



Single Security and Common Securitization Platform (CSP)

Frequently Asked Questions

October 2016

Contents

The Single Security	2
The Common Securitization Platform (CSP)	4
Overview	4
Release 1	5
Market Transition	5
Industry-Specific Topics	6
Seller/Serviceers.....	6
Investors	9
Disclosures	10
Legacy PC Exchange	14



Fannie Mae™

Freddie Mac

The Single Security

1. What is the Single Security?

- The Single Security is a joint initiative of Fannie Mae and Freddie Mac (the Enterprises), under the direction of FHFA, to develop a single mortgage-backed security (MBS) that will be issued by the Enterprises to finance fixed-rate mortgage loans backed by one- to four-unit single-family properties. The [2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac](#) (2014 Conservatorship Strategic Plan) includes the goal of developing a single MBS. This goal is part of broader efforts to build a Common Securitization Platform (CSP), and it supports the Federal Housing Finance Agency's (FHFA) statutory obligation to ensure that the Enterprises' operations and activities foster liquidity in the nation's housing finance markets. Achievement of the goal will also reduce or eliminate Freddie Mac's current program of subsidizing the cost of securitizing single-family mortgage loans, which is being borne by taxpayers.

2. What are first-level and second-level securities?

- First-level securities are single-class securities backed by mortgage loans purchased by either Freddie Mac or Fannie Mae. There is no commingling of collateral in first-level securities. Similar to today's Fannie Mae Megas and Freddie Mac Giants, second-level securities are single-class securities collateralized by other single-class securities. Second-level securities will allow for the commingling of Freddie Mac and Fannie Mae first-level securities and other second-level securities.

3. Is it expected that legacy Fannie Mae mortgage-backed securities (MBS) and legacy Freddie Mac participation certificates (PCs) will be fungible with the Single Security?

- The features and characteristics of the Single Security will be based generally on Fannie Mae MBS characteristics and, as such, Fannie Mae MBS are expected to be fungible with the new Single Security. Given this expectation, an exchange option for the legacy Fannie Mae MBS to the Single Security will not be necessary.
- Freddie Mac is creating a mechanism to provide investors with the option to exchange legacy Freddie Mac PCs for comparable Single Securities backed by the same mortgage loans.

4. Who would be the guarantor of the Single Security?

- As with current Enterprise securities, for all securities issued after the implementation of the Single Security, the guarantor is the issuing Enterprise.



Fannie Mae™

Freddie Mac

5. Is the guarantor different between a first-level Single Security and a second-level Single Security?

- The guarantor could be the same, or could be different. For each, the guarantor is always the issuing Enterprise. See the example on p. 1 of Appendix B of the [Update to the Structure of the Single Security](#) for information related to counterparty risk.

6. Can a Fannie Mae first-level security and a Freddie Mac first-level Single Security be commingled into the same Fannie Mae or Freddie Mac second-level security?

- Yes.

7. When is commingling allowed? Does it affect the status of the guarantor?

- Commingling is allowed in second-level but not in first-level securities. In either context, the guarantor is the issuing Enterprise. For example, an investor who owns a first-level security issued by one Enterprise will be able to re-securitize it through the second Enterprise by paying any applicable fee. The timely payment of principal and interest on the resulting second-level security will be guaranteed by the second Enterprise, and that guarantee will be supported by the first Enterprise's guarantee of timely payment of principal and interest on the first-level security.

8. What will the name of the new Single Security be?

- For the Single Security, the Enterprises have agreed to use the names "Uniform MBS" or "UMBS" for first-level securities (currently "PCs" and "MBS") and "Supers" for second-level securities (currently "Giants" and "Megs"). Fannie Mae filed applications on behalf of both Enterprises to register the new names with the U.S. Patent and Trademark Office in 2015, and the Enterprises have tracked the progress of the names through the registration process. Sharing the names well in advance of the Single Security launch gives market participants time to begin updating their systems and documents related to the Enterprises' mortgage-backed securities.



Fannie Mae™



The Common Securitization Platform (CSP)

Overview

1. What is the CSP and how does it relate to the Single Security? **UPDATED AS OF OCTOBER 2016**

- CSP is a technology and operational platform that will perform many of the core back office functions for the Single Security, as well as most of the Enterprises' current securitization functions (bond issuance, settlement, disclosure, bond administration, tax reporting) for single-family mortgages, on behalf of both Enterprises.
- The CSP is necessary for the implementation of the Single Security. It enables the Enterprises to implement one aligned new standard security in one common system rather than each Enterprise building to that standard in our own legacy systems. The CSP also makes administering commingled securities much more efficient because all the data from both Enterprises is on one platform.

2. Why have a CSP? **NEW AS OF OCTOBER 2016**

- Neither Enterprises's current systems can execute commingled resecuritizations, which are critical to the success of the Single Security. Under FHFA's direction, the CSP was undertaken as a joint initiative by the Enterprises to develop one common, flexible technological and operational platform to support the back office activities related to single-family securitization. These activities involve storing, processing, and transmitting large volumes of data, so that investing in a single platform and carrying out the accompanying operational capabilities to support these functions will benefit both companies, and ultimately, taxpayers.

