5.13	283	288	68	67	0.3	0.2	47.10	39.10	47.40	38.00	47.60	37.80
	2017	5.03	4.94	324	326	31	32	1.6	1.7	38.40	34.90	39.00	36.30	39.40	36.10
	2018	5.24	5.19	342	344	14	14	6.1	5.1	51.60	52.00	52.60	53.20	52.10	54.80
	2019	5.39	5.31	345	347	11	12	3.5	1.3	51.90	54.20	53.00	56.50	54.50	59.10
5	2018	5.75	5.72	342	343	14	15	1.2	0.7	50.30	51.70	49.60	47.50	48.20	47.50
	2019	5.88	5.84	347	347	10	11	0.7	0.7	51.40	50.30	49.30	49.20	47.00	52.80

Source: RiskSpan calculations from data available publicly as of January 2020. Calculations exclude pools with pool age equal to two or less, and exclude specified pools (see appendix for definition).



Table 2: 30-year TBA-eligible, less Specified Pools, Cohort Quartile Report for Qualifying Cohorts

30-year, 2.5	Quartile 1		Quartile 2		Quartile 3		Quartile 4	
Fannie Mae	7.2		2.4		1.9		1.4	
Freddie Mac	8.1		2.6		2.0		1.7	
Difference	-0.9		-0.2		-0.1		-0.3	
Attributes	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE
WALA	24	36	5	5	4	3	9	4
WAC	3.44	3.37	3.53	3.53	3.50	3.51	3.48	3.50
ALS	312	310	347	336	350	341	335	340
FICO	768	772	768	768	769	768	767	768

30-year, 4.0	Quartile 1		Quartile 2		Quartile 3		Quartile 4	
Fannie Mae	48.0		38.6		29.2		17.4	
Freddie Mac	48.0		38.2		28.4		19.5	
Difference	0.0		0.4		0.8		-2.1	
Attributes	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE
WALA	16	15	20	21	31	32	43	48
WAC	4.79	4.77	4.68	4.66	4.50	4.53	4.59	4.58
ALS	301	314	301	309	293	295	265	263
FICO	748	752	745	748	740	735	735	736

30-year, 3.0	Quartile 1		Quartile 2		Quartile 3		Quartile 4	
Fannie Mae	19.6		13.1		10.6		3.6	
Freddie Mac	17.0		13.6		11.6		3.5	
Difference	2.6		-0.5		-1.0		0.1	
Attributes	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE
WALA	39	37	42	43	35	38	14	8
WAC	3.83	3.83	3.68	3.75	3.67	3.71	3.87	3.89
ALS	297	304	300	300	304	299	313	324
FICO	763	762	764	761	764	762	760	759

30-year, 4.5	Quartile 1		Quartile 2		Quartile 3		Quartile 4	
Fannie Mae	51.1		41.9		36.3		20.7	
Freddie Mac	52.3		42.4		36.2		22.8	
Difference	-1.2		-0.5		0.1		-2.1	
Attributes	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE
WALA	15	14	16	17	20	22	27	28
WAC	5.28	5.24	5.24	5.18	5.18	5.02	5.08	5.05
ALS	295	311	299	305	296	295	275	267
FICO	719	729	715	720	710	721	711	713

30-year, 3.5	Quartile 1		Quartile 2		Quartile 3		Quartile 4	
Fannie Mae	33.4		22.0		18.7		10.8	
Freddie Mac	32.5		22.0		20.3		13.9	
Difference	0.9		0.0		-1.6		-3.1	
Attributes	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE
WALA	27	22	37	39	42	43	31	35
WAC	4.33	4.31	4.11	4.14	4.08	4.14	4.18	4.16
ALS	296	309	296	294	294	289	286	285
FICO	753	757	757	753	756	754	751	753

