



Freddie Mac and Fannie Mae

Single Security Initiative Market Adoption Playbook



Fannie Mae™

Freddie Mac

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1 Introduction and Features

1.1 Purpose of the Document

The purpose of this document is to provide an explanation of impending changes to the security programs of Fannie Mae and Freddie Mac (the Enterprises) associated with the Single Security Initiative. The intent is to clarify the characteristics of the new securities that the Enterprises will be issuing, “Uniform Mortgage-Backed Securities™” or “UMBS™” and “Supers™,” and to provide more detailed information about how the transition to these securities will affect the day-to-day operations of key market segments. The document is a playbook in the sense that it identifies possible actions market participants should consider taking to ensure a smooth transition to TBA trading in the new securities. This document should serve as a tool to help you plan to adapt your business policies, procedures, and processes to the introduction of UMBS and Supers when the Single Security Initiative is implemented in Q2 2019.

For more details on the Single Security Initiative, refer to either of the Enterprise’s websites:

- http://www.freddiemac.com/single_security
- <http://www.fanniemae.com/singlesecurity>

Please direct any questions, comments and feedback to single_security@freddiemac.com or single_security@fanniemae.com.

1.2 Introduction

The Single Security Initiative will create a new mortgage-backed security (MBS) to be issued and guaranteed by either Fannie Mae or Freddie Mac and backed by fixed-rate 30-, 20-, 15- and 10-year single-family mortgage loans. The security will be called the “Uniform MBS” or “UMBS.” Single Class resecuritizations of UMBS will be called “Supers.” The Single Security Initiative is expected to strengthen the U.S. mortgage market by supporting liquidity in the To-Be-Announced (TBA) market, thereby maintaining or possibly lowering the cost of housing finance and benefiting borrowers, taxpayers, and investors.



1.3 Features

Key Features of the UMBS and Supers																		
Timeline	The Single Security Initiative is scheduled to be implemented in Q2 2019																	
Security Structure	Security Issuer and Guarantee Structure	Each UMBS or Supers security will be issued and guaranteed by either Fannie Mae or Freddie Mac																
	Levels of Securitization	Level 1 – UMBS Level 2 – Supers Level 3 – REMIC																
	Resecuritization	Second and third-level securitizations (called resecuritizations) of securities issued by either Enterprise:																
		<table border="1"> <thead> <tr> <th>Supers (similar to Megas and Giants)</th> <th>REMICs</th> </tr> </thead> <tbody> <tr> <td>Can be backed by UMBS or other Supers (either issuances of one Enterprise or a commingling of issuances of both Enterprises)</td> <td>Can be backed by new or exchanged UMBS or Supers (either issuances of one Enterprise or a commingling of issuances of both Enterprises), or other REMIC groups</td> </tr> <tr> <td>and/or</td> <td>and/or</td> </tr> <tr> <td>Existing TBA-eligible MBS and/or Megas issued by Fannie Mae</td> <td>Existing/Legacy securities (either issuances of one Enterprise or a commingling of both)</td> </tr> <tr> <td>and/or</td> <td></td> </tr> <tr> <td>Legacy TBA-eligible PCs and/or Giants issued by Freddie Mac that have been exchanged (See section 6)</td> <td></td> </tr> </tbody> </table>	Supers (similar to Megas and Giants)	REMICs	Can be backed by UMBS or other Supers (either issuances of one Enterprise or a commingling of issuances of both Enterprises)	Can be backed by new or exchanged UMBS or Supers (either issuances of one Enterprise or a commingling of issuances of both Enterprises), or other REMIC groups	and/or	and/or	Existing TBA-eligible MBS and/or Megas issued by Fannie Mae	Existing/Legacy securities (either issuances of one Enterprise or a commingling of both)	and/or		Legacy TBA-eligible PCs and/or Giants issued by Freddie Mac that have been exchanged (See section 6)					
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Products & Pooling Rules	Terms	<table border="1"> <thead> <tr> <th></th> <th>Minimum Term</th> <th>Maximum Term</th> </tr> </thead> <tbody> <tr> <td>10-year security</td> <td>85 Months</td> <td>120 Months</td> </tr> <tr> <td>15-year security</td> <td>85 Months</td> <td>180 Months</td> </tr> <tr> <td>20-year security</td> <td>181 Months</td> <td>240 Months</td> </tr> <tr> <td>30-year security</td> <td>181 Months</td> <td>360 Months</td> </tr> </tbody> </table>			Minimum Term	Maximum Term	10-year security	85 Months	120 Months	15-year security	85 Months	180 Months	20-year security	181 Months	240 Months	30-year security	181 Months	360 Months
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Multi-Lender Pools	<ul style="list-style-type: none"> UMBS will continue to enable the formation of multiple-lender pools Max rate difference between Loan Interest Rate and security coupon is 250 basis points 																	
Minimum Submission Amounts	Single Lender: \$1M Multi-Lender: \$1000/Lender \$1M/Security																	





