

Single Security Initiative

Single Security Initiative Overview

August 15, 2018



Introduction

The Single Security Initiative (SSI) will create a new mortgage-backed security (MBS) to be issued and guaranteed by either Fannie Mae or Freddie Mac and backed by 30-, 20-, 15- and 10- year single-family mortgage loans. The securities will be called Uniform Mortgage-Backed Securities, or UMBSSM. Single Class resecuritizations of UMBS will be called Supers.

There are significant changes associated with the introduction of these new securities:

- ❑ The goal of the SSI is for Fannie Mae and Freddie Mac securities to be fungible for deliveries into a single TBA market for UMBS. Go-live for new UMBS issuances is June 3, 2019
- ❑ Each Enterprise's UMBS may be commingled into the same resecuritizations
- ❑ All UMBS will follow the current labeling conventions of Fannie Mae MBS (pool prefixes and TBA CUSIP)
- ❑ A new aligned disclosure data format and data elements will be adopted by both Enterprises
- ❑ Common Securitization Platform (CSP) provides operational capabilities for the Enterprises
- ❑ Freddie Mac will offer an exchange to current holders of Gold PCs who want to turn in their securities for a new 55-day UMBS backed by the same underlying collateral starting May 2019
- ❑ Because all of the features of the new UMBS mimic the features of Fannie Mae MBS, outstanding Fannie Mae MBS at the time of launch will not need to be exchanged to be fungible with the new UMBS market



UMBS Features & Impacts

Security Issuer and Guarantee Structure	Each Single Security will be issued and guaranteed by either Fannie Mae or Freddie Mac	
Common Features	Single Securities issued by either Enterprise will have <u>key common features</u> that largely align to Fannie Mae securities	
Remittance Date	Payment date will be the <u>25th (55-day delay)</u> of the month for all product types	
Re-Securitizations	Second-level securitizations (called re-securitizations) of Single Securities issued by either Enterprise can be backed by:	
	<p>In the case of Supers (similar to Megas and Giants):</p> <ul style="list-style-type: none"> ▪ New UMBS ▪ Existing MBS and/or Megas issued by Fannie Mae; or ▪ Legacy PCs and/or Giants issued by Freddie Mac that have been <u>exchanged</u> 	<p>In the case of REMICs:</p> <ul style="list-style-type: none"> ▪ Can be backed by new or exchanged UMBS or Supers (either issuances of one Enterprise or a commingling of issuances of both Enterprises), ▪ Existing TBA-eligible MBS and/or Megas issued by Fannie Mae ▪ Legacy TBA-eligible PCs and/or Giants issued by Freddie Mac that have been exchanged (See section 7) ▪ REMIC or Re-REMIC classes issued by either Enterprise that were, at issuance, 100% backed by any combination of the above
Disclosures	Same disclosures – Freddie Mac started using the new disclosure format in Summer of 2017	
Compliance System Checks for Investment Limitations	Investment limitation system logic may be affected by UMBS implementation. Compliance systems should be checked	

Identifiers, Prefixes, and Pool Numbers

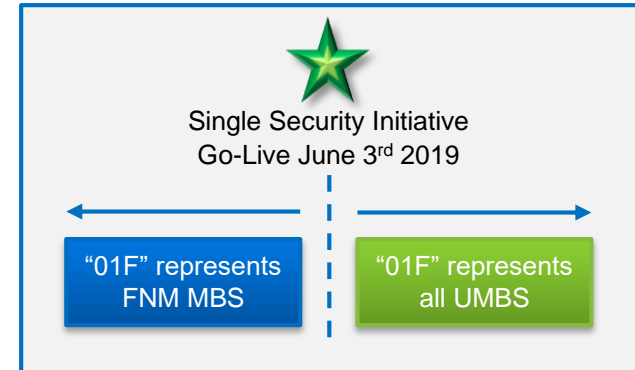
- TBA prefixes for UMBS and resecuritizations of UMBS issued by either Enterprise will align to the current prefix convention for Fannie Mae TBA-eligible securities:

Product	Single Security Initiative Pool Prefixes for UMBS	Reverse REMIC Pool Prefixes for Supers Securities
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 payment 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 in the future
 - Fannie Mae will be allotted pool numbers beginning with A-I, and M
 - Freddie Mac will be allotted pool numbers beginning with Q-Z

TBA CUSIP

- The scope of Fannie Mae's current "01F" TBA CUSIP will be expanded to cover the new combined UMBS market at go-live
 - The "01F" identifier will continue to represent Fannie Mae MBS *until* go-live.
 - *At go-live and thereafter*, the TBA CUSIP starting with '01F' will be used for both Freddie Mac- and Fannie Mae-issued UMBS
 - After go-live, the TBA CUSIP starting with '02R' will continue to be the identifier for trading Freddie Mac 45-day securities.





Key Considerations – Investors

Documents & Policies

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

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



Latest Updates

- Held successful Single Security Conference on May 14th to prepare the market
- Enterprises have developed an initial high-level industry milestone plan and will update and publish regularly
- Fannie Mae and Freddie Mac will orchestrate an industry tabletop testing exercise (late Q3/early Q4). We are looking for market representatives to participate in the working group to plan
- Following an extensive feedback period, Freddie Mac has made the decision to offer investors two operational paths for Gold PC and Giant PC exchanges: one facilitated by dealers, and one direct with Freddie Mac.
 - The dealer-facilitated path is complete and dealers are already using the web-based portal to do Giant transactions today
 - We are still developing the direct to Freddie path, and will share details more broadly as we build requirements
- Still awaiting IRS guidance on 817(h) and exchange treatment
- Freddie Mac has begun issuance of mirror securities this week
- Freddie Mac issued mirror security test files and list of eligible 45-day Gold PCs (~70,000 securities) as of the end of April

II. Freddie Mac Exchange



Overview of the Freddie Mac Exchange

Freddie Mac's exchange program offers PC holders entry into the new UMBS market

- Holders of Freddie Mac 45-day PCs/Giants will have the option to exchange for 55-day UMBS/Supers (or FRE MBS for non-TBA)
- They will receive compensation for the additional payment delay
- Most elements of the new UMBS or Supers will exactly match those of the 45-day PC being exchanged – and they will be backed by the same cash flows
- Daily exchange disclosures will inform the market of exchange activity
- Per the SEC, the exchange transaction may be treated as a minor modification (not a buy/sell)
- The Exchange is expected to open May 2019, and remain open for the foreseeable future

Objectives

- Provide Gold PC investors entry into the new, more liquid UMBS TBA market
- Above all “do no harm” – provide an option, not a requirement
- Make the option available whenever investors are ready
- Provide fair compensation for the additional 10 days' delay in P&I payments
- Make the process as seamless as possible



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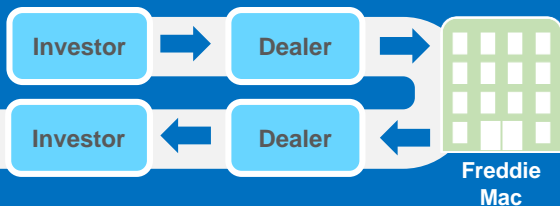
Freddie Mac will provide two paths for exchange of Gold PCs into new UMBSSM

- Holders of Freddie Mac 45-day PCs/Giants will have the option to exchange for 55-day UMBS/SupersSM (or FRE 55-day MBS for non-TBA)

Investors may choose between two exchange options

1. Dealer-facilitated Exchange

Submit 45-day PC/Giant via DVP



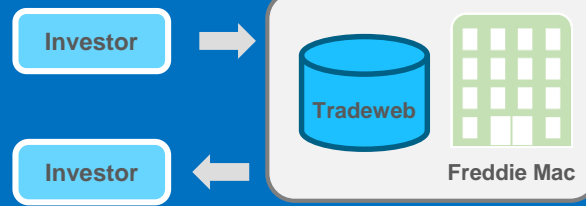
Receive 55-day UMBS / Supers

Features and functionality

- Facilitated through approved list of dealers
- Leverages the Freddie Giant model
- Trades generally settle with dealers Delivery vs Payment (DVP)
- Minimum of T+1 settlement
- Freddie will deliver separate wire(s) to dealer for security and float compensation
- Float compensation may be embedded in dealer price to investor
- Dealer interacts with Freddie on capacity calendar
- Dealer delivers free of payment (FOP) to Freddie
- Ability to exchange whole position or CUSIP pieces
- Exchange can be executed at the sub-account level if needed

2. Direct-to-Freddie Mac Exchange

Submit 45-day PC / Giant via Free Delivery



Receive 55-day UMBS / Supers

Features and functionality

- Tradeweb front-end interface to Freddie
- Exchanges settle with Freddie as the investor's counterparty, free of payment
- Custodians directly interface with Freddie as Issuer
- Minimum of T+1 settlement
- Float compensation wire payments made directly to investor, separate from security wire
- Tradeweb interacts with Freddie on capacity calendar and confirms exchange settlement date with investor
- Ability to exchange whole position or CUSIP pieces
- Exchange can be executed at the sub-account level if needed
- Investors will agree to exchange terms through Tradeweb interface

Exchange checklist for holders of 45-day Gold PCs:

- Develop Exchange strategy – e.g., will you exchange, exchange timing, bundling, and sequencing of exchanges, accounting and tax impacts, etc.
- Determine which Exchange option works best for you – considering account composition, sub-account structure and complexity, flexibility of OMS, manual vs. straight through processing, etc.
- Reach out to your Dealer(s) to work out the details if you choose the Dealer-facilitated path
- Regardless of path, reach out to your Custodian(s) and OMS provider to discuss how the process will work
- Assess impact of new codes and data elements - SWIFT message code or dedicated standard settlement instruction (SSI) to denote Gold PC exchange – specifics TBD in the next few months
- Understand transaction data flow through your internal systems (e.g., trading, accounting, etc.)

Exchange: Mirror Securities and Disclosures

- Starting this month, and for a period of about 8 weeks, Freddie Mac will issue the Mirror securities that correspond to the current 45-day Gold PCs that are eligible for exchange
 - Exchange-eligible 45-day securities and mirror exchange disclosure test files:
http://www.freddiemac.com/mbs/html/single_security_csp_platform/tech.html
- Mirror securities will be held in Freddie Mac's account at the Federal Reserve Bank and will not trade until the exchange transactions start in May 2019
- Mirrors will be disclosed on Freddie Mac's Daily New Issue File and will have the new prefix, pool numbers, CUSIPs. Mirrors will be identifiable by the ZA-ZZ series prefixes and the "SCR-Mirror" notation in the Seller and Servicer disclosure fields
- Freddie Mac will publish new exchange-related disclosures:
 - The Cumulative 45-Day to 55-Day Exchange Activity File – Will provide information on exchange activity beginning in August will begin to publish this report upon mirror issuance so market participants can map 45- and 55-day securities and cohorts (*available August 2018*)
 - Daily 45-Day to 55-Day Exchange Activity – Will provide information on all exchange transactions on the preceding business day, including original par exchanged and the CUSIPs and security identifiers of the 45- and 55-day securities (*available May 2019*)
 - Aggregate Level 1 Collateral Exchange Activity – To help the market with prepayment analysis and outstanding supply, this report will show the all PCs including those that have been resecuritized in a Giant or a REMIC (*available May 2019*)
 - Exchange Tie-Out Table – On a monthly basis Freddie will publish a table showing the outstanding balances at a cohort level of the 45- and 55-day securities (*available May 2019*)



Details of Mirror Securities

- Mirror securities will be ultimately backed by the same loans as the original pool and will replicate the disclosures and cash flows of the PCs but will have new CUSIPs, prefixes, pool numbers and issuance dates
 - Need to look through to 45-day PC for loan-level disclosures
 - Holders that exchange pieces of the same PC over time will receive the same 55-day security in return
- Will be created by Freddie Mac and broadcast with the Fed in advance of Single Security Implementation
- Issuance of mirrors will not impact aggregate supply of securities outstanding

Figure 1: Exchange Example

	Prior to Single Security Issuance and Trading		Single Security Implementation		One day after Single Security Implementation		Two days after Single Security Implementation	
	55-day mirror securities created		First day of issuance of Single Security		Investor A exchanges \$4 million of original par of security 123		Investor B exchanges remaining \$6M original par of security 123	
	Security 123	Mirror security 789	123	789	123	789	123	789
	<u>Disclosures</u>		No change to legacy PCs until an exchange takes place		<u>Disclosures:</u>		<u>Disclosures:</u>	
Original Par	\$10 million	\$10 million			\$10M	\$10M	\$10M	\$10M
Coupon	3	3			3	3	3	3
WAC	3.75	3.75			3.75	3.75	3.75	3.75
Factor	0.75	0.75			0.75	0.75	0.75	0.75
Tradable	\$7.5M	\$0			\$4.5M	\$3M	\$0M	\$7.5M
Supply								
Outstanding								
UPB								
	\$7.5M		\$7.5M		\$7.5M		\$7.5M	

Proposed Approach to Float Compensation

- Freddie Mac will offer a schedule of payment rates that will be informed by fair value, with at least one payment rate for every term/coupon combination.
 - Payment rates will be expressed in ticks, with payment rate multiplied by the UPB of exchanged securities
 - May also offer pay-ups for specified characteristics
- Will use OAS valuation methods and leverage models from dealers and analytics providers.
- Payments offered to market could differ from model values and Freddie Mac reserves the right to change values over time.
- Pricing Grids will be published by end of 2018 through the Freddie Mac website, Dealer Direct and potentially, other sources.