30-year, 5.0	Quartile 1		Quartile 2		Quartile 3		Quartile 4	
Fannie Mae	51.0		44.5		38.0		19.8	
Freddie Mac	51.4		45.5		38.1		17.5	
Difference	-0.4		-1.0		-0.1		2.3	
Attributes	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE
WALA	14	13	14	15	16	14	15	12
WAC	5.79	5.79	5.82	5.73	5.77	5.75	5.70	5.62
ALS	280	288	283	274	286	286	267	292
FICO	686	710	683	698	685	699	690	697

* FHFA omits the average prepayment speeds of pools with the age less than 3m and coupon cohorts with a combined UPB less than \$1b.
 * The weighted-average statistics that are published in this table use beginning-of-quarter balances and end-of-quarter WAC, WALA, and FICO.
 ALS statistics represent a simple average of all loans in the cohort.



Table 3: Q4 2019 30-year, TBA-eligible MBS Total Industry Quarterly Issuance Report*

	2.00%		2.50%		3.00%		3.50%		4.00%		4.50%		5.00%		5.50%		6.00%		All Loans	
	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE	FNM	FRE
Loan Count	117	4	88,545	79,314	308,790	241,263	96,309	69,175	38,232	27,583	14,351	11,956	8,156	7,014	29	298	45	217	554,574	436,824
UPB (billions)	0.03	0.00	30.90	27.09	87.26	66.75	20.56	15.51	7.84	5.15	2.74	1.90	1.47	1.23	0.00	0.04	0.01	0.05	150.81	117.72
% of Production Volume	0.00	0.00	20.50	23.00	57.90	56.70	13.70	13.10	5.20	4.40	1.80	1.60	1.00	1.00	0.00	0.00	0.00	0.00	100.00	100.00
WA Note Rate (%)	2.88	3.10	3.48	3.49	3.84	3.87	4.28	4.31	4.79	4.78	5.20	5.21	5.61	5.61	6.22	6.24	6.43	6.55	3.92	3.92
WA Loan Age (mos.)	8	3	1	1	2	2	2	2	4	2	3	3	5	2	3	4	26	6	2	2
WA FICO	762	724	768	767	755	755	734	733	717	719	710	719	706	705	672	706	695	698	751	752
WALTV	0.79	0.95	0.74	0.75	0.77	0.78	0.77	0.78	0.77	0.77	0.81	0.77	0.79	0.78	0.82	0.79	0.86	0.77	0.76	0.78
%FICO<680	1.00	0.00	1.00	1.00	3.00	3.00	11.00	12.00	24.00	24.00	32.00	28.00	35.00	38.00	63.00	41.00	58.00	47.00	6.00	5.00
%FICO>740	74.00	37.00	82.00	82.00	67.00	67.00	46.00	45.00	34.00	36.00	30.00	38.00	29.00	27.00	6.00	31.00	28.00	27.00	64.00	65.00
%LTV>80	46.00	100.00	28.00	32.00	35.00	37.00	34.00	33.00	28.00	24.00	36.00	24.00	28.00	23.00	31.00	23.00	59.00	17.00	33.00	35.00
%FICO<680 & LTV>80	1.00	0.00	0.00	0.00	1.00	1.00	4.00	3.00	8.00	7.00	13.00	8.00	9.00	9.00	0.00	3.00	34.00	3.00	2.00	1.00
%DTI>40	43.00	0.00	28.00	30.00	35.00	36.00	42.00	42.00	46.00	43.00	48.00	43.00	49.00	46.00	45.00	40.00	58.00	46.00	36.00	36.00
%Purchase	68.00	100.00	35.00	43.00	45.00	50.00	49.00	51.00	49.00	49.00	61.00	57.00	55.00	50.00	31.00	49.00	75.00	54.00	44.00	49.00
%Rate/Term	27.00	0.00	52.00	48.00	37.00	34.00	21.00	19.00	13.00	12.00	8.00	7.00	8.00	6.00	2.00	6.00	6.00	5.00	36.00	33.00
%Cash out	5.00	0.00	12.00	10.00	18.00	16.00	30.00	30.00	38.00	39.00	31.00	36.00	37.00	44.00	67.00	45.00	19.00	42.00	20.00	18.00
%Owner Occupied	94.00	100.00	97.00	96.00	95.00	95.00	87.00	88.00	76.00	73.00	68.00	53.00	56.00	55.00	82.00	47.00	68.00	36.00	92.00	92.00
%Second Home	6.00	0.00	3.00	3.00	4.00	4.00	4.00	4.00	3.00	3.00	2.00	2.00	2.00	1.00	0.00	0.00	0.00	1.00	4.00	4.00
%Investor	0.00	0.00	0.00	0.00	1.00	1.00	9.00	8.00	21.00	24.00	29.00	45.00	42.00	44.00	18.00	53.00	32.00	63.00	4.00	4.00