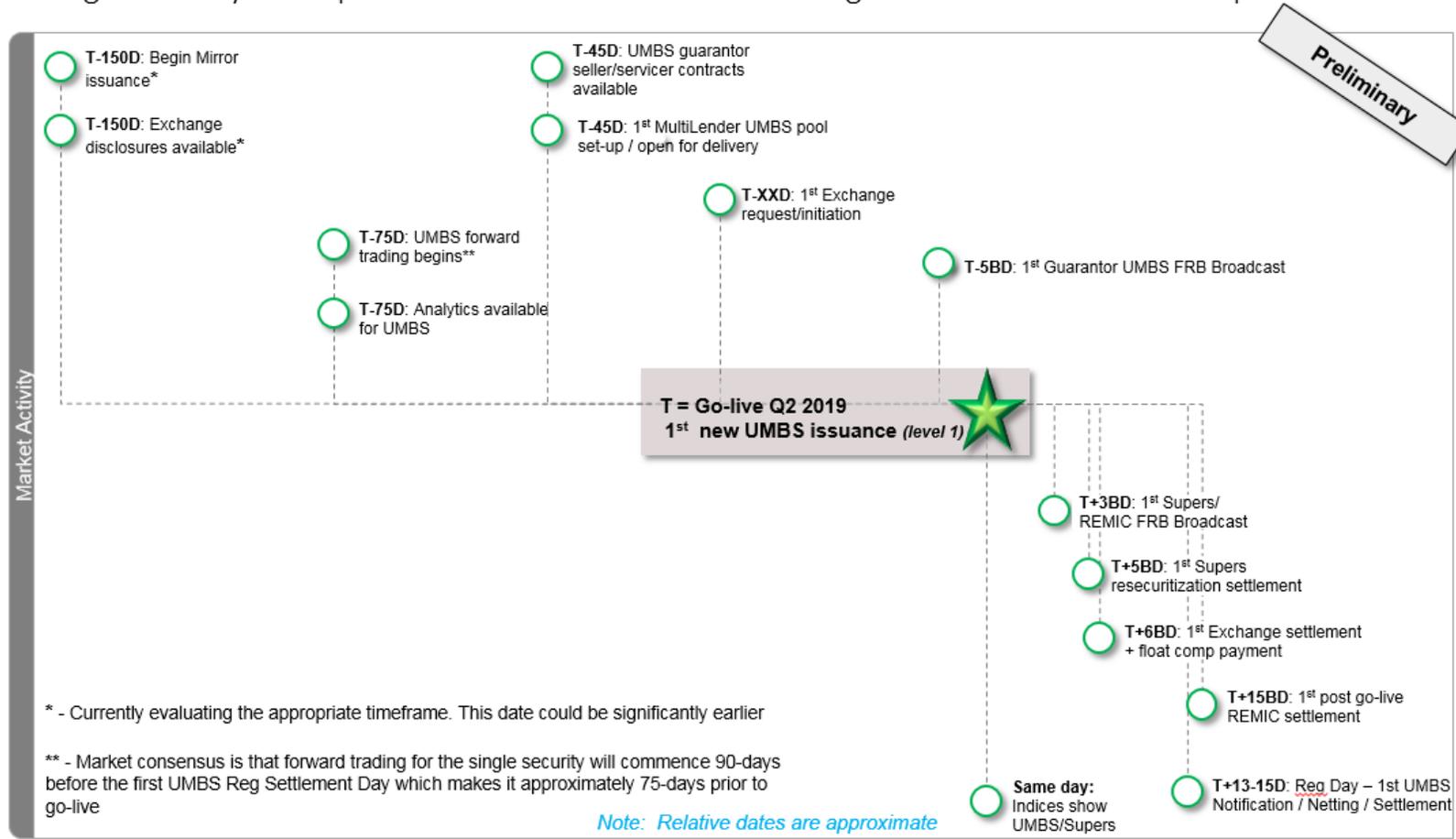
Key Features of the UMBS and Supers					
	<table border="1"> <tr> <td>Non-Assumable Guaranteed Rural Housing Mortgages with LTVs ≤ 105</td> <td>Will not be eligible in TBA pools</td> </tr> <tr> <td>Loan Buy-outs</td> <td>Accelerate buy-outs to occur at 120 days of delinquency</td> </tr> </table>	Non-Assumable Guaranteed Rural Housing Mortgages with LTVs ≤ 105	Will not be eligible in TBA pools	Loan Buy-outs	Accelerate buy-outs to occur at 120 days of delinquency
Non-Assumable Guaranteed Rural Housing Mortgages with LTVs ≤ 105	Will not be eligible in TBA pools				
Loan Buy-outs	Accelerate buy-outs to occur at 120 days of delinquency				
Investor Remittance Date	Payment date will be the 25th (55-day delay) of the month for all product types; if the 25th falls on a holiday or weekend, the payment date will be the next business day after the 25th.				
Disclosures	The disclosure framework for the UMBS or Supers will be similar to the current Freddie Mac Participation Certificate (PC) loan- and security-level disclosures.				
Servicing and Selling Guides	The Enterprises will maintain their separate Servicing and Selling Guides.				
Loan Removal Policies and Practices	<p>The Enterprises have agreed to substantially align the following policies and practices for new securities prior to the implementation of the Single Security Initiative: Reasonably Foreseeable Default (Imminent Default), Removal Permitted Due to Servicer Performance Error, Compliance with Law, and Optional Removal Delinquency Status.</p> <p>For additional details on the changes, please see the FHFA Appendix D (May 2015) found here - http://www.freddiemac.com/mbs/docs/d_loan_removal_policies_practices.pdf</p>				



2 Timeline

The Single Security Initiative go-live date is the first day that the Enterprises will issue UMBS. The timeline below displays relevant dates to market participants in relation to the first UMBS issuance. Forward trading will begin 75 days prior to go-live. The first Reg settlement date occurs approximately 90 days after the start of forward trading. That means the first opportunity to settle TBA trades with the new UMBS securities will be about 15 days after go-live. Exchange of Freddie Mac Gold PCs may be made available to the market prior to the first new UMBS issuance.

Single Security – Sample Transition Dates & Relative Timing for Scheduled Q2 2019 Implementation



* - Currently evaluating the appropriate timeframe. This date could be significantly earlier

** - Market consensus is that forward trading for the single security will commence 90-days before the first UMBS Reg Settlement Day which makes it approximately 75-days prior to go-live



3 Single Security Initiative Naming Conventions

Implementation of the Single Security Initiative will affect the naming conventions for TBA-eligible and non-TBA-eligible securities issued by both Enterprises. All new or exchanged 55-day TBA-eligible securities issued by either Enterprise will be named UMBS or Supers. Freddie Mac 55-day non-TBA-eligible securities will be referred to as MBS or Giant MBS. Fannie Mae 55-day non-TBA-eligible securities will be referred to as MBS or Megas. Freddie Mac will no longer issue Gold PC's after implementation.

The new naming conventions will be reflected on the Enterprises' documentation, disclosures, and marketing materials with the implementation of the Single Security Initiative. Market participants should familiarize themselves with the changes and update their internal processes and documentation if necessary.

	Security Payment Delay	Naming Conventions
Single Security Initiative	All new or exchanged 55-day TBA-eligible securities	<ul style="list-style-type: none"> Uniform MBS/UMBS Supers (<i>singular or plural</i>)
Freddie Mac Securities (Legacy-TBA-eligible & non-TBA-eligible)	45-day securities Legacy Golds	<ul style="list-style-type: none"> Freddie Mac Gold PC[®] (<i>no new issuances once single security initiative is implemented</i>) Freddie Mac Giant PC[®]
	55-day securities non-TBA-eligible	<ul style="list-style-type: none"> Freddie Mac MBS Freddie Mac Giant MBS
	75-day securities ARMs/Legacy 75-day fixed-rate	<ul style="list-style-type: none"> Freddie Mac ARM PCs Freddie Mac ARM Giant PCs Freddie Mac PCs (<i>remaining 75-day fixed-rate</i>)
Fannie Mae Securities (Legacy-TBA-eligible & non-TBA-eligible)	55-day securities ARMs/non-TBA-eligible	<ul style="list-style-type: none"> Fannie Mae MBS Fannie Mae Megas[®]



4 Prefixes and Pool Numbers

❖ Key Changes

- TBA prefixes for UMBS and resecuritizations of UMBS issued by either Enterprise will align to the current prefix convention for Fannie Mae TBA-eligible securities.

Product	UMBS and Supers Prefixes	Reverse REMIC Prefixes
30-year	CL	ZL
20-year	CT	ZT
15-year	CI	ZI
10-year	CN	ZN

- Freddie Mac will also move to a 55-day delay for non-TBA-eligible fixed-rate pools; these will also follow Fannie Mae’s current structure of separate prefix and pool number fields.
- To avoid confusion or duplication for non-TBA-eligible fixed-rate pools, Freddie Mac will assign new prefixes to all 55-day delay non-TBA-eligible products using the Numeric + Alpha format.
 - Freddie Mac will use the Numeric + Alpha format for all prefix assignments, but will exclude any Numeric + Alpha prefixes already in use by Fannie Mae.
 - This will eliminate any Freddie Mac/Fannie Mae prefix overlap going forward.
- **Pool numbers** will be divided between the Enterprises to ensure uniqueness.
 - Fannie Mae will be allotted pool numbers beginning with A-I, and M.
 - Freddie Mac will be allotted pool numbers beginning with Q-Z.
- The tables below detail the current prefix and pool number conventions and the conventions that will be used after the Single Security Initiative implementation. Refer to each Enterprise’s Prefix Guide for additional details. Freddie Mac’s Prefix Guide can be found [here](#). Fannie Mae’s Pool Prefix Glossary can be found [here](#).