		Term (years)		
		30	20	15
Coupon (%)	2			2
	2.5	2.25	2.25	2
	3	2.25	2.25	2
	3.5	2.25	2.25	2
	4	2.25	2.25	1.75
	4.5	2.25	2.25	2
	5	2.50	2.25	2
	5.5	2.50	2.25	2
	6	2.50	2.26	2

Sample Float Compensation Schedule



Next Steps / Recommended Actions

- Review the materials provided and ensure that your firm understands the changes associated with the Single Security Initiative
- Complete an internal assessment to understand how your systems and processes are affected
- Work with your vendors to adopt their Single Security-related changes for the services your firm uses
- Utilize Fannie Mae and Freddie Mac resources to ensure your readiness
- Reach out with questions and concerns



Additional Resources

Fannie Mae Website:

www.fanniemae.com/singlesecurity

Freddie Mac Website:

www.freddiemac.com/single_security

Federal Housing Finance Agency (FHFA) Website:

<http://www.fhfa.gov/PolicyProgramsResearch/Policy/Pages/Single-Security.aspx>



Freddie Mac and Fannie Mae

Single Security Initiative Market Adoption Playbook

May 2018



Fannie Mae™

FreddieMac

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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 and management of the new securities. This document should serve as a tool to help you plan and adapt your business policies, procedures, and processes for the introduction of UMBS and Supers when the Single Security Initiative is implemented on June 3, 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 to be issued and guaranteed by either Fannie Mae or Freddie Mac and backed by fixed-rate 30-, 20-, 15- or 10-year single-family mortgage loans. The security will be called the Uniform MBS or UMBS. Single Class securitizations 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 on June 3, 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	<p>Second and third-level securitizations (called resecuritizations) of securities issued by either Enterprise:</p> <table border="1"> <thead> <tr> <th>Supers (similar to Megas and Giants)</th> <th>REMICs</th> </tr> </thead> <tbody> <tr> <td> <p>Can be backed by UMBS or other Supers (either issuances of one Enterprise or a commingling of issuances of both Enterprises)</p> <p>and/or</p> <p>Existing TBA-eligible MBS and/or Megas issued by Fannie Mae</p> <p>and/or</p> <p>Legacy TBA-eligible PCs and/or Giants issued by Freddie Mac that have been exchanged (See section 7)</p> </td> <td> <p>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 class or classes</p> <p>and/or</p> <p>Existing/Legacy securities issued by one Enterprise</p> </td> </tr> </tbody> </table>	Supers (similar to Megas and Giants)	REMICs	<p>Can be backed by UMBS or other Supers (either issuances of one Enterprise or a commingling of issuances of both Enterprises)</p> <p>and/or</p> <p>Existing TBA-eligible MBS and/or Megas issued by Fannie Mae</p> <p>and/or</p> <p>Legacy TBA-eligible PCs and/or Giants issued by Freddie Mac that have been exchanged (See section 7)</p>	<p>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 class or classes</p> <p>and/or</p> <p>Existing/Legacy securities issued by one Enterprise</p>											
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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
		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															
MultiLender Pools	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															
	MultiLender:	\$1000/Lender \$1M/Security															





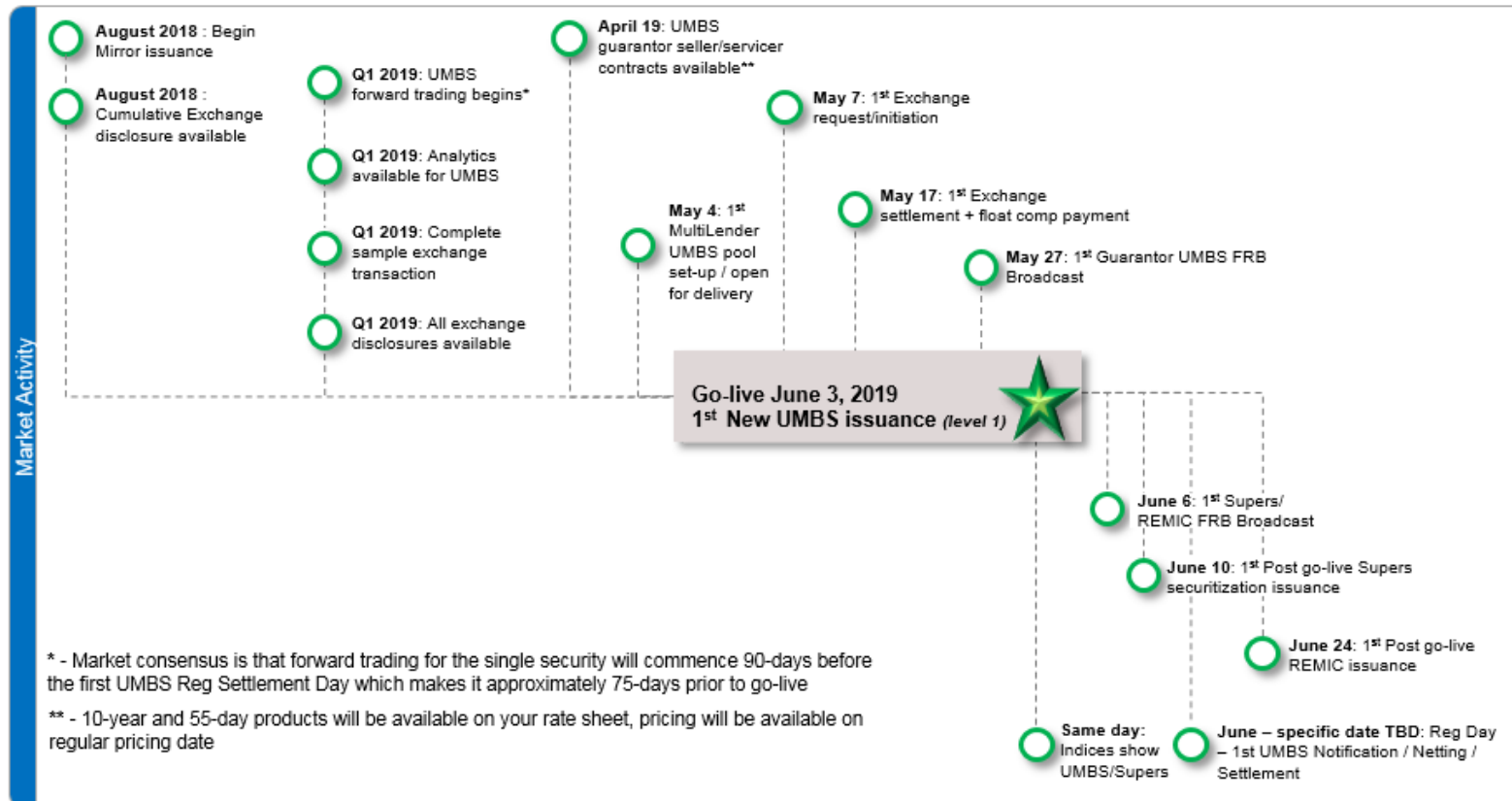
Key Features of the UMBS and Supers	
Non-Assumable Guaranteed Rural Housing Mortgages with LTVs ≤ 105	Will not be eligible in TBA pools.
Loan Buy-outs	Accelerated buy-outs to occur at 120 days of delinquency
Investor Remittance Date	Payment date will be the 25th (55-day delay) of the month for all product types. If the 25th falls on a holiday or weekend, the payment date will be the next business day after the 25th.
Disclosures	<p>The disclosure framework for the UMBS or Supers was implemented by Freddie Mac in August 2017 and Fannie Mae will adopt the new disclosure format at go-live.</p> <p>More details can be found on the Freddie Mac Single Security website or the Fannie Mae Single Security website</p>
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:</p> <ul style="list-style-type: none"> • Reasonably Foreseeable Default (Imminent Default) • Removal Permitted Due to Servicer Performance Error • Compliance with Law • Optional Removal Delinquency Status <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 Single Security Initiative Go-live Timeline

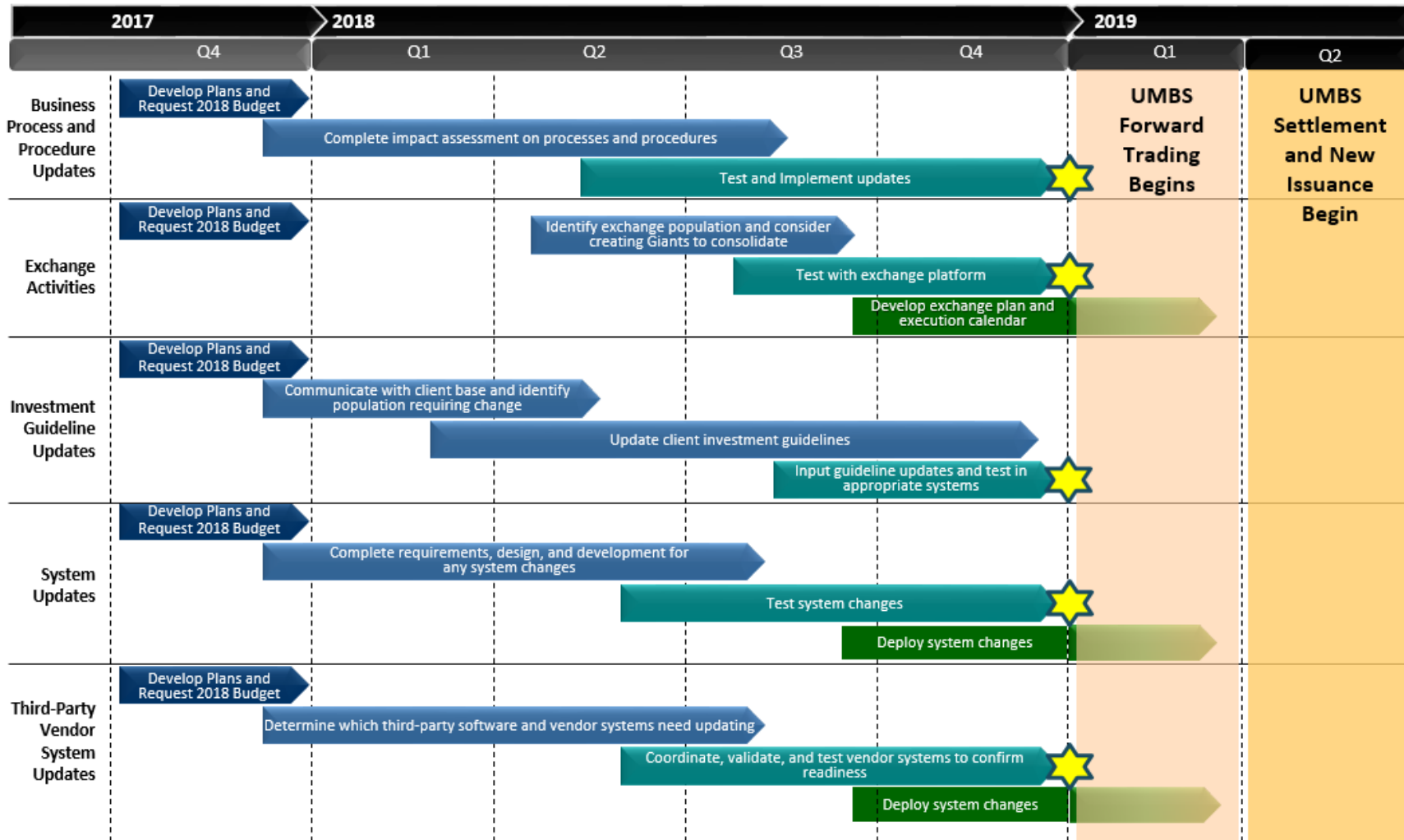
The Single Security Initiative go-live date is the first day that the Enterprises will issue new UMBS. The timeline below displays relevant dates to market participants in relation to the first new UMBS issuance. We recognize that different dates within the go-live timeframe will be of particular importance to different stakeholder groups. We have provided some additional context for some of the key dates below:

- **UMBS forward trading begins** – Of interest to investors and traders, forward trading could begin 75 days (and possibly up to 90-120 days) prior to go-live
- **Go-live** – This is the first day that the Enterprises will issue new UMBS. We assume this will be the first business day of the go-live month.
- **First UMBS Reg Settlement** – The first opportunity to settle TBA trades with the new UMBS will be approximately 15 days after go-live. We expect that the first Reg settlement will occur approximately 90 days after the start of forward trading.
- **Exchange** - Exchange of Freddie Mac Gold PCs may be made available to the market prior to the first new UMBS issuance.



3 Illustrative Implementation Timeline for Market Stakeholders

This sample implementation schedule illustrates the time you may need to get ready for go-live on June 3, 2019. The examples below do not include all changes that may be required.



Strong Recommendation: Test and deploy system changes and implement updates by year-end 2018



4 Single Security Initiative Naming Conventions

Go-live 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. At the same time as the Single Security Initiative, Freddie Mac plans to change the payment delay for all new issue fixed-rate securities to 55 days. 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 continue to be referred to as MBS or Megas. Freddie Mac will no longer issue Gold PCs after go-live.

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>whether one or multiple securities are referred to</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 after Single Security Initiative go-live</i>) Freddie Mac Giant PC[®]
	New 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 (Existing-TBA-eligible & non-TBA-eligible)	55-day securities ARMs/non-TBA-eligible	<ul style="list-style-type: none"> Fannie Mae MBS Fannie Mae Megas[®]



5 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 payment 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 in the future.
 - 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 current Prefix Library can be found [here](#). Fannie Mae’s Pool current 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	Freddie Mac implemented the new prefix field as of August 25, 2017. Freddie Mac now populates 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.	



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

	Freddie Mac	Fannie Mae
Approach:	<ul style="list-style-type: none"> One 3-character (two are used) prefix field plus a separate 6-character pool number field Use Fannie Mae prefixes for TBA-eligible securities To avoid confusion, Freddie Mac is changing prefixes for non-TBA-eligible products to number-alpha construct Prefix contains logic for product type and term Pool number ranges will denote execution path and securitization level (e.g., UMBS vs. Supers) Pool numbers divided between Enterprises to ensure uniqueness - Freddie Mac has been allotted pool numbers beginning in Q-Z Freddie Mac legacy securities will copy the first 2 characters of the pool number into the new prefix field 	<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 Pool numbers divided between Enterprises to ensure uniqueness - Fannie Mae has been allotted pool numbers beginning in A-I, M
TBA example <i>(30-yr fixed UMBS)</i>	CL QA1234	CL AB4321
Non-TBA example <i>(15-yr biweekly)</i>	5V QJ5050	BI AD2222

❖ 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).



6 Disclosures

❖ Key changes

- Disclosures for UMBS and Supers issued by Fannie Mae or Freddie Mac will be aligned.
- Freddie Mac adopted the Single Security Initiative Disclosure format for current Single Family PC and Giant securities in August 2017.
- After the Single Security Initiative go-live, disclosures will be available via file download from FannieMae.com and FreddieMac.com. Users can subscribe to notifications when files are ready to be retrieved.
- 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.
- 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.
 - Most ongoing files will be provided on the fourth business day of the month at 4:30 P.M.
- At-Issuance and Ongoing files for Level 1 and Level 2 securities will consist of three files, sharing a single format:
 - Loan-Level File
 - Security Core File (factors, weighted averages)
 - 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 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.

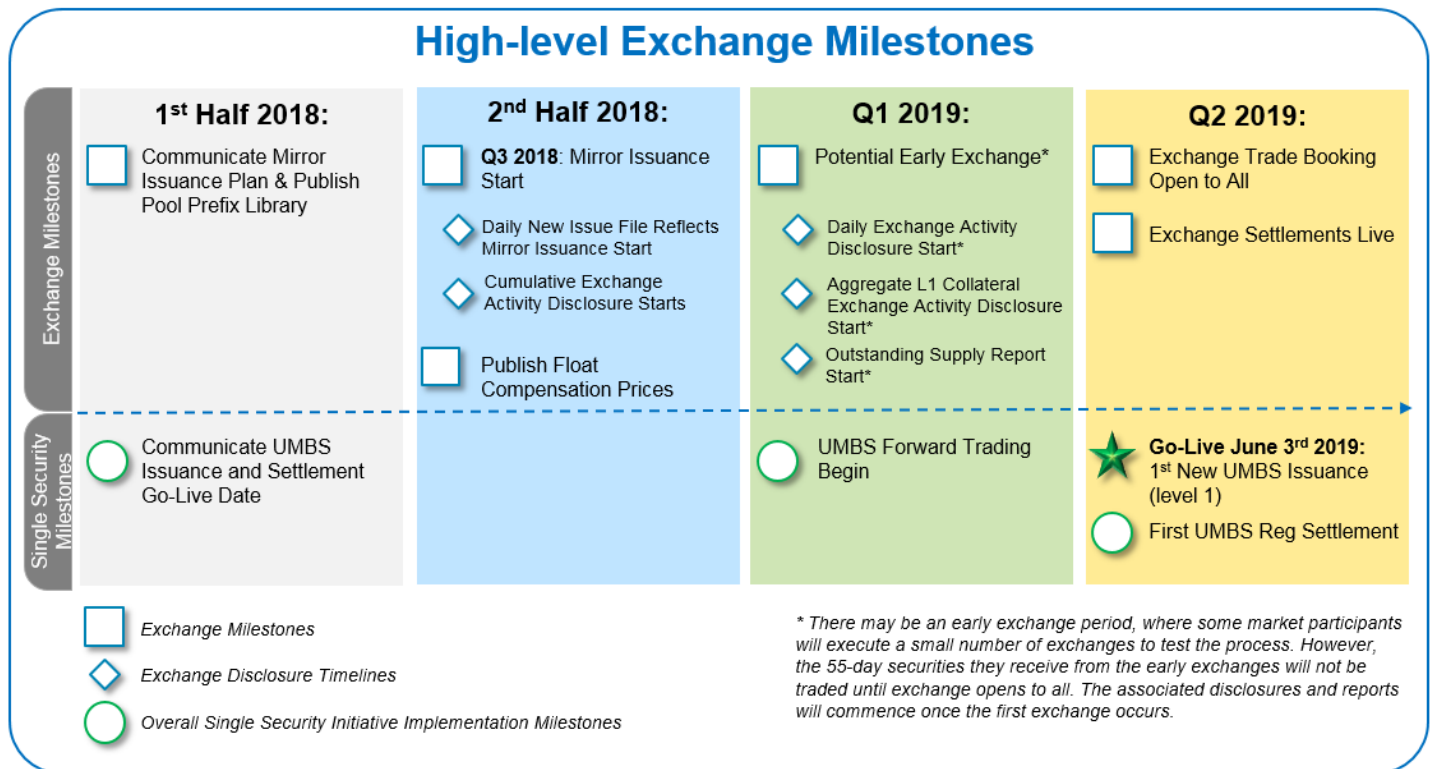


7 Exchange

Freddie Mac will provide holders of 45-day, TBA-eligible and non-TBA-eligible PCs and Giants the option to exchange their eligible 45-day securities for 55-day Freddie Mac securities. For TBA-eligible security exchanges, the 55-day corresponding security will be a UMBS or Supers. Most elements of the new UMBS or Supers will exactly match those of the PC or Giant being exchanged – most fundamentally, the cash flows of the UMBS or Supers will ultimately be backed by the same loans as the original PC or Giant. Dealers participating in Freddie Mac’s Giant Dealer Group will conduct exchanges on behalf of investors and will process these exchanges through Freddie Mac’s online portal, Freddie Mac Dealer DirectSM. The exchange offer is expected to open in May 2019, the month prior to the Single Security Initiative go-live and will stay open for the foreseeable future. To facilitate exchanges, Freddie Mac will create 55-day mirror securities on a one-for-one basis for all exchange-eligible 45-day PCs and Giants. Mirror securities will be created well in advance of the exchange offer. Exchange concepts are described in more detail in the sections below. Additional details are also available in Freddie Mac’s [Exchange and Float Compensation paper](#), published in April 2017.

7.1 Preliminary Exchange Timeline

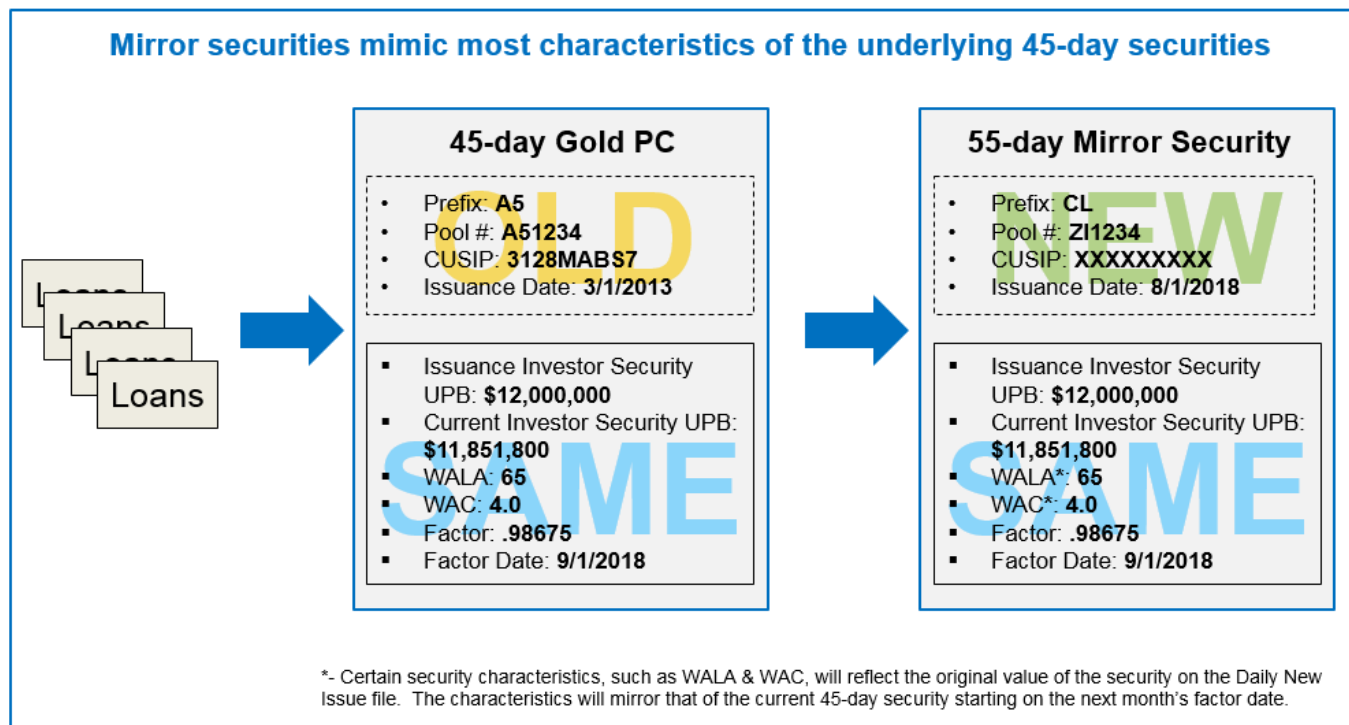
The following timeline provides high-level milestones for Freddie Mac’s exchange program. Freddie Mac will share more specific dates and details as they become available.



