



## **Capital Markets Operations Guidelines – MBS Tips for Working with Fannie Mae’s Capital Markets Operations Teams**

The purpose of this document is to assist lenders in the operational mechanics involved in trading, delivering, and settling MBS securities with the Fannie Mae Capital Markets Pricing and Sales Desk. This document provides descriptions of common processes, helpful hints, and contact information for the associated operational functions.

### **Contents**

MBS Trading Counterparty Maintenance .....	2
Trade Assignments and Confirmations .....	3
Fannie Majors Pool Creation .....	4
MBS Allocations .....	5
MBS Settlements and Clearance .....	6



## MBS Trading Counterparty Maintenance

Functions		Contact Information
<b>New Account Set-up and Maintenance</b>	<p>Fannie Mae maintains and must have all counterparty-related documentation for MBS trading counterparties, such as:</p> <ul style="list-style-type: none"><li>• Trading Authority documents (e.g., Officer Certificates or Power of Attorney (POA) forms for third-party hedging accounts).</li><li>• Wire Instructions for cash and security deliveries (if applicable).</li><li>• Customer Agreement forms.</li><li>• Customer contact information.</li></ul> <p>See <i>Selling Guide</i> Chapter C3-7-01, <a href="#">Establish MBS Trading Accounts</a>.</p>	<p><a href="mailto:counterparty_maintenance@fanniemae.com">counterparty_maintenance@fanniemae.com</a> Phone: 202-752-8630</p>
<b>Need To Know</b>	<ul style="list-style-type: none"><li>• Lenders interested in establishing an MBS trading account should contact the Capital Markets Pricing and Sales Desk (1-800-752-0257).</li><li>• All documentation must be filled out completely and accurately. When changes occur, the lender is responsible for notifying Fannie Mae in a timely manner.</li><li>• Wire instructions must be received on company letterhead or on the approved Fannie Mae Customer Account Information document. Both documents must be signed by an authorized signatory. Incorrect or missing wire instructions may result in a late settlement, a delay in receiving payment from Fannie Mae, and fail fines being charged per industry guidelines.</li><li>• A verbal call-back process is used to confirm that the correct wiring instructions are being updated.</li><li>• Trader authorizations (including Fannie Mae Officer Certificates) require two signatures.</li></ul>	



## Trade Assignments and Confirmations

Functions		Contact Information
<b>Trade Assignments</b>	<p>All TBA (To Be Announced) trade assignments must be received by 2 p.m. ET on the day that is 72 business hours prior to settlement (72-hour day). Trade assignments not received by 2 p.m. ET may be classified as a “fail” and are subject to fines per industry guidelines. <b>Note:</b> Trade assignments associated with an Early Funding transaction must be received by noon ET the day prior to funding and the 72-hour rule still applies. See <a href="#">Agency MBS Fails Charge Trading Practice</a>.</p> <ul style="list-style-type: none"> <li>Trade assignments are processed by Fannie Mae in the order received. Customers should expect processing times to increase during peak volume periods such as SIFMA's major class settlements (A, B, C) and month-end. See <b>Pool Settlement Dates</b> on the <a href="#">Loan Delivery page</a>.</li> <li>The assignor may only assign "sell" transactions.</li> <li>The assignor and the buyer/investor must be approved counterparties with the Capital Markets Pricing and Sales Desk.</li> <li>The assignor and buyer/investor must have a sufficient credit limit at Fannie Mae to execute the assignment. (See definitions below)</li> </ul>	<p><a href="mailto:capmrktsops_tradeassignments@fanniemae.com">capmrktsops_tradeassignments@fanniemae.com</a>            Phone: 202-243-5423            Fax: 240-699-3890</p>
<b>Need To Know</b>	<p><b>Definitions:</b></p> <ul style="list-style-type: none"> <li><b>Trade Assignment</b> – An agreement in which an obligation to fulfill an existing forward trade is assigned by one of the original counterparties to a third party.</li> <li><b>Assignor</b> – The counterparty that is initiating the trade assignment (the seller).</li> <li><b>Assignee</b> – The third party to which the trade is being assigned.</li> <li><b>Buyer/Investor</b> – The original buying counterparty in the transaction being assigned.</li> </ul> <p>For an example trade assignment letter template, please contact the <a href="#">Trade Assignments</a> group.</p>	
<b>Trade Confirmations</b>	<p>It is imperative to confirm all MBS trading activity within one (1) business day of trade execution. The required trade details vary by transaction. Confirmations can be accepted via email or telephone. To confirm via email, forward the trade confirmation statement to Trade Confirmation Operations with your agreement or detail any discrepancy in the body of the email.</p> <ul style="list-style-type: none"> <li>Send an email to <a href="#">Trade Confirmation Operations</a> to add/remove/edit recipients that receive trade confirmations.</li> </ul> <p>See <i>Selling Guide</i> Chapter C3-7-02, <a href="#">Initiating an MBS Sale</a>.</p>	<p><a href="mailto:capmrktsops_tradeconfirmation@fanniemae.com">capmrktsops_tradeconfirmation@fanniemae.com</a>            Phone: 202-243-5423</p>