Current State of Prefixes and Pool Numbers

	Freddie Mac	Fannie Mae
Approach	<ul style="list-style-type: none"> ▪ One 6-character pool number field with embedded prefix ▪ Primarily alpha-numeric prefix, some alpha-alpha (e.g., modified / reinstated) ▪ Logic for product type, Level 1 vs. Level 2 in embedded prefix ▪ Pool numbers are assigned according to predefined ranges within the prefixes 	<ul style="list-style-type: none"> ▪ One 3-character (two are used) prefix field, plus a separate 6-character pool number field ▪ Majority but not all prefixes are alpha-alpha ▪ Pool number is generally 2 alpha + 4 numeric ▪ Logic for product/loan characteristics is found in prefix
TBA example (30-yr fixed)	C04846	CL AB4321
Non-TBA example (15-yr biweekly)	M51234	BI AD2222
As of August 25, 2017	<p><i>Freddie Mac will implement the new prefix field as of August 25, 2017. Freddie Mac will begin populating the new field with the first 2 characters of the pool number for all legacy securities (both TBA-eligible and non-TBA-eligible). For example, C0 C04846 for TBA-eligible and M5 M51234 for non-TBA-eligible</i></p>	



Future State (new issue 55-day securities at Single Security Initiative Implementation)

	Freddie Mac	Fannie Mae
Approach: <i>Changes in Red Italics</i>	<ul style="list-style-type: none"> ▪ <i>One 3-character (two are used) prefix field plus a separate 6-character pool number field</i> ▪ <i>Use FNM prefixes for TBA-eligible securities</i> ▪ <i>To avoid confusion, FRE is changing prefixes for non-TBA-eligible products to number-alpha construct</i> ▪ <i>Prefix contains logic for product type and term</i> ▪ <i>Pool number ranges will denote execution path and securitization level (e.g., UMBS vs. Supers)</i> ▪ <i>Pool numbers divided between Enterprises to ensure uniqueness - FRE has been allotted pool numbers beginning in Q-Z</i> ▪ <i>FRE legacy securities will copy the first 2 characters of the pool number into the new prefix field</i> 	<ul style="list-style-type: none"> ▪ One 3-character (two used) prefix field plus a separate 6-character pool number field ▪ Majority but not all prefixes are alpha-alpha ▪ Pool number is generally 2 alpha + 4 numeric ▪ Logic is found in prefix ▪ <i>Pool numbers divided between Enterprises to ensure uniqueness - FNM has been allotted pool numbers beginning in A-I, M</i>
TBA example <i>(30-yr fixed UMBS)</i>	<i>CL QA1234</i>	CL AB4321
Non-TBA example <i>(15-yr biweekly)</i>	<i>5V QJ5050</i>	BI AD2222

Red font denotes changes.

❖ Actions Market Participants Should Consider

- Update and test systems, reporting, and other processes or activities to be compatible with new prefix and pool number content and structure (most significant updates for Freddie Mac securities).



5 Disclosures

❖ Key Changes

- Disclosures for UMBS and Supers issued by Fannie Mae or Freddie Mac will be aligned, based on Freddie Mac's disclosure format with some minor enhancements.
- Disclosure specifications and sample files for Level 1, Level 2, and Level 3 securities, as well as the PC exchange, were published by both Enterprises in 2016. This data can be found on the [Freddie Mac Single Security](#) website or the [Fannie Mae Single Security](#) website.
- Freddie Mac will adopt the Single Security Disclosure format for current Single Family PC and Giant securities on August 25 2017; [test files](#) were released in March 2017.
- After the Single Security Initiative is implemented, disclosures will be available from two sources:
 - File download from FannieMae.com or FreddieMac.com
 - Users can subscribe to notifications when files are ready to be retrieved.
- Timing and Types
 - At issuance files will be provided up to 3 times a day
 - A consolidated monthly issuance file will be provided on the first business day after the issuance month.
 - A correction file for changes to at-issuance data will be provided for each of the two months following the issuance month.
 - Ongoing files will be provided on the fourth business day of the month at 4:30 P.M.
- At-Issuance and Ongoing files will be in the same format consisting of three files:
 - Loan-Level File
 - Core File (factors)
 - Supplemental (Stratifications, Quartiles)
- Legacy PC Exchange Activity Files (Daily, Cumulative, Level 1 Aggregate) will also be available.

❖ Actions Market Participants Should Consider

- Review the joint Single Security Initiative disclosure specifications and the related sample and test files
- Update and test internal systems, reports, analytics and similar processes or activities to be compatible with new disclosure files, data, and formats as needed
- Discuss disclosure changes with your disclosure vendor.