7.2 Mirror Securities

❖ What is a mirror security?

- To facilitate the exchange process, Freddie Mac will issue 55-day mirror securities to the Freddie Mac account prior to opening the exchange offer.
 - These mirror securities will not be available for exchange until the official opening of the exchange offer, which is expected to be the month prior to the Single Security Initiative go-live.
 - Issuing a one-for-one mirror security for every exchange-eligible 45-day security will improve the speed and efficiency of exchange transactions, as well as maintain a consistent, one-to-one relationship between the eligible 45-day CUSIPs and their corresponding 55-day CUSIPs.
- Most security characteristics of the new 55-day securities will mirror their corresponding 45-day securities (e.g., issuance UPB and current factor). However, the mirror securities will have a new CUSIP, prefix, pool number, and issuance date.
- The 55-day security will ultimately be backed by the same loans that back the exchanged 45-day security
- Note that 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 issuance

- Freddie Mac will issue mirror securities through the Federal Reserve Bank of New York into Freddie Mac's exchange account.
- 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 outstanding supply.
- The initial mirror security issuance will begin in August 2018 and will cover all existing 45-day exchange-eligible securities outstanding at that time. Exchange-eligible 45-day securities issued between the initial mirror security issuance period and the Single Security Initiative go-live will be mirrored prior to go-live.



- Freddie Mac published the [list of exchange-eligible PCs and Giants](#) as of April 27. *Please Note - This is a current, point-in-time list of Freddie Mac securities that would be eligible for exchange in the exchange offer that Freddie Mac contemplates with the implementation of the Single Security Initiative. This list was compiled as of April 27, 2018, and does not reflect securities that will be deleted or added by the date that the exchange offer commences. This list is based on current plans concerning the Single Security Initiative, which are subject to change. This list is provided for informational purposes only, and does not constitute an offer to purchase or sell any security.*
- Mirror securities will appear in the Daily New Issue File on the day after they are issued. In addition, Freddie Mac will begin publishing the daily Cumulative Exchange Activity disclosure file with the first mirror issuance. See section 7.7 Exchange Disclosures for more details.

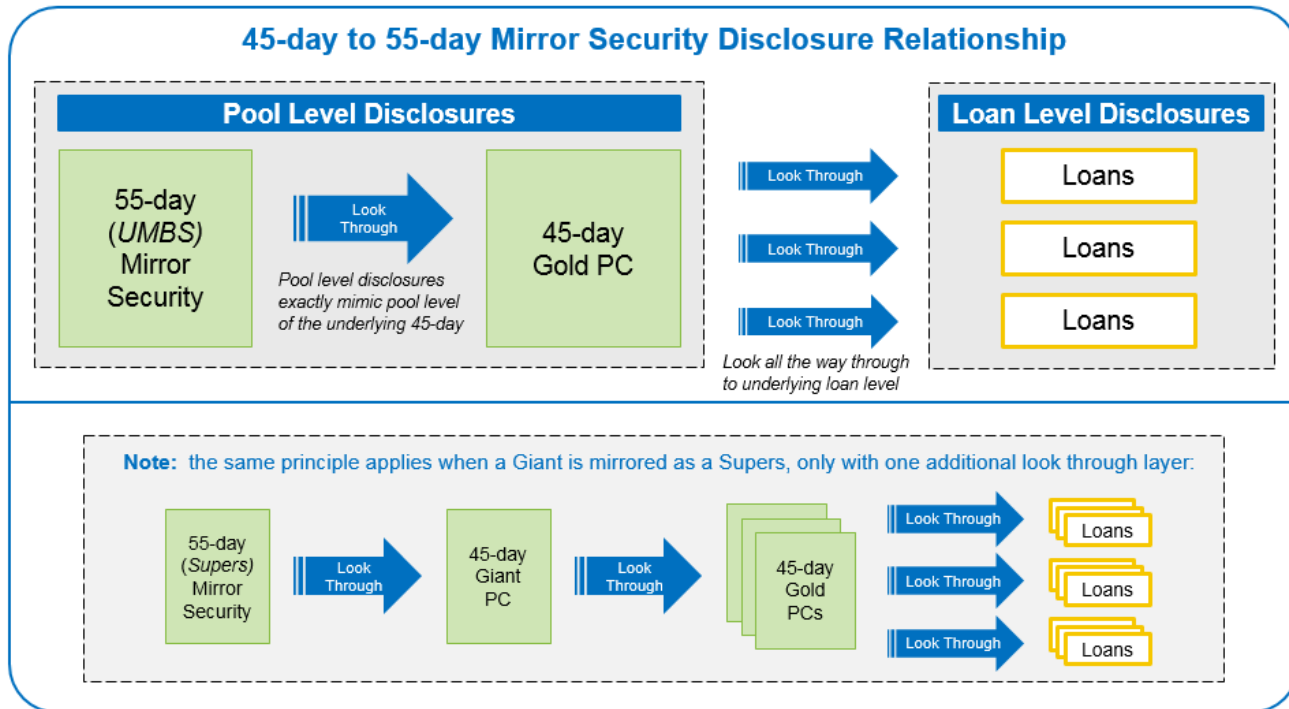
❖ Treatment of mirrors

Mirror securities are structured to look like “single pool Giants” – this approach provides the context for their treatment in disclosures, indices, and analytics.

- **Disclosures** – disclosures will also be structured just as they currently are for 45-day Giants.
 - The pool-level disclosure of the 55-day mirror security will mimic its underlying 45-day security, since it is calculated based on the same underlying mortgage loans – e.g., elements like the WAC, WALA, etc. will be exactly the same for the 55-day mirror security and its underlying 45-day.
 - For loan level disclosure, look through to the underlying collateral – just as you would for a 45-day Giant today.
 - This look-through approach maintains a consistent history and simplifies analytics since for some time after the exchange offer opens, portions of any individual 45-day PC will likely continue to exist in 45-day form (for unexchanged PCs) as well as 55-day form (for PCs that have been exchanged).
- Mirror securities will appear on the Daily New Issue File just like any other security on the day after issuance – which will establish the underlying 45-day to 55-day relationship. Mirror securities will be distinguishable by the pool number beginning with ‘Z’.
- The mirror test files are posted on Freddie Mac’s [Single Security Technical Resources](#) page. Availability of these test files should help ensure that systems can consume and process mirrors when issuance commences in August.
- Beginning with the first mirror security issuance, Freddie Mac will produce the Exchange Cumulative Disclosure file daily. The Exchange Cumulative Disclosure file will also provide the 45-day to 55-day relationship. This file will also provide the Cumulative Exchanged Issuance Investor Security UPB (which will be “0” until the first exchange occurs).



- For more information, please see section 7.7 Exchange Disclosures.



- Indices** – the issuance of the mirror securities should not affect indices since they are not part of tradable supply until the underlying 45-day security or a piece of the 45-day security is exchanged. Freddie Mac is working with index providers to finalize any planned changes to the indices as exchange transactions begin and the new UMBS issuance goes live.
- Analytics** – Freddie Mac is working to ensure that the mirror securities issuance does not have any unintended effects on analytics.
 - At issuance, mirror securities should not affect analytics such as prepayment analysis or calculation of tradable supply, since they are not part of tradable supply until exchanged.
 - Bloomberg intends to introduce a new UMBS screen to show mirror securities once Freddie Mac begins the mirror security issuance.

7.3 Exchange Transaction

❖ What is eligible for exchange?

- All non-ARM, 45-day PCs and Giants that are not 100% committed to a resecuritization can be exchanged.
- Exchanges are only permitted from 45-day securities to 55-day securities. There will be no mechanism to reverse exchanges.

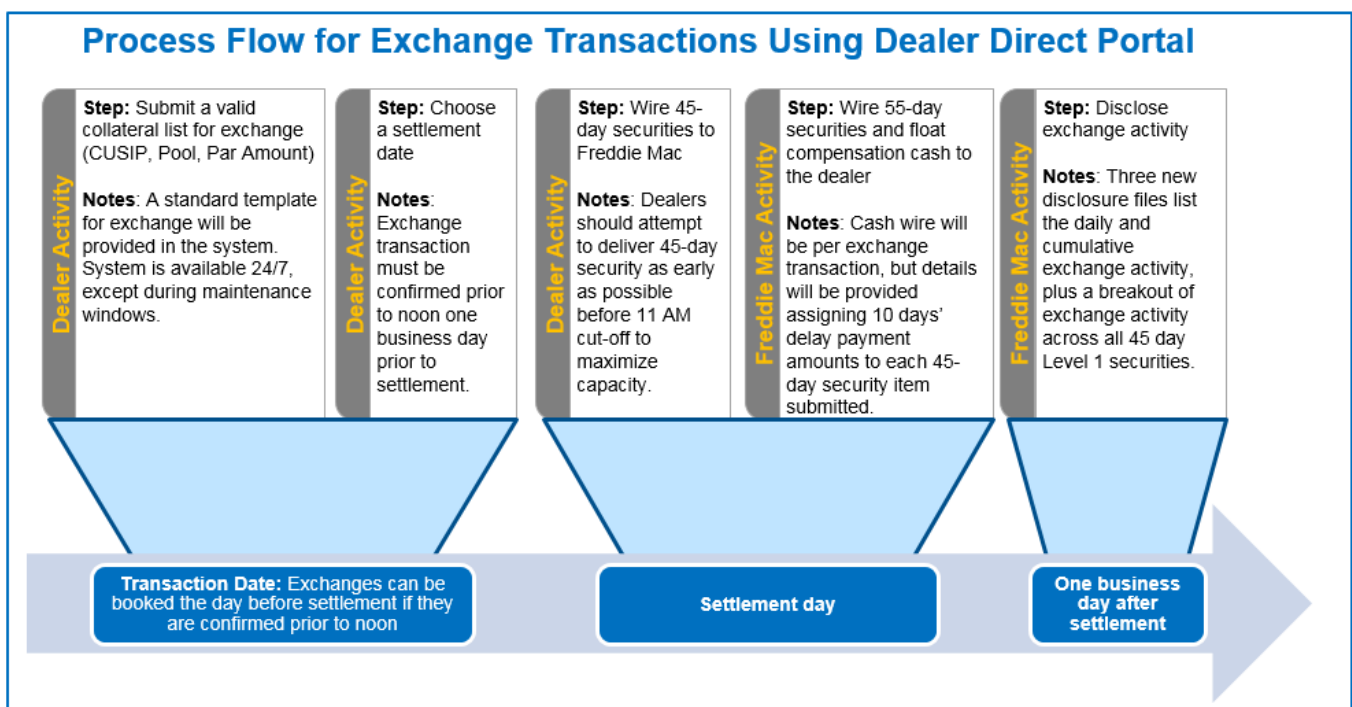
❖ Executing the transaction

- Exchange transactions will be initiated at the option of investors and will not be mandatory.



