

Single Security Market Adoption Summary

For more details on the Single Security Initiative, please refer to our [Market Adoption Playbook](#)



Do you trade or invest in Fannie Mae or Freddie Mac TBA Securities?

Do you provide services to those who do?

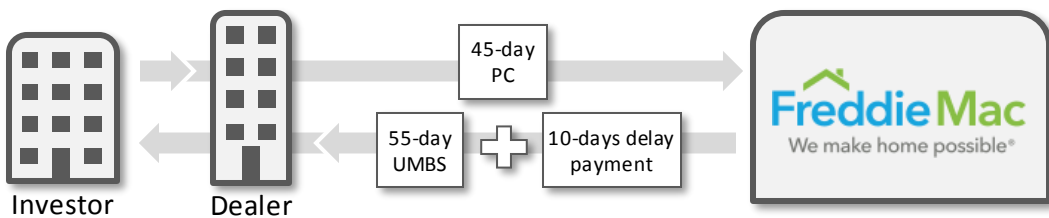
See if you are impacted:

- **Assess your own systems**, data repositories, workflows, reporting and analytics solutions, etc. for changes
- **Reach out to your vendors** to be sure they will be ready and assess how their changes will impact you, their timelines for testing and deployment of changes, etc.
- Don't forget non-system impacts such as **investment management agreements**

<p>Adopting FNM MBS Characteristics UMBS will look like FNM MBS — e.g., 55-day payment delay, prefixes</p>	<p>Aligning Disclosure Both GSEs adopting common disclosure format in use by Freddie Mac today</p>	<p>Each UMBS has one issuer UMBS will be backed by loans purchased by either Freddie Mac or Fannie Mae</p>
<p>UMBS® New common TBA securities will be Uniform Mortgage-Backed Securities (UMBS)</p>	<p>Single Security Characteristics</p>	<p>Commingled Resecuritization Commingling of Freddie Mac- and Fannie Mae-issued security collateral will be allowed in resecuritizations</p>
<p>Supers® Single class resecuritizations (today's Megs and Giants) will be Supers</p>	<p>Policy & Practice Alignment Enterprises have agreed to align in key areas — e.g., pooling rules, loan removal</p>	<p>UMBS will leverage existing FNM industry codes e.g., Bloomberg's FNCL, FICC's "01F" will represent all UMBS</p>

Exchange

Holders of Freddie Mac 45-day PCs/Giants will have the option to exchange them, using Freddie Mac-approved Dealers, for 55-day UMBS/Supers (or FRE MBS for non-TBA) and compensation for the additional 10-days payment delay



Exchange disclosures will be produced on a daily basis to inform the market of exchange activity

Per the SEC, the exchange transaction may be treated as a minor modification (not a buy/sell). Please consult your accounting/tax advisors and custodians to determine your own transaction booking and accounting processes

This exchange is expected to open just prior to implementation and will be available for the foreseeable future

TBA Trading & Analytics

01F

All UMBS TBA trades will net under "01F" indicator (along with legacy FNM MBS and Exchanged FRE PCs)

EPN Messaging

No changes are expected for EPN messaging—users are encouraged to populate pool CUSIP for all trades

Bond Indices

In our view, no investor should be immediately over/under weight simply due to transition
The goal is to transition two TBA markets to one gradually

Note: Please contact your vendors for more details on how they're updating their trading, portfolio management, analytics, indices, and other systems to support the UMBS market



Fannie Mae™



Regulatory / Industry Guidance

SEC	<ul style="list-style-type: none"> Received guidance in Dec. 2017 that exchanges can receive modification accounting treatment (not buy/sell)
IRS	<ul style="list-style-type: none"> Awaiting decision on taxability of exchange transaction Awaiting guidance on 817-h investment limits for insurance companies
SIFMA	<ul style="list-style-type: none"> Expecting SIFMA to provide guidance to support fungibility of all UMBS, legacy FNM securities and exchanged FRE Gold PCs (Good Delivery Guidelines)