## Fannie Majors Pool Creation

Functions		Contact Information
<b>Fannie Majors® Pool Creation</b>	<p>Fannie Majors are typically multiple-lender Fannie Mae MBS comprised of current production 30-, 20-, 15-, 10-year fixed rate; High Balance; or LTV &gt; 105%. Participating lenders call the Portfolio Transactions Team to request to open a <a href="#">Fannie Majors</a> pool. A minimum amount of \$1 million is required to open a new Majors pool. A lender with less than \$1 million can ask to be placed on the pending Majors list. The lender will then be notified when other lenders inquire about that pool and the \$1 million minimum has been reached. See <i>Selling Guide</i> Chapter C3-6, <a href="#">Pooling Loans into Fannie Majors</a>.</p>	<p><a href="mailto:portfoliommo_transaction@fanniemae.com">portfoliommo_transaction@fanniemae.com</a> Phone: 202-752-8630</p>
<b>Need To Know</b>	<ul style="list-style-type: none"> <li>All Majors must be opened and all loans must be delivered by the sixth to last business day of the month. See <b>Pool Settlement Dates</b> on the <a href="#">Loan Delivery page</a>.</li> <li>The table below shows product eligibility for Fannie Majors pools.</li> </ul>	

### Fannie Majors Eligible Pools

Pool Prefix	Term and Description
CL	30-Year Fixed Rate Program
CT	20-Year Fixed Rate Program
CI	15-Year Fixed Rate Program
CN	10-Year Fixed Rate Program
CK	30-Year Fixed Rate High Balance Program
CJ	15-Year Fixed Rate High Balance Program
CR	30-Year Fixed Rate Refi Plus LTV>125%
CV	15-Year Fixed Rate Refi Plus LTV105% – 125%
CW	15-Year Fixed Rate Refi Plus LTV>125%
CQ	30-Year Fixed Rate Refi Plus LTV105% – 125%



## MBS Allocations

Functions		Contact Information
<b>Pool Information</b>	All pool information for TBA (To Be Announced) or stipulated trades must be submitted 48 hours prior to settlement day (48-hour day) by 3 p.m. ET or earlier. Pool information should be submitted in the template provided by the <a href="#">Fannie Mae Pool Info</a> group and in the exact amounts the deliveries will be made.	<a href="mailto:pool_info@fanniemae.com">pool_info@fanniemae.com</a> Phone: 202-752-5384 Fax: 202-752-3439
<b>Need To Know</b>	<ul style="list-style-type: none"> <li>All pool information received after 3 p.m. ET on a 48-hour day will be processed for delivery the day after the intended settlement date and may be subject to a pool fail fine. See <b>Pool Settlement Dates</b> on the <a href="#">Loan Delivery page</a>.</li> <li>Any deliveries that do not match the pool information will be sent back (also referred to as being DK'd (don't know)) and redeliveries may not be accepted on settlement day.</li> <li>For more information about submitting pool information and allocations, please refer to the <a href="#">MBS Pool Transaction Overview</a>.</li> </ul>	
<b>Pool Corrections</b>	All pool corrections will be treated as new pool allocations and must be submitted before 12:15 p.m. in order to accept delivery 48 hours after the correction request. Any corrections submitted after the deadline on that day will be accepted for delivery 72 hours after the correction request.	<a href="mailto:pool_info@fanniemae.com">pool_info@fanniemae.com</a> Phone: 202-752-5384 Fax: 202-752-3439
<b>MBS Pair-off Fee Confirmation</b>	<p>An MBS pair-off is a transaction during which offsetting buy and sell trades are settled in cash based on the difference in prices and settlement dates of the two trades.</p> <ul style="list-style-type: none"> <li>All pair-off monies can be confirmed by the <a href="#">Allocations Operations</a> team. Requests can also be made to provide the pair-off details.</li> <li>Pair-off statements will be emailed to the lender on the day of settlement when pair-off money is owed to Fannie Mae. Send an email to <a href="#">Allocations Operations</a> to add/remove/edit recipients that receive the pair-off statements.</li> </ul>	<a href="mailto:mbs_pairoffs@fanniemae.com">mbs_pairoffs@fanniemae.com</a> Phone: 202-752-5384 Fax: 202-752-3439
<b>Need To Know</b>	<ul style="list-style-type: none"> <li>All trade-related pair-off questions should be directed to the <a href="#">Capital Markets Pricing and Sales Desk</a>.</li> <li>All pair-off money owed must be paid on the respective settlement day.</li> </ul>	
<b>Pool Fail Fines</b>	Per industry guidelines, updated as of July 1, 2013, all securities not delivered on settlement day will be subject to a fail fine. For details and a breakdown of the fee calculations, refer to the <a href="#">Agency MBS Fails Charge Trading Practice</a> .	<a href="mailto:Pool_fail_fines@fanniemae.com">Pool_fail_fines@fanniemae.com</a> Phone: 202-752-5384 Fax: 202-752-3439