6 Exchange Transactions

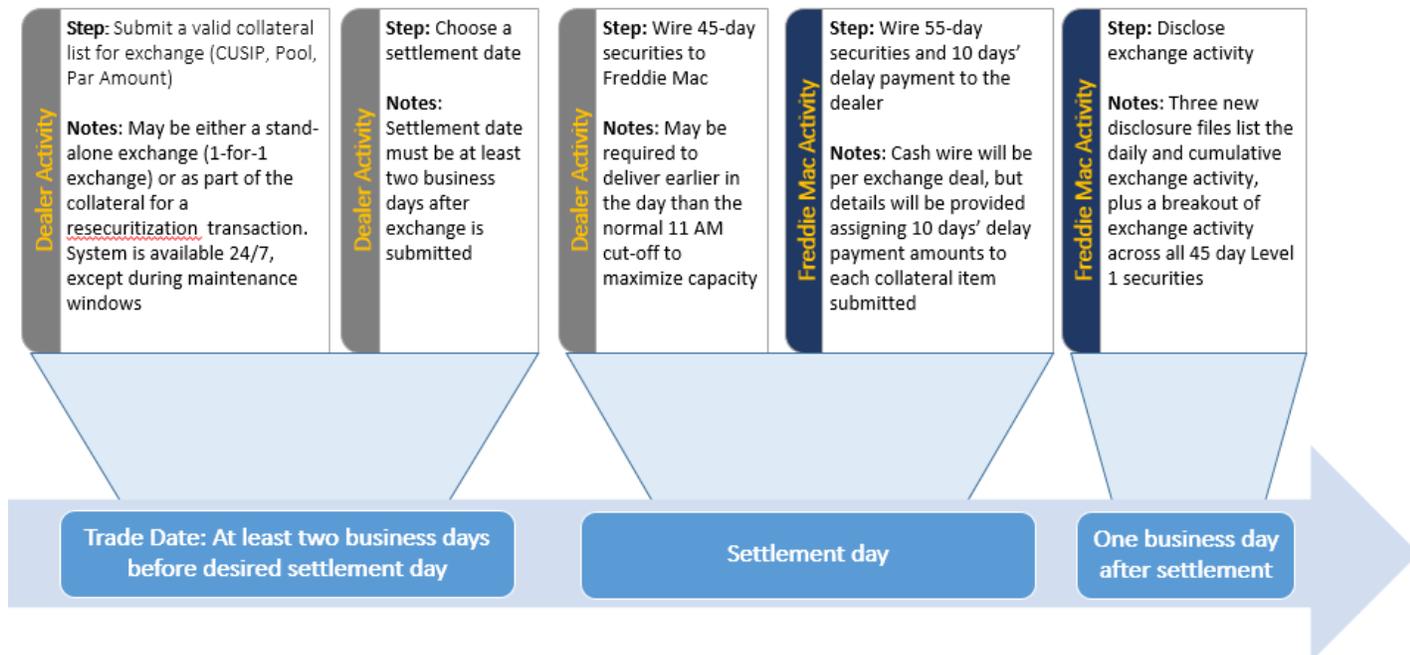
6.1 Exchange

❖ Key Changes

- Freddie Mac will provide holders of the 45-day participation agreements (PC) the option to exchange their PC for a 55-day delay UMBS. The cash flows of the exchanged UMBS will be ultimately backed by the same loans as the original 45-day delay PC.
- All non-ARM, 45-day PCs that are not 100% committed to one or more resecuritizations can be exchanged.
- Freddie Mac will offer an exchange that will be open to holders of legacy 45-day PCs. Freddie Mac will not charge a fee to exchange.
 - Exchange will be initiated at the option of investors and will not be mandatory.
 - Holders of TBA-eligible securities will receive 55-day UMBS or Supers in the exchange, while holders of non-TBA-eligible securities will receive a Freddie Mac 55-day non-TBA-eligible PC.
 - Investors will also receive compensation for the approximate fair value of 10 days' delay in payment.
 - All investors who exchange portions of the same PC will receive portions of the corresponding 55-day security in return. Each investor can decide to exchange their portion independently of other holders of the same PC.
- Dealers participating in Freddie Mac's [Giant Dealer Group](#) will conduct exchanges on behalf of investors. Exchanges will be processed through the Freddie Mac online portal, Freddie Mac Dealer DirectSM.
 - The Dealer will simply upload a file listing the Pool/CUSIP to be exchanged along with the amount of original par they wish to exchange.
 - If an investor chooses to, they may request both an exchange and a Giant (for non-TBA-eligible securities) or a Supers (for TBA-eligible-securities) transaction to settle on the same date. In this case, the Dealer would receive the 55-day mirror securities from the exchange, then immediately return them to Freddie Mac as collateral for the Giant/Supers, which would be issued to the investor through the Dealer.
- The Exchange offer will open on or prior to the implementation date for the new UMBS products and will stay open for the foreseeable future.
- If any of the 45-day collateral is not delivered against an exchange transaction on the settlement date, that transaction will automatically be carried over to the next business day if there is available capacity.
 - The exchange transaction is not DVP.
- Freddie Mac anticipates that capacity on a given day will be set at 50,000 exchange trades to start (some additional capacity can be made available if necessary).
- More details are available in Freddie Mac's [Exchange and Float Compensation paper](#), published in October 2016.



Process Flow for Exchange Transactions Using Dealer Direct Portal



❖ Actions Market Participants Should Consider

- Identify internal exchange process, accountabilities, and decision criteria.
- Adjust and test systems, queries, reports, and other processes or activities as necessary.
- Prepare for exchange of Freddie Mac Gold PCs for 55-day UMBS either at or prior to UMBS launch.
- Confirm how your exchange transactions will be treated with your own accounting and tax advisors.

❖ Decisions Needed

- The Enterprises have submitted a letter to the IRS asking them to confirm that an exchange transaction is not a taxable event and they are awaiting a response.
- The Enterprises submitted a pre-clearance letter on July 5, 2017 to request treatment of the exchange as a minor modification of debt and the 10 days' delay compensation payment as a basis adjustment. They are awaiting the SEC's view of an exchange from an accounting perspective.
- Freddie Mac expects to open the exchange window a short period before Single Security Initiative implementation. Details will be announced soon.



6.2 Mirror Securities

❖ Key Changes

- Freddie Mac will create mirror 55-day Single Securities and mirror non-TBA-eligible 55-day securities on a one-for-one basis for all exchange eligible 45-day PCs. More details are available in Freddie Mac's [Exchange and Float Compensation paper](#), published in October 2016.
 - Most security characteristics, such as issuance UPB and factor, of the new 55-day securities will mirror their corresponding 45-day PCs.
 - The 55-day security will be backed by the same loans that back the exchanged 45-day security.
 - However, the mirror securities will have new CUSIPs, prefixes, pool numbers, and issuance date. (Note: this means that mirror securities will be issued with a factor of less than 1.)
 - 15-year securities that were backed 100% by 10-year collateral at their time of issuance will be mirrored as 10-year 55-day securities.
 - Mirror securities will appear on the Daily New Issue File on the day they are created.
 - Mirror securities will be issued through the Federal Reserve Bank of New York, but Freddie Mac will hold each mirror security until an exchange of the corresponding 45-day security is executed. Thus, exchange transactions will not increase the aggregate supply outstanding.
 - All investors who exchange portions of the same 45-day PC will receive corresponding portions of the respective 55-day mirror security in return.
 - Exchanges are only permitted from 45-day securities to 55-day securities. There is no mechanism planned to reverse exchanges once they settle.
- A new disclosure, called the Cumulative Exchange Activity, will list all mirror securities, their related 45-day securities, and the amount of Original Par exchanged to date. This disclosure will be updated daily.
- When the exchange opens, the Daily Exchange Activity disclosure will report on all exchange activity settling on a given day. Similarly, the Level-1 Aggregate Exchange Activity disclosure will break down all exchanges to date to their lowest level PC collateral; this will show how much of each Level 1 PC is outstanding as 45- and 55-day securities to facilitate calculations by market participants of supply and prepayments.

❖ Actions Market Participants Should Consider

- Understand the new exchange disclosure elements and how tradeable supply will be calculated. As exchanges occur, the portion of the 45-day security that has been exchanged will be removed from tradable supply and the corresponding portion of the 55-day security will be added.

6.3 10-Days' Delay Compensation Payment

❖ Key Changes

- Freddie Mac will provide approximate fair value compensation to investors for the additional 10 days' delay in receipt of payments, representing the difference in payment cycle between 45-day and 55-day securities.
 -
- Freddie Mac will offer a schedule of proposed payment rates that will be informed by fair value, with at least one proposed payment for every term/coupon combination.
 - Freddie Mac may also offer pay-ups for specified security characteristics.
- Freddie Mac will use an option-adjusted spread (OAS) valuation method, leveraging models from Dealers and analytics providers, to determine the proposed payments by valuing the difference between the 45-day and 55-day securities.



- Payments offered to the market could differ from model values. Freddie Mac reserves the right to change values over time.
- Payment amounts will be published through the Freddie Mac website and other sources.