Investment Guidelines

All Investors	<ul style="list-style-type: none"> If current agreements specify Freddie Mac or Fannie Mae issued TBA securities separately, updates may be required. Downstream business rules, data flows, compliance systems, etc. may also need to be updated to ensure full, smooth participation in the unified UMBS TBA market
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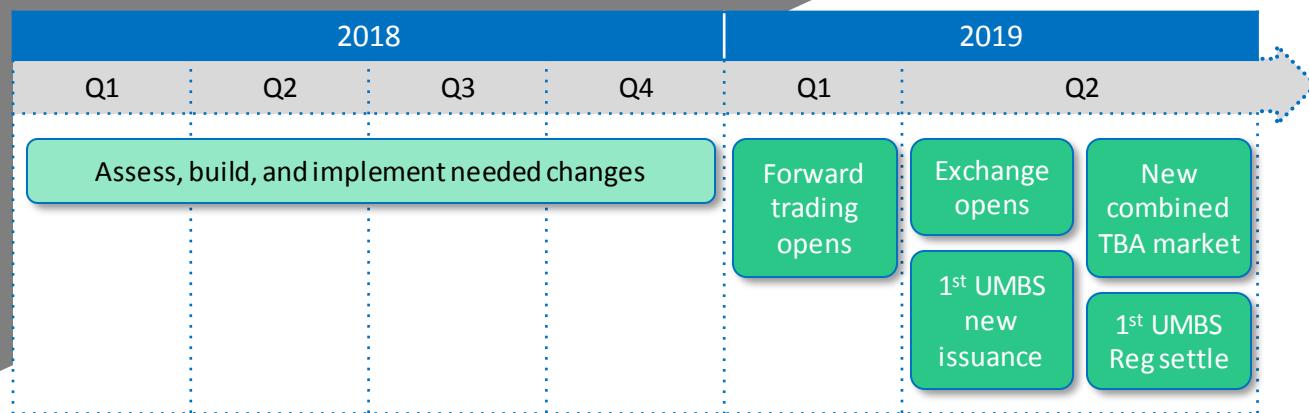
Seller Servicer Updates (FRE only)

Beginning about 45 days prior to Single Security go-live, Freddie Mac Sellers will begin to see 55-day security products available for contracting in Freddie Mac's Selling System

- During transition, Sellers will see both 45- and 55-day products, depending on settlement date
- After go-live, only 55-day products will be available

Freddie Mac is also updating its servicer reporting cycle to an industry standard calendar month cycle— see [Investor Reporting Change Initiative](#) (http://www.freddiemac.com/singlefamily/service/investor_reporting_changes.html) for more information

Illustrative Single Security Readiness Implementation Schedule



Market Adoption Checklist

Adoption Lifecycle	Actions Market Participants Should Consider	Status
Awareness	<ul style="list-style-type: none"> Visit the Single Security websites and / or reach out to Freddie Mac or Fannie Mae representatives (see below) 	<input checked="" type="checkbox"/>
Understanding	<ul style="list-style-type: none"> Read the Market Adoption Playbook and other information resources on the website Reach out to Freddie Mac, Fannie Mae, vendors, trade groups, etc. with your questions and concerns, to confirm your understanding of what is changing 	<input checked="" type="checkbox"/>
Assessment	<ul style="list-style-type: none"> Review MBS-related processes, policies, systems, analytics, etc. for potential impacts – e.g., <ul style="list-style-type: none"> Impacts to credit/counterparty risk, concentration limits, compliance and risk models Use of common naming conventions, prefixes and clearing codes for all UMBS Client impacts, changes to investment management agreements Determine your Exchange strategy, work with accounting/tax advisors and custodians on exchange transaction codes, impacts to position / cash accounting Identify how vendor changes may impact you downstream & when you can test Develop plans, teams, budgets as needed to execute and test changes 	<input type="checkbox"/>
Build	<ul style="list-style-type: none"> Execute and test any internal system, analytics, reporting, etc. changes Work with your key vendors to absorb their changes and test with them 	<input type="checkbox"/>
Launch	<ul style="list-style-type: none"> Confirm system, vendor and operational readiness to forward trade in Q1 2019 Confirm system, vendor and operational readiness to exchange and fully participate in the new UMBS market in Q2 2019 	<input type="checkbox"/>

FOR MORE DETAILS:

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

Attend our Single Security Conference in NY on May 14, 2018

Please submit questions or comments to single_security@freddiemac.com or single_security@fanniemae.com.