*Numbers in the table represent end of quarter, not at-securitization, values. UPB = unpaid principal balance; WA = weighted average; WAC = weighted average coupon; WALA = weighted average loan age; LTV = loan-to-value ratio; DTI = debt-to-income ratio.

Source: RiskSpan calculations from data available publicly as of January 2020.



Glossary

Average loan size (ALS) refers to the average dollar amount of the loans as stated on the notes at the time the loans were originated or modified.

Cohort refers to those Enterprise TBA-eligible securities with the same coupon, maturity, and loan-origination year where the combined unpaid principal balance of such securities exceeds \$10 billion. The loan-origination year is calculated as the value-weighted average of the origination years of the mortgages collateralizing a security.

Conditional prepayment rate (CPR), also known as the constant prepayment rate, measures prepayments as a percentage of the current outstanding principal balance of the pool of loans backing a mortgage-backed security or cohort of those securities. The CPR is expressed as a compound annual rate.

Debt-to-income (DTI) ratio is the ratio obtained by dividing the total monthly debt expense by the total monthly income of the borrower at the time the loan was originated or modified.

Fastest paying quartile of a cohort means the quartile of a cohort that has the fastest prepayment speeds as measured by the three-month CPR. The quartiles shall be determined by ranking outstanding TBA-eligible securities with the same coupon, maturity, and loan-origination year by the three-month CPR, excluding specified pools, and dividing each cohort into four parts such that the total unpaid principal balance of the pools included in each part is equal.

FICO refers to a credit score produced by FICO and used in the mortgage underwriting process.

Loan-to-value (LTV) ratio is the ratio, expressed as a percentage, obtained by dividing the amount of the loan at origination by the value of the property.

Specified pools for the purpose of this report, are those pools with one or more of the following characteristics at issuance: a maximum loan size of \$200,000, a loan-to-value ratio at the time of loan origination of greater than 80 percent, a FICO score



of less than 700, where all loans finance investor-owned properties, or where all loans finance properties in the states of New York or Texas or the Commonwealth of Puerto Rico.

To-be-announced (TBA) market is a forward market for certain mortgage-backed securities, including those issued by Fannie Mae and Freddie Mac.

Uniform Mortgage-Backed Security (UMBS) is the new single, common mortgage-backed security that Fannie Mae and Freddie Mac issues, which replaced their previous offerings of TBA-eligible single class, fixed-rate mortgage backed securities.

Unpaid principal balance (UPB) is the portion of a loan that the borrower has not yet paid back to the lender.

Weighted average coupon (WAC) refers to the average gross interest rates owed on the mortgages underlying the security weighted by the percentage of the security's unpaid principal balance that each mortgage represents.

Weighted average loan age (WALA) refers to the average number of months since the date of origination of mortgages underlying the security weighted by the percentage of the security's unpaid principal balance that each mortgage represents.

Weighted average maturity (WAM) refers to the average number of months remaining until the final payment is due on mortgages underlying the security weighted by the percentage of the security's unpaid principal balance that each mortgage represents.