Single Security Initiative

- Freddie Mac-approved dealers will execute exchange transactions on behalf of investors using Freddie Mac's Dealer DirectSM web portal. These dealers are currently using the Dealer Direct platform and process to create Freddie Mac Giants.
- The dealer will upload a file listing the Pool and CUSIP along with the amount of original par to be exchanged.
- 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 MBS.
- 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 his or her portion independently of other holders of the same PC.
- Investors will also receive compensation for the approximate fair value of 10 days' delay in payment.
- Within each exchange transaction, each individual exchange/line item will settle separately:
 - If any portion of the exchange transaction fails (e.g., any individual 45-day security line item is not delivered) on the settlement date, only the part of the transaction that corresponds with that line item will fail. The failed line item will automatically be rebooked by Dealer Direct to the next business day with available capacity, no less than two days out.
 - All other exchanges / line items where the 45-day security is successfully delivered will settle as planned.
- The exchange transaction is not DVP (Delivery vs. Payment). The 10 days' delay compensation payment will be a separate cash wire at the transaction level.
- A dealer may create a new 55-day Supers with exchanged mirror securities as soon as the exchange transaction is completed. In theory, both transactions could occur on the same business day. However, the dealer should understand the operational risks related to delivering both the 45-day securities and the subsequent 55-day UMBS in the same day.
- Freddie Mac will not charge a fee to exchange.





❖ Exchange capacity

- As of February 2018, there are approximately 73,000 exchange-eligible CUSIPs. However, the actual pattern exchange transactions will take is unknown.
 - Exchange is optional. Therefore, some pieces of a CUSIP may never be exchanged.
 - Freddie Mac does not know how many different pieces of each CUSIP will be submitted in separate exchange transactions – e.g., many different investors may hold pieces of a CUSIP, money managers may choose to consolidate CUSIPs for exchange, or maintain separate transactions for each sub-account.



- For this reason, and to give investors and dealers flexibility in how they manage their exchanges, Freddie Mac is planning capacity in terms of an individual “exchange”.
 - An “exchange” is an individual CUSIP or piece of a CUSIP that is submitted as an individual line item on an exchange transaction – that is, one row on the submission spreadsheet.

Each transaction can contain multiple exchanges

My Transactions

Filter By Status:

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
 Cutoff Time for Providing Collateral: 10:25 AM
 Remaining Capacity for This Settlement Date: 190

Last Action: Collateral Overwritten
 Last Modified By: JPMorganChase ExchangeTrade
 Price Grid in Effect: v408
 Total Float Compensation (\$): 110.84

Settlement Date: 08/31/2017
 Last Action Date/Time: 08/30/2017 11:14 AM

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	Z00111	31327TAM9	0.07777787	2.25	0.50	0.00	0.50	0.50	3.75	91.15	E
10383	C38725	31294FVS2	500,000.00	Z00083	31327TCV7	0.01175422	2.25	0.50	0.00	0.50	0.50	3.75	6.89	
10384	C38728	31294FVY5	700,000.00	Z00084	31327TCW5	0.00561408	2.25	0.50	0.00	0.50	0.50	3.75	4.61	
10385	C49099	31298JDC5	700,000.00	Z00086	31327TCY1	0.01152164	2.25	0.00	0.00	0.50	0.50	3.25	8.19	

Each line item is a separate "Exchange Transaction"

- A transaction can contain multiple exchanges, all of which settle (or fail) individually.
- It is generally up to the investor / dealer to determine how to structure the exchange transactions – e.g., pieces of a CUSIP can be consolidated, or submitted separately.
- Freddie Mac forecasts the capacity on a given day will be 50,000 exchanges; some additional capacity can be made available if necessary. Par amounts greater than \$50 Million will be counted as an additional transaction(s) per Fed wire limits.
- In addition to offering flexibility in the structuring of transactions, this method also enables flexibility in exchange settlement.
 - Each exchange line item within the transaction settles separately.
 - Therefore, if the 45-day collateral for one exchange (line item) fails to deliver, the rest of the exchanges within the transaction can still settle.
 - Any exchange that fails will automatically be rebooked in Dealer Direct on the next settlement date with available capacity not less than two days out. Failed transactions cannot be auto-rebooked for next day.



7.4 10-Days' Delay Compensation Payment

- Freddie Mac will offer a schedule of payment rates that will be informed by fair value, with at least one payment rate for every term/coupon combination.
 - Payment rates will be expressed in ticks (1 tick = 1/32 of 1%) where the payment rate multiplied by the UPB of the exchanged securities will give the dollar value of the 10-days' delay compensation.
 - Freddie Mac may also offer compensation pay-ups for specified security characteristics that have a material impact on the value of the additional payment delay.
- Freddie Mac will use an option-adjusted spread (OAS) valuation method, leveraging models from market analytics providers, to determine the payment rates offered. We will value the difference between the prices of the 45-day and 55-day securities, holding OAS constant, to determine the compensation rate.
- Payments offered to the market could differ from model values. Freddie Mac reserves the right to change values over time, for example in response to market movements that change the value of the 10 days of additional delay.
- Pricing grids will be published through the Freddie Mac website, Dealer Direct and potentially, other sources. The pricing grids will be available in three formats: XML, CSV, and PDF.
- Freddie Mac will start publishing the pricing grids by the end of 2018 to help investors prepare for the exchange.
- Freddie Mac will be developing other reports and tools that may assist investors.

7.5 Transaction Booking

- Those participating in an exchange will need to determine how to book exchange transactions in their systems. Considerations may include how exchanges will appear in trading systems, trading activity reports and books, and how they will flow downstream into accounting systems.
- Regulatory guidance (see section 7.6 Tax & Accounting Treatment) will influence actual accounting and tax treatment; however, organizations should evaluate how exchange transactions should be treated in upstream systems to generate the desired results.
- Freddie Mac is working to generate examples of how exchange transactions might be booked – e.g., treat as corporate actions, use existing transaction codes, book as same price buy-sell transactions, etc.
- However, holders must rely on their own advisors to determine the best course of action.

7.6 Tax & Accounting Treatment

❖ Regulatory guidance

- From an accounting treatment perspective, the Enterprises have received guidance from the SEC that it would not object to treatment of an exchange as a minor modification of the existing security. By concluding that the exchange is a minor modification, holders of the security would carry over the basis of their 45-day securities and would recognize the cash payment received as compensation for the 10-day delay in payment cycle as a basis adjustment on the 55-day Freddie Mac security they received. The Enterprises posted the [confirmation letter and companion document](#) on their websites.
- We have asked the IRS for guidance on how exchange transactions and compensation associated with 10-days' delay payment should be treated and are awaiting a decision.
- Investors must rely on their own tax and accounting advisors to determine the best course of action.



7.7 Exchange Disclosures

- Mirrors will appear on the current Daily New Issue File on the day after they are issued. Freddie Mac will also produce several new disclosures to keep the market informed on progress of the exchanges. The disclosures are listed below and test files for the new exchange disclosures can be found [here](#) under 'PC Exchange Disclosure Documents'.

Title	Timing	Content
Daily New Issue File	On date of mirror issuance	Newly issued mirrors will be included in the Daily New Issue File and will be disclosed like a single pool Giant. The pool number for mirror securities will begin with the letter 'Z' to distinguish them from other regular new issue securities.
Cumulative 45-Day to 55-Day Exchange Activity	Published daily beginning on date of first mirror issuance	Freddie Mac will publish the daily status of all exchange-eligible securities, regardless of whether any exchange activity has occurred. With this information, market participants can map 45-day to 55-day securities and cohorts.
Daily 45-Day to 55-Day Exchange Activity	Published daily beginning on date of first exchange transaction	Freddie Mac will provide information on all exchange transactions from the preceding business day when a 45-day security is exchanged for its corresponding 55-day mirror security, including original par amount exchanged and the CUSIPs and security identifiers of the 45-day and 55-day securities.
Aggregate Level 1 Collateral Exchange Activity	Published daily beginning on date of first exchange transaction	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 of supply and prepayments.
Outstanding Supply Report	Published monthly beginning on date of first exchange transaction	Freddie Mac will provide a monthly table with data on the available supply of 45- and 55-day securities on a cohort level to facilitate trading.

❖ Actions market participants should consider

- Determine your exchange strategy if you hold any eligible Freddie Mac Gold or Giant PCs. Potential considerations include: the timing of exchange, possible consolidation into Giants prior to exchange, your accounting and tax strategy, etc.
- Adjust and test systems, queries, reports, exchange disclosure processes, and other practices as necessary.
- Determine how to book exchange transactions in your systems, i.e.:
 - Confirm the exchange treatment with your accounting and tax advisors.
 - Determine how you will book exchange transactions in your trading / portfolio management / other operational systems (e.g., can you use existing transaction codes or will a new one be needed?)
 - Determine how data will flow into accounting systems to affect the desired accounting and tax treatments





- Determine how you will book the 10 days' delay compensation payments (e.g., how will data be associated with transactions? Will data need to be allocated to different investors or accounts?)
- Establish how you will consume exchange pricing information for the 10 days' delay compensation – e.g., are internal system updates needed to load pricing grids automatically?
- Understand the new exchange disclosure elements and how tradable 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.
- Discuss the mechanics of exchange with your custodian.

❖ Decisions needed

- The Enterprises have submitted a letter to the IRS asking the Service to confirm that an exchange transaction is not a taxable event and to provide guidance on how the compensation associated with 10-days' delay payment will be treated. We are awaiting a decision on both issues.
- Finalize details of index and analytics providers' treatment of mirror securities and exchanged securities.

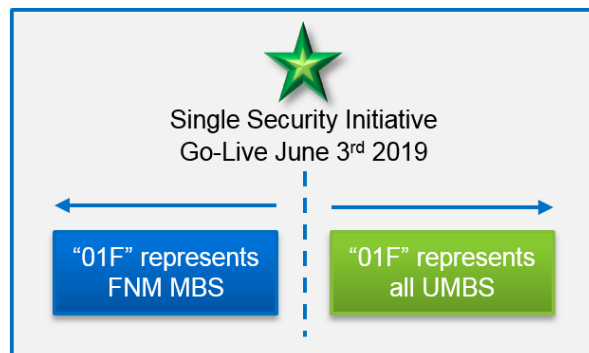


8 Trading

8.1 TBA CUSIP

❖ Key changes

- To smooth the transition, the scope of Fannie Mae's current "01F" TBA CUSIP will be expanded to cover the new combined UMBS market at go-live of the Single Security Initiative.
 - The "01F" identifier will continue to represent Fannie Mae MBS *until* go-live.
 - *At go-live and thereafter*, the TBA CUSIP starting with '01F' will be used for both Freddie Mac- and Fannie Mae-issued UMBS.
 - After go-live, 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 from Fannie Mae to 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 CUSIP starting with "01F" from Fannie Mae to include UMBS for the 10-year, 15-year, 20-year and 30-year MBSD clearing eligible securities listed on their MBSD website at <http://www.dtcc.com/clearing-services/ficc-mbsd/ficc-mbsd-user-documentation>.
 - FICC plans to provide ample opportunity to test with clearing members ahead of go-live, to ensure that settlements flow smoothly as the market transitions to the common UMBS.



❖ 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.
- Clearing members should work with FICC contacts to identify testing timelines and procedures.

8.2 Electronic Pool Notification (EPN)

- There will be no changes to the EPN messaging format. However, users are encouraged to populate the Pool CUSIP field for all trades, as this field can be used to look-up the Issuer of a specific UMBS or Supers security.
- FICC plans to provide ample opportunity to test with EPN users, including clearing and EPN-only members, ahead of go-live, to ensure that everything flows smoothly as we transition to the common UMBS market.

❖ Actions market participants should consider

- EPN messaging members should work with FICC contacts to identify testing timelines and procedures.