❖ **Actions Market Participants Should Consider**

- You may need to create systems to allocate 10 days' delay compensation payments to different investors or accounts.
- You may want to update their internal systems so that they can automatically load the rate schedule for the 10 days' delay compensation.
- Consult with your accounting and tax advisors on how the 10 days' delay payment will be treated.

❖ **Decisions Needed**

- We have asked the IRS how the compensation associated with 10-days' delay compensation payment will be treated and are awaiting a decision.



7 Exchange Disclosures

❖ Key Changes

- Freddie Mac will produce three new disclosures and a tie out table to inform the market of the progress of the exchanges.
 - **Daily 45-Day to 55-Day Exchange Activity** – Freddie Mac will provide information on all exchange transactions on the preceding business day where a 45-day PC is exchanged for its corresponding 55-day mirror, including original par exchanged and the CUSIPs and security identifiers of the 45-day and 55-day securities.
 - **Cumulative 45-Day to 55-Day Exchange Activity** – Freddie Mac will publish the daily status of all exchange-eligible PCs, regardless of whether any exchange activity has occurred. Freddie Mac will begin to publish this report upon mirror issuance so market participants can map 45-day and 55-day securities and cohorts.
 - **Aggregate Level 1 Collateral Exchange Activity** – Freddie Mac will break down all exchanges to date to their lowest level PC collateral; this will show how much of each Level 1 PC is outstanding as 45- and 55-day securities to facilitate calculations by market participants of supply and prepayments.
 - **Exchange Tie Out Table** – Freddie Mac will provide a daily table with data on the available supply of 45- and 55-day securities on a cohort level to facilitate trading.
 - The exchange disclosure test files can be found [here](#).

❖ Actions Market Participants Should Consider

- Update and test systems and reports to be compatible with Exchange Disclosure data.



8 Trading

8.1 TBA CUSIP

❖ Key Changes

- The TBA CUSIP starting with '01F' will be used for both Freddie Mac- and Fannie Mae-issued UMBS. (Currently, '01F' is used only for Fannie Mae-issued securities.)
- The TBA CUSIP starting with '02R' will continue to be the identifier for trading Freddie Mac 45-day securities.
- **CUSIP Global Services**
 - The definition for the product code "01" and agency code "F" combination will be updated to reflect an agency agnostic value for UMBS for the 10-year, 15-year, 20-year and 30-year products on the published TBA Grid found at: <https://www.cusip.com/cusip/tba.htm>.
- **FICC**
 - FICC will update their description for the TBA CSUIP starting with "01F" for MSBD clearing eligible securities listed on their MBS website at <http://www.dtcc.com/clearing-services/ficc-mbsd/ficc-mbsd-user-documentation>.

❖ Actions Market Participants Should Consider

- Update and test systems if 01F identifier is hard coded as a Fannie Mae only identifier.
- Update and test allocation and validation rules for UMBS as needed.

8.2 TBA Trading Screens

❖ Key Changes

- Freddie Mac will begin issuing 55-day securities on the first business day of the month of implementation of the Single Security Initiative. The first TBA settlement will follow on the scheduled Reg A and Reg B dates for that month.
- Three months prior to the first UMBS Reg settlement, the trading screens will begin to transition - continuing to use the Fannie Mae label for the '01F' TBA and transitioning to the new UMBS label per the table below.
- 30 days prior to the first UMBS TBA Reg settlement, the Fannie Mae label for the '01F' TBA will be used for UMBS.
- The Freddie Mac 45-day TBA contracts will continue to be available until activity indicates they are no longer needed. Trading platforms will continue to display screens and pricing for the 45-day '02R' TBA contracts as they see fit.



Transition of 55-day '01F' Indicator from Fannie Mae to UMBS

Timeframe	TBA Forward Trading Under 01F (30 days from 1st UMBS Reg Settlement date)	TBA Forward Trading Under 01F (60 days from 1st UMBS Reg Settlement date)	TBA Forward Trading Under 01F (90 days from 1st UMBS Reg Settlement date)
90-days prior to UMBS implementation	FNM	FNM	UMBS
60-days prior to UMBS implementation	FNM	UMBS	UMBS
30-days prior to UMBS implementation	UMBS	UMBS	UMBS

8.3 Bloomberg

❖ Key Changes

- All UMBS (regardless of issuer) will leverage Fannie Mae's existing TBA Bloomberg generics, per the table below.
- Freddie Mac Legacy will continue to reflect the existing Bloomberg generics.

Bloomberg Generics	Payment Delay	Agency	Product	UMBS details
FNCL	55	Fannie Mae & Freddie Mac	30-yr Fixed Rate Conventional	to include: - Fannie Mae past issuance (55-day) - Fannie Mae new UMBS issuance (55-day) - Freddie Mac new UMBS issuance (55-day) - *Freddie Mac 45-day exchanged for 55-day UMBS
FNCT	55	Fannie Mae & Freddie Mac	20-yr Fixed Rate Conventional	
FNCI	55	Fannie Mae & Freddie Mac	15-yr Fixed Rate Conventional	
FNCN	55	Fannie Mae & Freddie Mac	10-yr Fixed Rate Conventional	
FGLMC	45	Freddie Mac	30-yr Fixed Rate Conventional	Will continue to reflect Freddie Mac legacy Gold product (45-day) that has not been exchanged for UMBS.
FGTW	45	Freddie Mac	20-yr Fixed Rate Conventional	
FGCI	45	Freddie Mac	15-yr Year Fixed Rate Conventional	

**The exchanged PCs will continue to be reflected in the original cohort year. For example, a 45-day PC originally issued in 2013, and exchanged in 2019, would still be reflected in the 2013 cohort under FNCL. (That is, it would move from FGLMC 4 2013 to FNCL 4 2013 despite the mirror security having a 2018 issuance date and an actual exchange date of 2019. Generics are based on loan age)*





- Bloomberg will assign a new two-character pool level agency code 'FR' to Freddie Mac for all 55-day MBS fixed rate pools.
- Bloomberg "Generic" support will reflect a UMBS view, including Freddie Mac new issue 55-day, Freddie Mac legacy exchanged, and Fannie Mae 55-day new issue or legacy.
- Bloomberg will allow users to execute a pool look-up for a UMBS pool using either 'FR' or 'FN'. Users will not have to know the issuer to do a pool look-up.
 - For example, if a user is looking up a UMBS issued by Freddie Mac but enters "FN+pool number", the 'FR' pool will be returned and vice versa.
 - Users will need to continue to specify 'FG' or 'FH' for Freddie Mac 45-day and/or 75-day pools, similar to current practice.
 - Users will need to continue to specify 'FR or FN' for non-TBA 55-day pools.

❖ Actions Market Participants Should Consider

- Understand the new Bloomberg screens, formats and labeling for UMBS.
- Provide internal training, materials, and other processes or activities as needed.
- Determine if hard coding around ticker symbols in system needs to be updated and tested.

❖ Decisions Needed

- Timing of Bloomberg publishing the new screens and formats is TBD.