## MBS Settlements and Clearance

Functions		Contact Information
<p><b>MBS Issuance</b> Fannie Mae distributes newly created Fannie Mae mortgage-backed securities (MBS) on behalf of lenders. Wire transfer and settlements services are provided via the FedWire Funds and Securities services.</p>		
Settlement Method	Definition	Timing
<b>Delivery Versus Payment (DVP)</b>	<b>DVP</b> is a settlement mechanism/method in which the transfer of securities and associated payment occur simultaneously. This ensures that the final transfer of one asset occurs if, and only if, the final transfer of another asset (or other assets) occurs.	<p>All security issuances (ex. Lender Swaps, Bailees, As Soon As Pooled®) are issued between 8:30 a.m. and 2:30 p.m. ET within the Fed New Issues Window for Fedwire Securities Service.</p> <p>OI and DVF payments typically are made after 3 p.m. ET.</p> <p><a href="mailto:capmktops_settlements@fanniemae.com">capmktops_settlements@fanniemae.com</a> Phone: 202-752-8026</p>
<b>Delivery Versus Free (DVF)</b>	<b>DVF</b> is a settlement mechanism/method in which the transfer of securities occurs for free (without the simultaneous exchange of associated payment). The corresponding funds payment is manually sent to the lender or warehouse bank by Fannie Mae via a separate cash wire.	
<b>Original Issue (OI)</b>	<b>OI</b> is a Fannie Mae newly issued security whereby Fannie Mae Capital Markets Pricing and Sales Desk is the investor of the security and the security is issued “free” by Fannie Mae (as the issuing agent) directly to the Fannie Mae Capital Markets Pricing and Sales Desk (as the investor). The corresponding funds payment is manually sent to the lender or its warehouse bank by Fannie Mae via a separate cash wire. <b>Note:</b> The use of OI to describe a DVF (free) delivery is generally used within Fannie Mae. Market participants typically describe this as a free delivery.	
<b>Need To Know</b>	<ul style="list-style-type: none"> <li>Lenders can also take advantage of the ASAP Sale program by early funding their MBS securities up to 45 days in advance of the SIFMA settlement date. For more information about <a href="#">Early Funding</a> programs please contact the desk at 866-944-3863.</li> <li>Pool issuance delivery instructions are submitted using <a href="#">Loan Delivery</a>. If a lender needs to revise security delivery instructions of an MBS issuance to the Fannie Mae Capital Markets Pricing and Sales Desk on the settlement date, the lender cannot submit revised delivery instructions through Loan Delivery. The lender must provide the security delivery instructions on company letterhead, signed by an authorized signatory and emailed to <a href="#">Counterparty Maintenance</a>.</li> <li>See <a href="#">DVP vs. DVF Comparison Document</a> and <i>Selling Guide</i> Part C, <a href="#">Selling, Securitizing, and Delivering Loans</a>.</li> <li>OI and DVF funding generally occurs on the same day, but Fannie Mae does not guarantee same-day funding.</li> </ul>	



## MBS Settlements and Clearance (cont.)

Pair-off and Cash Settlement Wires			
Fannie Mae processes real-time transfer of cash through the Federal Reserve or Depository Trust & Clearing Corporation (DTCC).			
Settlement Method		Timing	
<b>TBA (To Be Announced) Pair-offs</b>	TBA pair-off monies due to Fannie Mae need to be received from the lender on settlement date. Conversely, if applicable, pair-offs due to the lender will be paid by Fannie Mae on settlement date.	All cash transfers must be transferred between 8:30 a.m. and 6 p.m. ET within the Fed Window for Fedwire Securities Service.	<a href="mailto:capmktops_settlements@fanniemae.com">capmktops_settlements@fanniemae.com</a> Phone: 202-752-8026
<b>Original Issue and DVF Payments</b>	<b>OI and DVF payments</b> are manually sent to the lender or warehouse bank by Fannie Mae via a separate cash wire, typically after 3 p.m.		
<b>Need To Know</b>	<ul style="list-style-type: none"> <li>MBS Cash delivery Instructions, which must be on company letterhead and signed by an authorized signatory, are set up with <a href="#">Counterparty Maintenance</a>.</li> <li>OI and DVF funding generally occurs on the same day, but Fannie Mae does not guarantee same-day funding.</li> <li>A lender can have only one set of OI instructions on file with the Capital Markets Pricing and Sales Desk.</li> </ul>		