8.3 TBA Trading Screens

❖ Key changes

- 90 days prior to the first UMBS Reg settlement, the trading screens will begin to transition - continuing to use the '01F' TBA CUSIP for Fannie Mae MBS and transitioning to the new UMBS label per the table below.
- 30 days prior to the first UMBS TBA Reg settlement, the '01F' TBA label will be used for UMBS.
- Contracts for existing Freddie Mac 45-day TBA securities 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.
- The following table shows when the '01F' indicator will transition from requiring a settlement in Fannie Mae MBS to accepting settlement in UMBS:

Transition of 55-day '01F' Indicator from Fannie Mae to UMBS			
Timeframe	TBA Forward Trading Under '01F' (30 days from TBA Trade to Settle)	TBA Forward Trading Under '01F' (60 days from TBA Trade to Settle)	TBA Forward Trading Under '01F' (90 days from TBA Trade to Settle)
90-days prior to 1st UMBS Reg Settlement date	FNM	FNM	UMBS
60-days prior to 1st UMBS Reg Settlement date	FNM	UMBS	UMBS
30-days prior to 1st UMBS Reg Settlement date	UMBS	UMBS	UMBS

- For example, if you book a forward trade using '01F' today to settle 60 days out:
 - If today is 60 days or less from the first UMBS reg settlement, you will receive a UMBS
 - If today is greater than 60 days from the first UMBS reg settlement, you will receive a Fannie Mae MBS





8.4 Bloomberg

❖ Key changes

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

Bloomberg Generics	Payment Delay (Days)	Agency	Product	UMBS details
FNCL	55	Fannie Mae & Freddie Mac	30-yr Fixed-Rate Conventional	To include: <ul style="list-style-type: none"> • 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 (not TBA-eligible)
- Bloomberg "Generic" support will reflect a UMBS view, including Freddie Mac new issue 55-day UMBS or MBS, Freddie Mac legacy PCs exchanged, and Fannie Mae 55-day new issue UMBS or existing MBS.
- Bloomberg will support 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 corresponding Freddie Mac 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 update other processes or activities as needed.
- Determine if hard coding around ticker symbols in systems needs to be updated and tested.

❖ Decisions needed

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



8.5 Trades over Transition Period to UMBS

❖ Key changes

- During the transition period, we anticipate that investors will have several 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 go-live of the Single Security initiative. 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 w ith 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 w ith 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 w ith 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 w ith Freddie Mac TBA
	Before Implementation (Month 2 Trade, Month 3 settle)	Pair off position or deliver 45-day Freddie Mac PCs	Roll short position w ith 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 w ith 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 w ith 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 existing 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. A roll swap contract would require the Dealer to exchange the 45-day Gold PC for a 55-day UMBS with Freddie Mac in the interim.





❖ Actions market participants should consider

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

❖ Decisions needed

- The resolution of fails while the supply of Gold PCs is diminishing during exchange has not been finalized.
- Changes to Reuters Instrument Codes (RIC) and similar vendor codes that market participants rely on are yet to be determined.

8.6 Indices

❖ Key changes

- The goal of the initiative is for indices to transition gradually, as two separate TBA markets combine.
 - It is our view that no investor should be immediately over- or under-weight in their holdings relative to the indices simply due to go-live of the Single Security Initiative.
 - Over time, we believe Freddie Mac Gold and Giant PC tradable supply will diminish until it drops out of cohorts entirely.

❖ Decisions needed

- Treatment of the new UMBS by index providers is still being worked through.
- Index composition by program after Single Security Initiative implementation is being discussed. Currently indices include all TBA-eligible securities without regard to payment delay.
- The index providers are looking at whether they will provide a view that segments by payment delay.
- We have asked the index providers about the planned frequency of index updates during the transition to UMBS.

8.7 Investment Limits and Concentration Risks

❖ Key changes

- **U.S. regulation** - Changes could be made to rules and regulations for investors, for example:
 - Under current IRC §817(h) – which largely applies to insurance companies - limits are 55% in any one issuer, 70% in any two issuers, 80% in any three issuers, and 90% in any four issuers.
 - The Enterprises, FHFA, and industry groups have submitted a proposal to the IRS to clarify how to treat UMBS under 817h. IRS response is still 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 relevant external regulators regarding any possible changes or restrictions to investment limits or concentration risk
- Consult with internal compliance, legal, investment boards, and client services to determine impact of the new UMBS and update investment guidelines as needed



9 Legal and Compliance

❖ Key changes

Legal Document	Change Type	Description
Freddie Mac Master Trust Agreements and Offering Circulars for 55-day securities: Freddie Mac UMBS, MBS, Supers, Giant MBS, and REMICs, as well as applicable mirror securities	New Documents	Will largely be based on the current Freddie Mac legal documents governing Freddie Mac 45-day securities (i.e., PCs, Giant PCs and REMICs) but will be adapted to account for the changes in payment delay, commingling (if applicable) of Freddie Mac and Fannie Mae securities and other Single Security Initiative features
Freddie Mac Exchange Offering Circular	New Document	Will describe the terms of the exchange offer, including the financial compensation for the change in payment delay
Exchange Agreement (with Dealers)	New Document	Agreement under which dealers will effect the exchange offer
Freddie Mac Single-Family Seller/Servicer Guide	Revised Document	Will be updated to account for new Single Security Initiative features
Fannie Mae Mega/Supers MTA and Prospectus	Revised Document	Minor changes will be made to account for Single Security features, including commingling
Fannie Mae and Freddie Mac Securities Purchase Agreements with Dealers	Revised Document	Will be adapted to allow for purchase of securities from both Fannie Mae and Freddie Mac in commingled resecuritizations

❖ Decisions needed

- SIFMA needs to determine when and how they will update documents they govern, including the Good Delivery Guidelines and possibly Master Securities Forward Transaction Agreements (MSFTA).





Freddie Mac and Fannie Mae

Single Security Initiative Market Adoption Playbook

Dealer Appendix

Exchange Process of Freddie Mac PCs



Fannie Mae™





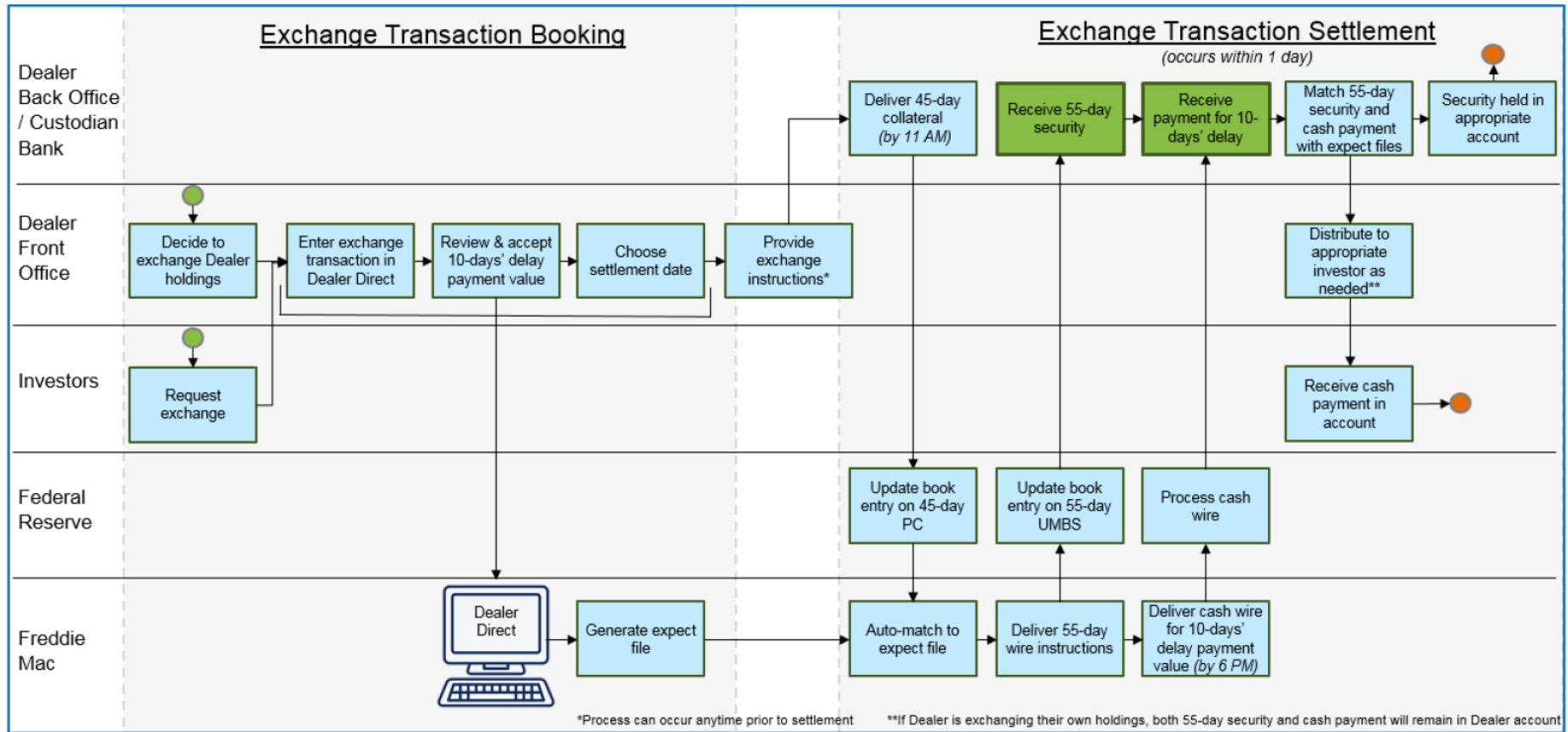
Dealer Appendix

This section provides details around the exchange process of legacy 45-day PC and Giant PC securities to 55-day securities (UMBS and Supers for TBA-eligible securities; FRE MBS / Giant MBS for non-TBA-eligible securities). Dealers will access Freddie Mac Dealer DirectSM to initiate, modify, and monitor exchange transactions.

❖ Transaction Overview

Dealers will initiate an exchange of their proprietary holdings or on behalf of an investor. An exchange transaction can be booked up until noon the day prior to settlement. Dealers/investors can select current month or next month for settlement. The diagram on the next page displays the process flow of an exchange from initiation to settlement.

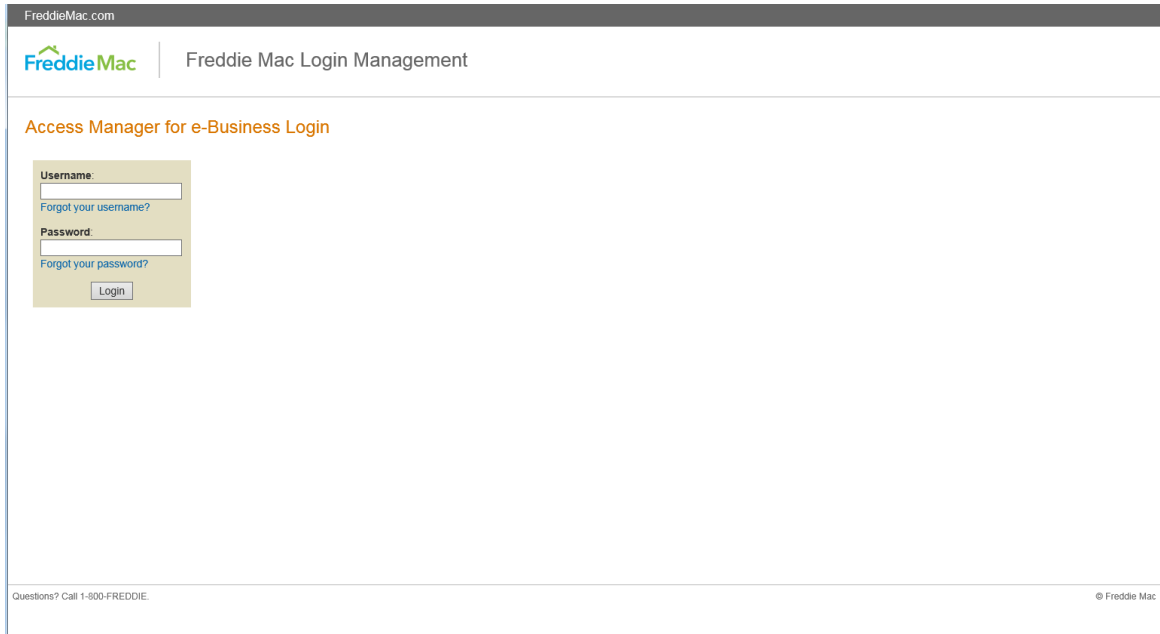




❖ Exchange Transaction Booking

How to enter an exchange transaction

- To enter an exchange transaction, you will login to Freddie Mac Dealer Direct in the same way with 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 offer.



