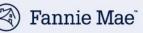
**Single Security Initiative** 

# **Single Security Initiative Update**









# Agenda

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





#### **Single Security Initiative**

#### **Overview**



Single Security Initiative	<ul> <li>New uniform mortgage-backed security</li> <li>Common features</li> <li>Single TBA market</li> <li>Issued by Fannie Mae and Freddie Mac</li> </ul>
Issuer/Guaranty Structure	<ul> <li>Level 1: UMBS; Level 2: Supers</li> <li>Supports commingling in second-level resecuritizations</li> <li>Issuer of top level security is guarantor</li> </ul>
Alignment	<ul> <li>55-day payment delay</li> <li>Prefixes: use Fannie Mae FICC Clearing Code (01F)</li> <li>Disclosures: aligned to Freddie Mac new format</li> </ul>
Timing	<ul> <li>Implementation in Q2 2019</li> <li>Trading activities, including optional exchange*, will begin several months in advance of implementation</li> </ul>

\* Freddie Mac 45-day TBA securities







## **Key Considerations – Investors**

Documents & Policies	<ul> <li>Portfolio issuer concentration limits</li> <li>Investment guidelines</li> <li>Offering documents</li> <li>Exchange approach and timing*</li> </ul>	
Processes	<ul> <li>Hedging and best execution practices</li> <li>Forward trading and dollar rolls leading up to implementation</li> <li>Procedures, documentation, training</li> </ul>	
Systems	<ul> <li>Vendor development, testing, and implementation timelines</li> <li>Presentation and analysis: two TBA markets combining</li> <li>Accept Fannie or Freddie collateral for "FNCL" trade</li> </ul>	
Accounting, Tax, Regulators	<ul> <li>Investment limits, concentration risk</li> <li>Treatment for exchanged Freddie Mac securities*</li> </ul>	
* Freddie Mac 45-day TBA securities		

**Freddie Mac** 

Fannie Mae



Key Considerations – Dealers	
Processes	<ul> <li>Forward trading and dollar rolls surrounding implementation</li> <li>Exchange: scheduling, settling, float compensation distribution*</li> <li>Disclosure file format and timing</li> </ul>
Systems	<ul> <li>Vendor development, testing, and implementation timelines</li> <li>Presentation and analysis: two TBA markets combining</li> <li>Analytics, reports, data feeds</li> </ul>
Customers	<ul> <li>Customer support surrounding go-live period</li> <li>Exchange* scheduling</li> </ul>

\* Freddie Mac Gold PC securities only





# **Key Considerations – Vendors** • Rate schedule for the 10-day delay compensation Processes (exchange\*) • Prefix and pool number content and structure System labels and logic\*\* Systems Disclosure file format and timing Analytics, reports Display and reporting of transition to single TBA UMBS Communication: nature and timing of system changes Documentation, training Customers Customer testing and support surrounding go-live period

\* Freddie Mac 45-day TBA securities

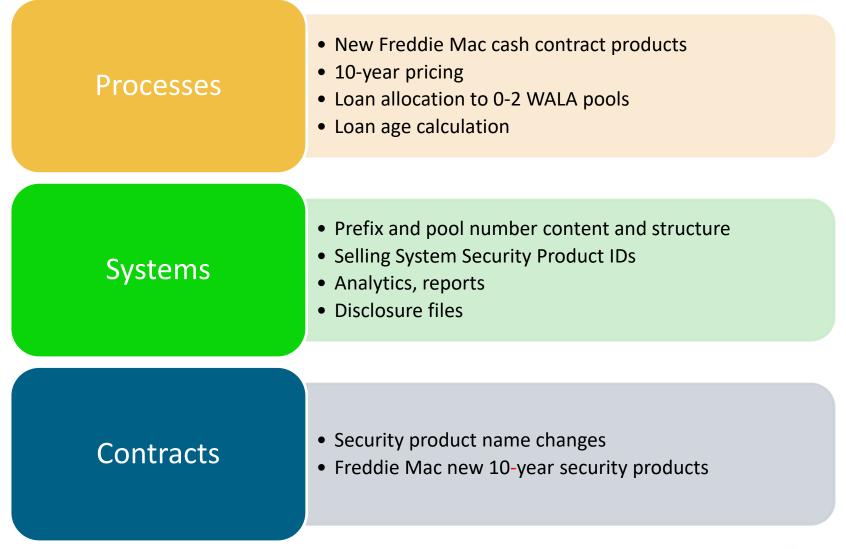
\*\* See Resources page for links







### **Key Considerations – Freddie Mac Sellers\***



\* UMBS features will mimic Fannie Mae MBS; no new changes for Fannie Mae sellers to absorb with the implementation of the new UMBS market October 4, 2017







## **Recommended Actions**

Assess	<ul> <li>Review Market Adoption Playbook**</li> <li>Complete initial impact assessment</li> <li>Develop level of effort estimate</li> </ul>	
	• Develop plan	
Plan	<ul> <li>Identify and reach out to internal and external resources, coordinating with other internal divisions</li> </ul>	
	Identify key milestones to complete changes in 2018	
Budget	Submit and obtain funding, if needed	
	<ul> <li>Coordinate with other affected internal divisions</li> </ul>	
Keep Informed	Sign up for initiative updates	
	<ul> <li>Participate in working group sessions, trade associations, conferences</li> </ul>	
	Look for Market Adoption Playbook and FAQ updates	
** See Resources page for links		

\*\* See Resources page for links





#### **Single Security Initiative**



# Questions







#### Resources



Federal Housing Finance Agency (FHFA)

Website: www.fhfa.gov/PolicyProgramsResearch/Policy/Pages/Single-Security.aspx