8.4 Trades over Transition Period to UMBS

❖ Key Changes

- During the transition period, we anticipate that investors will have different options to close out or roll their open positions depending on the trade type.
- The following table outlines the current assumptions about how TBA trading in FNCL and FGLMC products will be affected by the implementation of the Single Security. In the following trading scenarios, Single Security Implementation takes place in Month 4. *(Please note – the following scenarios are not finalized and can be affected by SIFMA decisions regarding the fungibility of Fannie Mae-issued and Freddie Mac-issued UMBS and Supers for delivery into TBA contracts.)*

Trade Type	Transaction Date	To Close Position	To Roll Position
FNCL Sale - Fannie Mae MBS	Before Implementation (Month 1 trade, Month 2 settle)	Pair off position or deliver Fannie Mae MBS	Roll short position with Fannie Mae TBA (Buy Month 2 TBA – sell Month 3 TBA)
	Before Implementation (Month 2 trade, Month 3 Settle)	Pair off position or deliver Fannie Mae MBS	Roll short position by buying month 3 Fannie Mae TBA and selling Month 4 UMBS TBA*
FNCL Sale - UMBS*	During Implementation (Month 3 trade, Month 4 settle)	Pair off position or deliver UMBS	Roll short position with UMBS TBA* (Buy Month 4 TBA – sell Month 5 TBA)
	After Implementation (Month 4 trade, Month 5 settle)	Pair off position or deliver UMBS*	Roll short position with UMBS TBA* (Buy Month 5 TBA – sell Month 6 TBA)
FGLMC Sale – Freddie Mac PCs	Before Implementation (Month 1 Trade, Month 2 settle)	Pair off position or deliver 45-day Freddie Mac PCs	Roll short position with Freddie Mac TBA
	Before Implementation (Month 2 Trade, Month 3 settle)	Pair off position or deliver 45-day Freddie Mac PCs	Roll short position with Freddie Mac TBA** or dealers may offer roll swap so investors can convert while maintaining an open roll ***
	During Implementation (Month 3 trade, Month 4 settle) **	Pair off position or deliver 45-day Freddie Mac PCs	Roll short position with Freddie Mac TBA** or dealers may offer roll swap so investors can convert while maintaining an open roll ***
	After Implementation (Month 4 trade, Month 5 settle) **	Pair off position or deliver 45-day Freddie Mac PCs	Roll short position with Freddie Mac TBA** or dealers may offer roll swap so investors can convert while maintaining an open roll***

* UMBS TBA contracts may be satisfied by delivery of legacy Fannie Mae MBS or new Fannie Mae-issued UMBS, legacy Freddie Mac PCs that have been exchanged for their 55-day mirror securities, new issue 55-day Freddie Mac-issued UMBS, and single-issuer or commingled Supers issued by either Enterprise. These securities trading groupings may be impacted by SIFMA decisions regarding TBA fungibility.

** This trade may not be possible because it is not certain that dealers will continue to make markets in legacy 45-day products after Single Security Implementation.

*** To convert this to a Single Security position, investor would need to close the FGLMC position and open a new position using UMBS TBA, or dealers might offer a roll swap contract whereby investors buy Freddie Mac TBA in the front month and sell UMBS TBA in the back month.



❖ Actions Market Participants Should Consider

- Work with vendors to adapt and test your trading systems to accept either Fannie Mae or Freddie Mac collateral as the result of an FNCL trade.

❖ Decisions Needed

- The resolution of fails while the supply of Gold PCs is diminishing during exchange.
- Changes to Reuters instrument codes (RIC) and similar vendor codes that market participants rely are yet to be determined.

8.5 Indices

❖ Key Changes

- How index providers will treat UMBS vs. today's FRE/FNM securities is TBD.

❖ Decisions Needed

- Treatment of the new UMBS by index providers.
- Index composition by program after UMBS implementation. Currently indices include all TBA-eligible securities without regard to payment delay.
- If indices will provide a view broken out by payment delay.
- Frequency of index updates during the transition to UMBS.

8.6 Investment Limits and Concentration Risks

❖ Key Changes

- U.S. regulation
 - Potential changes could be made to rules and regulations (IRC §817(h) for insurance companies and '40 Act for mutual funds), but specifics are still TBD.
 - Current §817(h) limits are 55% in any one issuer, 70% in any two issuers, 80% in any three issuers, and 90% in any four issuers.
 - The proposal is TBD.
- Foreign regulation changes are TBD.

❖ Actions Market Participants Should Consider

- Update and test trading logic with new limits/rules, or adapt to how issuer is identified for UMBS and Supers
- Consult with internal compliance, legal, investment boards, and client services to determine impact of the new UMBS and update investment guidelines as needed.
- Investors should consult with their regulators regarding any possible changes or restrictions to investment limits or concentration risk. In addition, investors may want to consult their regulators to confirm any possible changes.



8.7 Electronic Pool Notification (EPN)

❖ Decisions Needed

- How the issuer will be identified on 48-hour day via the EPN system.
 - Entities can execute a look-up using the Security CUSIP (FICC would have to make Security CUSIP a mandatory field)
 - FICC may introduce a new agency identifier to EPN

8.8 Tax & Accounting

❖ Key Changes

- Tax
 - We anticipate that the exchange of Freddie Mac 45-day PCs for 55-day UMBS will be nontaxable transactions.
 - The tax treatment of 10 days' delay payment is TBD.

❖ Decisions Needed

- The Enterprises have requested guidance on both above matters to the IRS and to the SEC.



9 Legal and Compliance

❖ Key Changes

- New Master Trust Agreements (MTA) and new Offering Circulars will be drafted for Freddie Mac 55-day products. These new documents will largely be based on the current Freddie Mac legal documents governing Freddie Mac 45-day securities, but will be adapted to account for the change in payment delay, commingling (if applicable), and other Single Security features.
- Fannie is expected to have minor changes to their Mega/Supers MTA and Prospectus.
- Freddie Mac will draft an Exchange Offer Circular that will describe the terms of the exchange transaction.
- Freddie Mac Selling and Servicing Guides will be adapted to account for new Single Security features.
- Both Freddie Mac and Fannie Mae legal documents governing single and multi-class resecuritizations will be adapted to account for commingling.
 - Securities purchase agreements with Dealers will also be changed to allow for purchase of securities from both Freddie Mac and Fannie Mae in commingled resecuritizations.

❖ Decisions Needed

- SIFMA update of documents, including the Good Delivery Guidelines and possibly Master Securities Forward Transaction Agreement (MSFTA).