The screenshot shows the Freddie Mac Login Management page. At the top, it says "FreddieMac.com" and "Freddie Mac Login Management". Below that, there is a section titled "Access Manager for e-Business Login". The login form includes fields for "Username:" and "Password:", each with a "Forgot your [username/password]?" link. A "Login" button is located at the bottom of the form. At the bottom of the page, there is a footer with "Questions? Call 1-800-FREDDIE" on the left and "© Freddie Mac" on the right.



Single Security Initiative

- 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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- 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,
C38728,31294FVW5,30000,
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(s).
 - Exchanges cannot settle during the first five business days of the month because current month factors are not yet available.
 - You will be allowed to book an exchange for future settlement for the current month and the next month.
 - Capacity:
 - Capacity for each day is managed internally by the Freddie Mac team.
 - Freddie Mac forecasts the capacity on a given day will be 50,000 exchanges; some additional capacity can be made available if necessary.
 - The exchange settlement calendar will be dynamic. As exchanges are booked, available capacity decreases. Conversely, if an exchange is cancelled the capacity will increase accordingly.
 - There will be no charge or penalty for cancelled exchanges.

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

Freddie Mac 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	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16 Availability: 198	17 Availability: 198	18 Availability: 198	19	10	11 Availability: 198	12 Availability: 198	13 Availability: 198	14 Availability: 198	15 Availability: 198	16
20	21 Availability: 198	22 Availability: 198	23 Availability: 198	24 Availability: 194	25 Availability: 198	26	17	18 Availability: 198	19 Availability: 198	20 Availability: 198	21 Availability: 198	22 Availability: 198	23
27	28 Availability: 198	29 Availability: 198	30 Availability: 198	31 Availability: 198			24	25 Availability: 198	26 Availability: 198	27 Availability: 198	28 Availability: 198	29 Availability: 198	30



- The next screen displays the final exchange transaction details. 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
 Cutoff Time for Providing Collateral: 10:25 AM
 Remaining Capacity for This Settlement Date: 190

Last Action: Collateral Overwritten
 Last Modified By: JPMorganChase ExchangeTrade
 Price Grid in Effect: v408
 Total Float Compensation (\$): 110.84

Settlement Date: 08/31/2017
 Last Action Date/Time: 08/30/2017 11:14 AM

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	ZI0011	31327TAM9	0.07777787	2.25	0.50	0.00	0.50	0.50	3.75	91.15	E	
10383	C38725	31294FVS2	500,000.00	ZI0083	31327TCV7	0.01175422	2.25	0.50	0.00	0.50	0.50	3.75	6.89		
10384	C38728	31294FVV5	700,000.00	ZI0084	31327TCW5	0.00561408	2.25	0.50	0.00	0.50	0.50	3.75	4.61		
10385	C49099	31298JDC5	700,000.00	ZI0086	31327TCY1	0.01152164	2.25	0.00	0.00	0.50	0.50	3.25	8.19		

- Once the exchange transaction is accepted, the following email confirmation will be sent to the user.

From: dealer_direct@freddiemac.com [mailto:dealer_direct@freddiemac.com]
Sent: Thursday, December 21, 2017 11:37 AM
To:
Cc:
Subject: Freddie Mac confirmation 02466-01 : Exchange Transaction CONFIRMED

Trade Date/Time: December 21st, 2017 at 11:36 AM
Pricing Date: December 21st, 2017
Submitter:
Last Modified By:

Last Action: Transaction Confirmed
Status: Confirmed
Settlement Date: December 22nd, 2017
Exchange delivery requested by: 11:00AM

Exchange Details
Number of Exchange Collateral: 10
Total Float Compensation (\$): \$2,451.70
Price Grid in Effect: v497

For collateral delivery and settlement support, call _____ or email _____
 For Exchange trade support, call (571) 382-XXXX or email exchange@freddiemac.com.

[Click here](#) to return to the Transactions tab of Freddie Mac Dealer DirectSM.



❖ Exchange Transaction Settlement

- The 45-day security will be delivered via the Fed wire. This process is unchanged from how a security is delivered to create a Giant today.
- The 45-day security 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 (Delivery vs. Payment). At the end of the day, the 10 days' delay compensation is calculated for each transaction, based on how many exchanges within the transaction settled successfully. A separate cash wire will be sent for each transaction.
- 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 security that fails to match will be DK'd back to the submitting dealer. Therefore, no security will be held overnight.
 - If the dealer fails to deliver an individual 45-day pool for exchange on settlement day, a new exchange transaction with that failed pool/CUSIP and par amount, automatically be booked for the next available settlement day with capacity, no less than two days out.

❖ Exchange Key Daily Events

Settlement Day - 1

Time	Key Events
8:00 AM	Freddie Mac's Operations support hours start
12:00 PM	<ul style="list-style-type: none"> • Cutoff for dealers to request an exchange for next day settlement • Existing transactions settling the next day will move to "Locked" status preventing modification by any dealer
5:30 PM	Freddie Mac's Operations support hours end

Settlement Day

Time	Key Events
8:00 AM	Freddie Mac's Operations support hours start
8:30 AM	<ul style="list-style-type: none"> • Fed Security delivery window opens • Delivery of the 45-day security for exchange by dealer begins
11:00 AM	Good Delivery Guideline cutoff for delivery of 45-day Security to be exchanged (same as guidelines for Giants today)
3:30 PM - 4:30 PM	<ul style="list-style-type: none"> • Dealer Direct updates transaction status to "Settled," any individual exchange that failed settlement is auto-rebooked for next available settlement day, no less than 2 days out • Transaction gets updated to "Failed" in Dealer Direct only if all exchange IDs within the transaction fail • After transaction status updates, Dealer Direct immediately sends 10 days' delay compensation to Wire Room to disburse (wires are sent out as soon as received)
5:30 PM	Freddie Mac's Operations support hours end



Settlement Day +1

Time	Key Events
6:30 AM	Exchange disclosures published for previous business day's activity. (Cumulative 45-day to 55-day Exchange Activity, Daily 45-day to 55-day Exchange Activity, Aggregate Level 1 Collateral Exchange Activity)

❖ Modifying an exchange transaction

- Dealers will be allowed to make any of the following modifications after an exchange has been agreed to (and before it settles):
 - Change the settlement date
 - Upload additional 45-day securities
 - Overwrite existing 45-day securities
 - Cancel the exchange
 - Reprice the 10 days' delay compensation applicable to exchange (if the compensation 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 45-day securities that require 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).





Freddie Mac and Fannie Mae

Single Security Initiative Market Adoption Playbook

Seller / Servicer Appendix



Fannie Mae™



Seller / Servicer Appendix

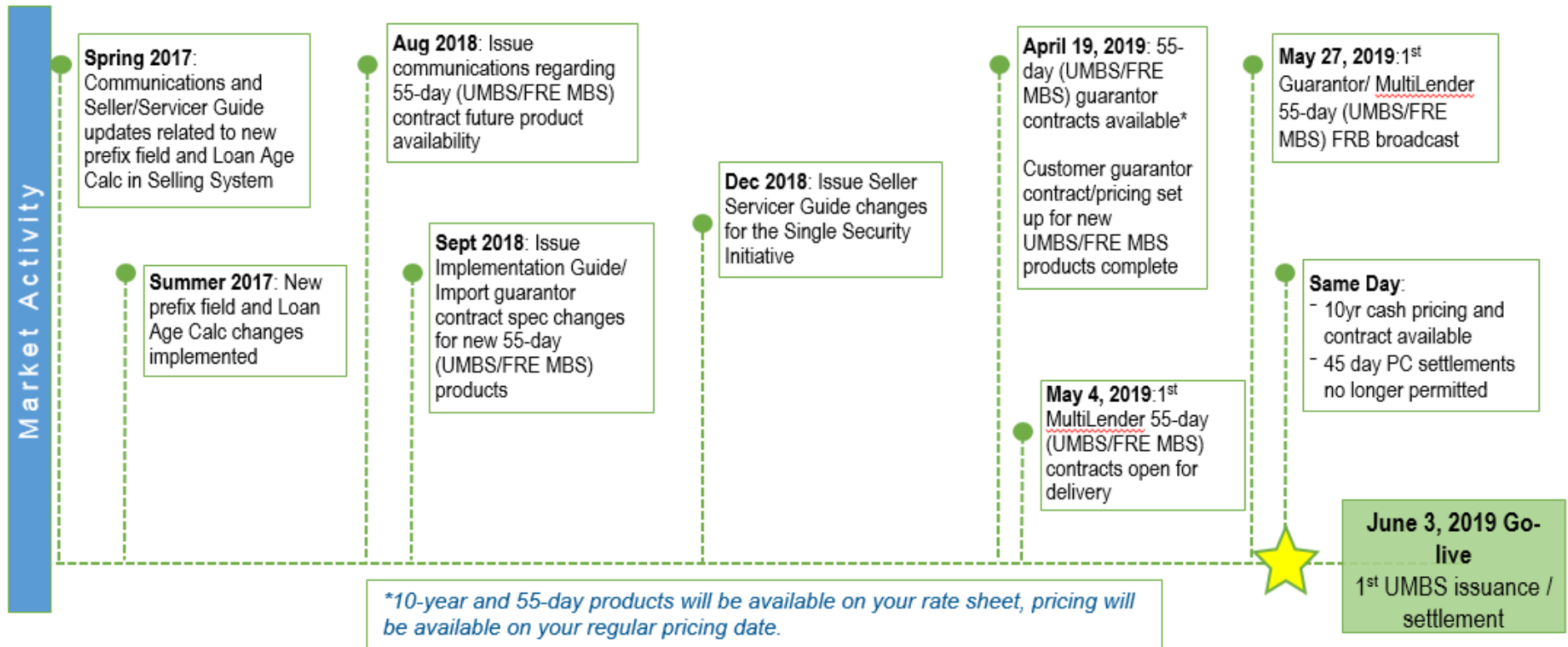
This appendix provides additional detail regarding the impact of the Single Security Initiative implementation to Seller / Servicers. One of the Initiative's goals is to minimize effects on the business practices of Seller / Servicers. Nevertheless, the Initiative includes certain changes to TBA-eligible securities, non-TBA-eligible securities, and the loans that make up those products, as highlighted in the sections below.

The details below pertain only to Freddie Mac product changes because Fannie Mae does not anticipate any product changes in connection with the Single Security Initiative since UMBS will adopt the features of Fannie Mae MBS. Therefore, Seller / Servicer partners will continue to interact with Fannie Mae in the same manner as today.



Timeline

The timeline below shows dates relevant to Seller / Servicers in relation to the first new UMBS issuance on June 3, 2019. Details on these items are provided in the following sections.



Effects of the Single Security Initiative Implementation on Freddie Mac Seller / Servicers

Items not changing with Implementation. Seller / Servicers will continue:

- Taking out Guarantor and Cash contracts in the Loan Selling AdvisorSM
- Delivering loans through the Loan Selling AdvisorSM.
- Using Loan Product Advisor and Loan Quality Advisor.
- Receiving securities in a Guarantor or MultiLender transaction for the loans they sell to Freddie Mac.
- Servicing loans pursuant to their Purchase Documents. *However, please be aware of the Investor Reporting Change Initiative. Details can be found at:*
http://www.freddiemac.com/singlefamily/service/investor_reporting_changes.html.

Description of New Security Products from the Seller's Perspective

When the Single Security Initiative is implemented on June 3, 2019, Freddie Mac will replace its current 45-day securities with new 55-day UMBS as well as 55-day non-TBA-eligible (Freddie Mac MBS) security products. Freddie Mac will also introduce 55-day, 10-year TBA-eligible security product. The following sections describe the overall changes, followed by specific changes to the Guarantor/MultiLender execution path and the cash execution path. ARM products will remain the same.

❖ Key changes - overall

Effective Now

- Freddie Mac has created a new prefix field for the 55-day securities.
 - A new prefix field appeared on screens in the Loan Selling AdvisorSM as of Freddie Mac's Mirror Contracting Release, which deployed in late August 2017, when Freddie Mac adopted the Single Security Initiative disclosure format for its single-family securities, including Mortgage Participation Certificates (PCs). The new prefix field is now also available for customizable export to Sellers. The new UMBS and 55-day Freddie Mac MBS prefix *values* will not take effect until the UMBS implementation in 2019.
 - Until the new products are offered, the prefix value reflected in the new field will be the same as the first two characters of the existing pool number. *For example, a pool number of C04846 for a TBA-eligible security will now be C0 C04846.*
- In preparation for the Single Security Initiative implementation, the Loan Age calculation was modified as of August 28, 2017. The modified calculation uses the scheduled first payment date instead of the note date. The change means more loans are eligible for allocation to the 0-2 WALA MultiLender pools.

