Single Security Initiative

Single Security Initiative Update
Table of Contents

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

<table>
<thead>
<tr>
<th>Single Security Initiative</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• New uniform mortgage-backed security</td>
<td></td>
</tr>
<tr>
<td>• Common features</td>
<td></td>
</tr>
<tr>
<td>• Single TBA market</td>
<td></td>
</tr>
<tr>
<td>• Issued by Fannie Mae and Freddie Mac</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Issuer/Guaranty Structure</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Level 1: UMBS; Level 2: Supers</td>
<td></td>
</tr>
<tr>
<td>• Supports commingling in second-level resecuritizations</td>
<td></td>
</tr>
<tr>
<td>• Issuer of top level security is guarantor</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Alignment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• 55-day payment delay</td>
<td></td>
</tr>
<tr>
<td>• Prefixes: use Fannie Mae FICC Clearing Code (01F)</td>
<td></td>
</tr>
<tr>
<td>• Disclosures: aligned to Freddie Mac new format</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Timing</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Implementation in Q2 2019</td>
<td></td>
</tr>
<tr>
<td>• Trading activities, including optional exchange*, will begin several months in advance of implementation</td>
<td></td>
</tr>
</tbody>
</table>

* 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

<table>
<thead>
<tr>
<th>Assess</th>
<th>Plan</th>
<th>Budget</th>
<th>Keep Informed</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Review Market Adoption Playbook**&lt;br&gt;• Complete initial impact assessment&lt;br&gt;• Develop level of effort estimate</td>
<td>• Develop plan&lt;br&gt;• Identify and reach out to internal and external resources, coordinating with other internal divisions&lt;br&gt;• Identify key milestones to complete changes in 2018</td>
<td>• Submit and obtain funding, if needed&lt;br&gt;• Coordinate with other affected internal divisions</td>
<td>• Sign up for initiative updates&lt;br&gt;• Participate in working group sessions, trade associations, conferences&lt;br&gt;• Look for Market Adoption Playbook and FAQ updates</td>
</tr>
</tbody>
</table>

** See Resources page for links
Resources

Fannie Mae
Website: www.fanniemae.com/singlesecurity
Technical:
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/Policy ProgramsResearch/Policy/Pages/Single-Security.aspx