Freddie Mac and Fannie Mae

Single Security Initiative Market Adoption Playbook

Dealer Appendix

Exchange Process of Freddie Mac PCs



Fannie Mae™





Dealer Appendix

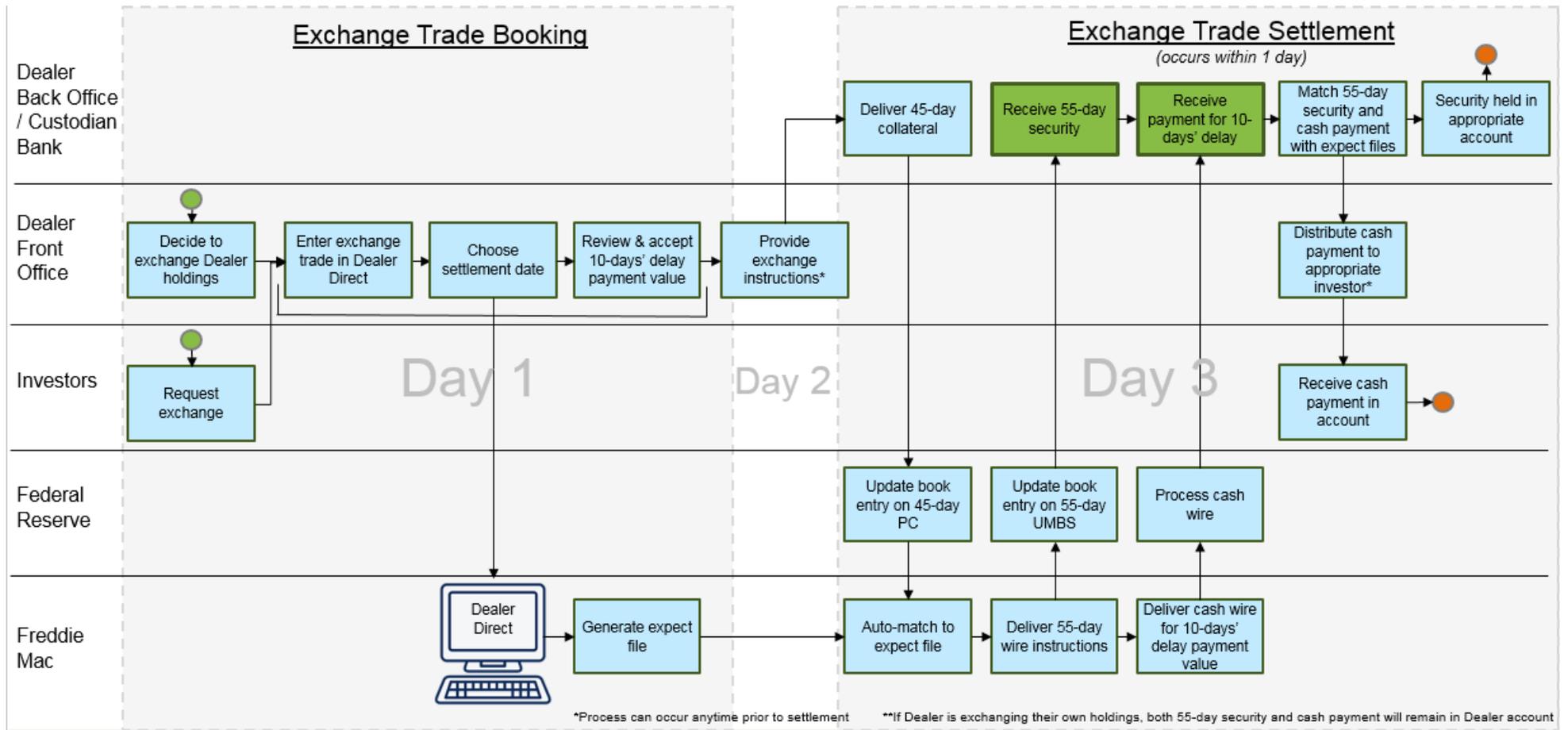
This section is intended to give added details around the exchange process of legacy 45-day PC securities to 55-day UMBS securities. Dealers will access Freddie Mac Dealer DirectSM to initiate, modify, and monitor exchange transactions.

❖ Transaction Overview

Dealers will initiate an exchange of their internal holdings or on behalf of an investor. At a minimum, an exchange transaction can be executed across three business days, but settlement can be chosen as far as two months in the future. The exchange process has been designed to mimic today's Giant creation process. The diagram below displays the process flow of an exchange from initiation to settlement.



Single Security Initiative





❖ Exchange Trade Booking

How to enter an exchange trade

- To enter an exchange trade, you will login to Freddie Mac Dealer Direct in the same way and use the same ID/Password that you use today to create Giants.
- Freddie Mac will work with all exchange Dealers to ensure appropriate access prior to the opening of the exchange.

FreddieMac.com

Freddie Mac Login Management

Access Manager for e-Business Login

Username:

[Forgot your username?](#)

Password:

[Forgot your password?](#)

Login

Questions? Call 1-800-FREDDIE

© Freddie Mac



- After successfully logging into Dealer Direct, you will land on the “My Transactions” page shown below.

Home | Logout 04:17:50 PM Eastern Time Logged in as CreditSuisse FullAccess

FreddieMac Dealer Direct™ (SIT2)

Transactions REMIC Tools Pricing Reports Support

New Transaction

Action: I want to create...

My Transactions

Filter By Status: Confirmed

Dealer Code	Submitter	Transaction ID	Transaction Type	Status	Trade Date	Settlement Date	Total Par Amount (\$)	Number of Collateral	Actions
CSS	CreditSuisse FullAccess	01620	Exchange	Confirmed	07-27-2017	08-23-2017	1,000.00	1	I want to...
CSS	CreditSuisse FullAccess	01607	Exchange	Confirmed	07-26-2017	08-24-2017	2,000.00	2	I want to...

Total of 2 records. Display 20 records per page

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- Next, you will select “I want to create... An Exchange” under the “Action” drop down menu.

Home | Logout 04:46:39 PM Eastern Time Logged in as CreditSuisse FullAccess

FreddieMac Dealer Direct™ (SIT2)

Transactions REMIC Tools Pricing Reports Support

New Transaction

Action: I want to create...
A New Giant/Supers
An Exchange

My Transactions

Filter By Status: Confirmed

Dealer Code	Submitter	Transaction ID	Transaction Type	Status	Trade Date	Settlement Date	Total Par Amount (\$)	Number of Collateral	Actions
CSS	CreditSuisse FullAccess	01620	Exchange	Confirmed	07-27-2017	08-23-2017	1,000.00	1	I want to...
CSS	CreditSuisse FullAccess	01607	Exchange	Confirmed	07-26-2017	08-24-2017	2,000.00	2	I want to...