Effective Before or At Implementation

- Freddie Mac will publish a list of new 55-day security products (and their Loan Selling AdvisorSM Product IDs).
- The minimum pooling size of Single Issue Guarantor non-TBA-eligible loans will increase to \$1 million for Mortgages with Settlement Dates settlements on/after the implementation date.
 - After implementation, non-TBA-eligible pools below \$1,000,000 may be allowed only on a waiver/exception basis.



- MultiLender products will still have a minimum contract amount of \$1,000 after implementation of the UMBS.
- Pricing will be displayed to Sellers the same way it is currently in the Loan Selling AdvisorSM. Any changes in pricing of the new products will be reflected in the Loan Selling AdvisorSM and will not affect the way Sellers interact with the system.
- Freddie Mac will add a buy-up/buy-down grid for the 10-year products.
- Freddie Mac will work with affected Sellers ahead of the UMBS implementation to complete any required Master Commitment updates. We expect that most updates will be related to the addition of the 10-year mortgage product.

❖ Key changes – Guarantor/MultiLender products

Product Changes

- Freddie Mac will add equivalent 55-day Guarantor/MultiLender products for most of the existing 45-day Guarantor/MultiLender products that Freddie Mac has today.
- Specific security products will be added for 30-year, 20-year, and 15-year non-TBA-eligible High LTV loans.
- Freddie Mac will introduce a new 55-day, 10-year TBA-eligible security. Freddie Mac will not introduce a 10-year non-TBA eligible security product.
- 10-year loans with special characteristics, such as high LTV ratios (over 105%) and super-conforming loan amounts, will continue to be pooled into 15-year security products.

Pricing and Contracting Changes

- Today, Sellers receive pricing for a 15-year mortgage when they deliver a 10-year loan. With the implementation of UMBS, Freddie Mac will offer distinct pricing specifically for 10-year mortgages.
- For Guarantor execution, 10-year loans for delivery into TBA-eligible securities will be priced as 10-year loans. However, loans with special characteristics, such as high LTV ratios (over 105%) and super-conforming loans, delivered into non-TBA-eligible securities will receive a 15-year price, as they do today.
- Sellers will receive a new rate sheet, buy-up/buy-down grid, and Credit Fee in Yield for 10-year loans.
- Only Sellers with Master Commitments that allow them to take out 15-year Guarantor/MultiLender contracts will need to have these Master Commitments amended to include the new 10-year Guarantor/MultiLender product. *Note – the 10-year product will be added to Seller Master Commitments if the current Master Commitments permit 15-year loans.*



❖ Key changes – cash contract products

Product Changes

- Freddie Mac will introduce a new 10-year cash contract product when the Single Security Initiative is implemented.

Pricing and Contracting Changes

- Today, Sellers receive a 15-year price when they deliver 10-year loans for cash. With the implementation of the Single Security Initiative, Freddie Mac will begin offering a specific 10-year price for 10-year cash loan delivery.
- For cash executions, all 10-year loans, including loans with special characteristics such as high LTV ratios and super-conforming, will receive 10-year pricing.
(Note: For loans with special characteristics not eligible for TBA pooling, if Freddie Mac includes them in a cash pool, they will still be pooled into 15-year non-TBA-eligible securities, even if these loans were priced as 10-year loans upon delivery.)
- Sellers will receive a new rate sheet for cash delivery of 10-year loans.
- Only Sellers with Master Commitments that allow them to deliver 15-year loans for specified cash products will need to have these Master Commitments amended to include the new 10-year cash contract products. If a Seller's current contracting only refers to eligible products in the Freddie Mac *Single Family Seller/Servicer Guide* (Guide), then an update of the Master Commitment is not required.

❖ Key changes - changes to maturity terms with the introduction of 10-year products

Current State			Future State (After Single Security Initiative Implementation)		
Guarantor Products	Minimum (months)	Maximum (months)	Guarantor Products	Minimum (months)	Maximum (months)
15-year	1	180	15-year	85	180
10-year	N/A		10-year	85	120
Cash Contract Products	Minimum (months)	Maximum (months)	Cash Contract Products	Minimum (months)	Maximum (months)
15-year	120	180	15-year	121	180
10-year	N/A		10-year	85	120

- For new UMBS / Freddie Mac MBS securities (Guarantor and MultiLender transactions):
 - The 10-year UMBS maturity term will be 85 - 120 months (Non-TBA-eligible 10-year securities will not be offered).
 - The 15-year UMBS and 55-day Freddie Mac MBS maturity term will be 85 – 180 months (adding an 85-month minimum, which does not exist today).
- For Freddie Mac cash contract products:
 - The 15-year cash contract product maturity term will be 121-180 months which represents a change to the 15-year cash contract product with a 121-month minimum maturity to prevent overlap with the new 10-year offering.
 - The 10-year cash contract product maturity term will be 85-120 months.



❖ Actions market participants should consider

- Evaluate effects of new products, naming conventions, prefixes, and Loan Selling AdvisorSM Security Product IDs for best execution, loan delivery, pooling systems, and reporting tools.
- Evaluate the effects of new cash contract products for systems or business areas involved in cash loan delivery.
- Ensure that import specification uses the correct Loan Selling AdvisorSM Security Product IDs for new 55-day products.
- Update and test systems, reporting, etc. to account for the new 10-year products, and the accompanying addition of the 85-month minimum on 15-year products.
- Adjust and test systems and reporting as necessary to accommodate new \$1 million minimum pooling sizes for non-TBA-eligible Guarantor pools.
- Adjust and test systems, analytics, and processes as needed for new 10-year pricing.
- Adjust and test pooling systems, analytics, and processes as needed for the change in loan age calculation and for allocating loans to 0-2 WALA pools.
- Sellers should expect to work with their Freddie Mac relationship managers to update Master Commitments where applicable.
- Schedule internal changes in advance to account for internal policies and funding cycles to ensure readiness for the Single Security Initiative implementation on June 3, 2019.
- Discuss changes with vendors.
- Determine testing timeline for updates required to affected systems.

❖ Decisions needed

- Freddie Mac will advise you when the Loan Selling AdvisorSM testing environment will be available to Seller/Service providers for testing.



Transition from 45-day to 55-day Securities Products

❖ Key changes

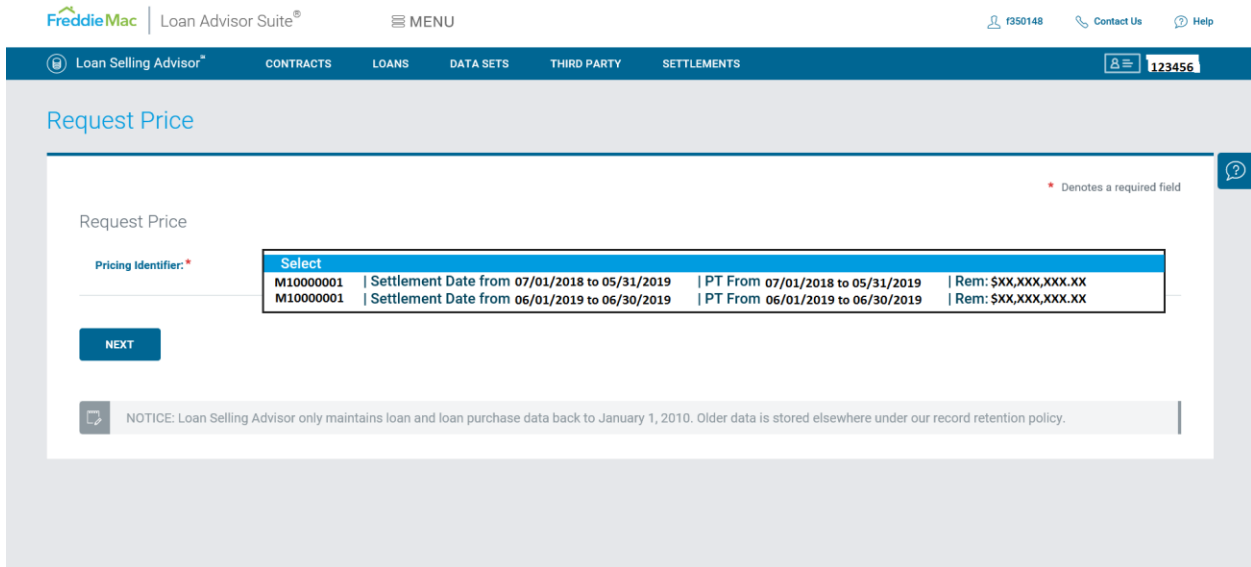
The following section refers to fixed-rate security products only. Freddie Mac's 75-day ARM products will continue to be offered as they are today.

>45 Days to Go-live	45 – 1 Days to Go-live	Go-live (June 3, 2019)
Only 45-day products will be offered. This is the same product offering as today.	Both 45-day securities and the new 55-day securities (including 10-year) will be offered. The security available for contracting will be determined by the settlement date chosen. Any date after the Implementation date will return a 55-day security. <i>This applies to Guarantor and MultiLender transactions.</i>	Only 55-day securities will be available for contracting. Additionally, the 10-year cash product will be available.

- There are 3 phases of transition to the UMBS for Freddie Mac fixed-rate security products:
 - Until 45 days before the Single Security Initiative Go-live – only 45-day securities will be available, the same as today.
 - Inside 45 days until the Single Security Initiative go-live – both 45-day and 55-day products are available. The security product available for any given delivery during this period depends on the settlement date chosen.
 - If the settlement date is prior to Single Security Initiative go-live, the Seller will be able to deliver loans against a 45-day security.
 - If the settlement is after go-live, the Seller will be able to deliver loans against a 55-day security.
 - On or after go-live – only 55-day securities will be available for contracting.
- During the transition period, Sellers will see two versions of a single Product ID – one for 45-day products (to be selected when the settlement date is prior to Single Security Initiative implementation date) and the other for corresponding 55-day products (to be selected when the settlement date is on/after the Single Security Initiative implementation date).
 - Note: *This information applies to Guarantor and MultiLender contracts. Cash contract products remain unchanged until the introduction of the 10-year mortgage at Single Security Initiative implementation.*
 - The screenshot below displays how this will be reflected in the system during this period



Single Security Initiative



FreddieMac | Loan Advisor Suite® MENU f350148 Contact Us Help

Loan Selling Advisor® CONTRACTS LOANS DATA SETS THIRD PARTY SETTLEMENTS 123456

Request Price

Request Price

Pricing Identifier:*

Select	Settlement Date from	PT From	Rem:
M10000001	07/01/2018 to 05/31/2019	07/01/2018 to 05/31/2019	\$XX,XXX,XXX.XX
M10000001	06/01/2019 to 06/30/2019	06/01/2019 to 06/30/2019	\$XX,XXX,XXX.XX

NEXT

NOTICE: Loan Selling Advisor only maintains loan and loan purchase data back to January 1, 2010. Older data is stored elsewhere under our record retention policy.

- Upon Go-live of the Single Security Initiative, 10-year cash products will become available and Freddie Mac will modify the maturity terms permitted for the 15-year cash contracts.
- Freddie Mac will publish Guide updates with details around the transition period.

❖ Actions market participants should consider

- Sellers should schedule any outstanding or planned 45-day Guarantor and MultiLender transactions to settle prior to the Single Security Initiative implementation date.

Servicing Buyers

❖ Key changes

- For each of the new 10-year cash products, servicing buyers will need to determine the following:
 - Bid or no bid option
 - Pricing for products they choose to bid on

❖ Actions market participants should consider

- Servicing buyers will need to decide whether to bid on 10-year Guarantor and cash products and whether to change current bidding options on GRH mortgages.