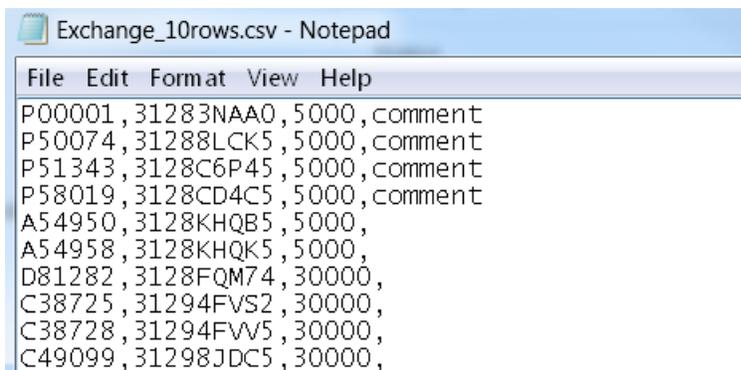
Total of 2 records. Display 20 records per page

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Single Security Initiative

- The template for uploading an exchange transaction will be the same template that you will use to create a Giant via Bulk Upload. Data will be validated upon upload.
- The template has 4 data fields:
 - Pool Number
 - CUSIP
 - Par of the 45-day securities you will be exchanging
 - Comment (optional)



```
Exchange_10rows.csv - Notepad
File Edit Format View Help
P00001,31283NAA0,5000,comment
P50074,31288LCK5,5000,comment
P51343,3128C6P45,5000,comment
P58019,3128CD4C5,5000,comment
A54950,3128KHQB5,5000,
A54958,3128KHQK5,5000,
D81282,3128FQM74,30000,
C38725,31294FVS2,30000,
C38728,31294FVV5,30000,
C49099,31298JDC5,30000,
```

- Once the exchange file is uploaded, you will be presented with a settlement date calendar. The calendar will take exchange capacity and current scheduled trades into account and present available settlement dates for your exchange.
 - Exchange trades cannot settle during the first four business days of the month because current month factors are not yet available.
 - You will be allowed to book an exchange for future settlement as far as two months into the future.
 - Capacity
 - Capacity for each day is managed internally by the Freddie Mac team
 - Freddie Mac anticipates that capacity on a given day will be set at 50,000 exchange trades to start (some additional capacity can be made available if necessary).
 - The exchange settlement calendar will be dynamic. As trades are booked, available capacity decreases. Conversely, if an exchange trade is cancelled the capacity will increase accordingly.
 - There will be no charge or penalty for cancelled exchange trades.



Home | Logout 04:17:18 PM Eastern Time Logged in as CreditSuisse FullAccess

Dealer Direct™ (SIT2) Remaining Time
1 4 : 4 0

Transactions | REMIC Tools | Pricing | Reports | Support

< Exchange

1 Upload an Exchange File
 2 Select Settlement Date
 3 Review Exchange Details

Click to select an exchange file to upload Enter the number of Securities you wish to Exchange: Check Availability

August 2017							September 2017						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5						1 <small>Availability: 0</small>	2
6	7	8	9	10	11	12	3	4	5 <small>Availability: 0</small>	6 <small>Availability: 0</small>	7 <small>Availability: 0</small>	8 <small>Availability: 198</small>	9
13	14	15	16 <small>Availability: 198</small>	17 <small>Availability: 198</small>	18 <small>Availability: 196</small>	19	10	11 <small>Availability: 198</small>	12 <small>Availability: 198</small>	13 <small>Availability: 198</small>	14 <small>Availability: 198</small>	15 <small>Availability: 198</small>	16
20	21 <small>Availability: 198</small>	22 <small>Availability: 198</small>	23 <small>Availability: 198</small>	24 <small>Availability: 194</small>	25 <small>Availability: 198</small>	26	17	18 <small>Availability: 198</small>	19 <small>Availability: 198</small>	20 <small>Availability: 198</small>	21 <small>Availability: 198</small>	22 <small>Availability: 198</small>	23
27	28 <small>Availability: 198</small>	29 <small>Availability: 198</small>	30 <small>Availability: 198</small>	31 <small>Availability: 198</small>			24	25 <small>Availability: 198</small>	26 <small>Availability: 198</small>	27 <small>Availability: 198</small>	28 <small>Availability: 198</small>	29 <small>Availability: 198</small>	30

- After the settlement date is chosen, you will be directed to the “10 Days’ Delay Payment” page. Here you will see the amount being offered as compensation for the payment delay moving from 45-days to 55-days. *The Delay Payment page is currently being updated and will be shared in this document when updates are complete.*
- The next screen displays the final transaction details for the exchange. If you agree to all the details, you will accept the exchange transaction here.

My Transactions

Filter By Status: Confirmed

Dealer Code	Submitter	Transaction ID	Transaction Type	Status	Trade Date	Settlement Date	Total Par Amount (\$)	Number of Collateral	Actions
JPM	JPMorganChase ExchangeTrade	01718	Exchange	Confirmed	08-23-2017	08-31-2017	2,900,000.00	4	I want to...

Confirmation Number: 01718-17 Last Action: Collateral Overwritten Settlement Date: 08/31/2017
 Cutoff Time for Providing Collateral: 10:25 AM Last Modified By: JPMorganChase ExchangeTrade Last Action Date/Time: 08/30/2017 11:14 AM
 Remaining Capacity for This Settlement Date: 190 Price Grid in Effect: v408 Total Float Compensation (\$): 110.84

45 Day Securities to Deliver				55 Day Securities to Be Received				Pricing Information						
Exchange ID	Pool Number	CUSIP	Par Amount (\$)	Pool Number	CUSIP	Factor	Base (Ticks)	Loan Bal (Ticks)	FICO (Ticks)	LTV (Ticks)	WALA (Ticks)	Total (Ticks)	Float Comp (\$)	Comments
10382	A54958	3128KHQK5	1,000,000.00	Z10011	31327TAM9	0.07777787	2.25	0.50	0.00	0.50	0.50	3.75	91.15	E
10383	C38725	31294FVS2	500,000.00	Z10083	31327TCV7	0.01175422	2.25	0.50	0.00	0.50	0.50	3.75	6.89	
10384	C38728	31294FV5	700,000.00	Z10084	31327TCW5	0.00561408	2.25	0.50	0.00	0.50	0.50	3.75	4.61	
10385	C49099	31298JDC5	700,000.00	Z10086	31327TCY1	0.01152164	2.25	0.00	0.00	0.50	0.50	3.25	8.19	





❖ Exchange Trade Settlement

- The 45-day collateral will be delivered via the Fed wire. This process is unchanged from how collateral is delivered to create a Giant today.
- The 45-day collateral will be auto-matched to the corresponding 55-day security within Freddie Mac systems.
- Upon a successful match, the 55-day security will be immediately wired back to the Dealer or Custodian Bank.
- The transaction is not DVP. Once the 55-day security is delivered, a separate cash wire for the 10 days' delay compensation is sent via the Fed.
- Dealers or Custodian Banks will be responsible for distributing the 55-day securities and the 10 days' delay compensation to the appropriate accounts.
- What if a transaction or part of a transaction fails?
 - The 45-day collateral that fails to match will be DK'd back to the submitting Dealer. Therefore, no collateral will be held overnight.
 - Any transaction or portion of a transaction that fails will be automatically rolled over to settle the next day with available capacity, unless it is cancelled.

❖ Modifying an exchange transaction

- The Dealer will be allowed to make any of the following modifications after an exchange has been agreed to:
 - Change the settlement date
 - Upload more collateral
 - Overwrite existing collateral
 - Cancel the exchange
 - Reprice the exchange (if the price grids are updated)
- Modification will only affect the settlement date in the following two scenarios:
 - It is explicitly modified by the Dealer.
 - The Dealer uploads or overwrites collateral that requires them to pick a new date with capacity for exchange.

❖ Reporting will be available for exchange activity via Dealer Direct

- Details of each exchange transaction can be accessed via Dealer Direct.
- Reports displaying the same information from the "My Transactions" page can be run in Dealer Direct. Reports can be filtered by date range or any status (confirmed, locked, settled, failed, and cancelled).