3. What is Common Securitization Solutions, LLC?

- Common Securitization Solutions, LLC (also known as CSS) is a joint venture of Fannie Mae and Freddie Mac. CSS is charged with building and operating the new common securitization platform.

4. Can the Single Security be implemented without the CSP?

- No. The CSP is necessary for the implementation of the Single Security. Today, neither Fannie Mae's nor Freddie Mac's infrastructure can support the commingling of the other Enterprise's securities. Commingling is a critical aspect for the fungibility of the Single Security.



Fannie Mae™

Freddie Mac

Release 1

5. What is Release 1 about? **NEW AS OF OCTOBER 2016**

- Under Release 1, Freddie Mac will use the CSP to perform issuance, settlement, and bond administration activities for our single-class securities. A key purpose of Release 1 is to test the core infrastructure and operations of the CSP to minimize any possible market disruption prior to both Enterprises using the platform for issuance of the Single Security. Successful Release 1 implementation is a critical milestone on the path to the Single Security. The transition of billions of dollars of securities' unpaid principal balance (UPB) to the platform will demonstrate that the platform is performing as expected and that those involved can have confidence as we continue to move forward with development and testing for Release 2. Release 2 will bring Fannie Mae's single-family fixed-rate and ARM securities to the platform, which will enable us to begin issuing Single Securities.

6. Will Freddie Mac's transition to the Common Securitization Platform in Q4 2016 impact Seller/Servicers' method of delivery or be transparent?

- Freddie Mac's transition to the platform will have no impact on Seller/Servicers, investors, dealers, vendors, nor the market as a whole.

Market Transition

1. When will the Single Security go live? **UPDATED AS OF OCTOBER 2016**

- Per the FHFA 2016 Scorecard, the Single Security is expected to be issued in 2018 when both Freddie Mac and Fannie Mae are on the Common Securitization Platform. At that time:
 - The Enterprises will have the ability to issue the new Single Securities, including commingled re-securitizations.
 - CSP will be acting as Fannie Mae's and Freddie Mac's agent for the issuance, bond administration and disclosures for all newly-issued Single Securities

2. How much time will the market have to implement the changes necessary to accept the Single Security?

- FHFA, the Enterprises, and CSS continue to actively seek input from market participants regarding external [readiness timelines](#) as well as the information participants need to implement changes related to the Single Security and CSP. We will provide at least 12 months' advance notice of the launch date to the market.



Fannie Mae™

Freddie Mac

- 3. Will Freddie Mac stop issuing Golds before the implementation of Single Security? If so, when? Or will Golds be issued up to the implementation date of Single Security?**
- Freddie Mac will continue issuing Golds up to the Single Security implementation date. As we approach the launch date, Seller/Servicers will be able to enter advance contracts for delivery of Single Securities. After implementation, Freddie Mac will still permit creation of 45-day Gold Giant PCs containing legacy 45-day securities, as well as REMICs backed by 45-day Gold Giants and PCs.
- 4. What disclosure changes should the market expect between now and the implementation of Single Security?**
- Freddie Mac will implement two [key changes](#) prior to the implementation of Single Security. The first will be to apply the aligned Single Security disclosure format to our legacy securities beginning in the summer of 2017. The second will be to issue mirror securities – later in 2017 – for all 45-day PCs that are eligible for exchange. Freddie Mac will hold the mirror securities in its Federal Reserve account until the Single Security implementation. Transitioning to the aligned disclosure fields will enable Freddie Mac to have a consistent approach to disclosure across our outstanding supply, new Single Securities, and exchanged Single Securities.

Industry-Specific Topics

Seller/Servicers

- 1. As a seller of loans via the Cash Window or as a swap for MBS, how will the introduction of the Common Securitization Platform and Single Security affect how I sell and deliver loans?**
- Loan sales will continue to be conducted directly with the Enterprises. Sellers will not have any interaction with the CSP, and the Single Security will not affect how loans are sold and delivered to the Enterprises.
- 2. As a servicer of loans for the Enterprises, how will the introduction of the Single Security and CSP affect how I report servicing data and remit cash payments?**
- All servicer interaction will continue to occur directly with the Enterprises. Sellers will not have any interaction with the CSP. As noted in the [Single Security Update](#) released May 15, 2015, a few additional changes to the Enterprises' loan removal policies will allow for better alignment in preparation for the Single Security.



Fannie Mae™

Freddie Mac

3. **Will there be changes in Fannie Mae’s Desktop Underwriter® (DU®) or Freddie Mac’s Loan Advisor SuiteSM eligibility requirements with the introduction of the Single Security?**
 - The introduction of the Single Security will not cause changes to DU and Loan Advisor Suite eligibility requirements.
4. **Will lenders still have the option to pool loans themselves?**
 - Yes, lenders will continue to have this option.
5. **Will the CSP follow Mortgage Industry Standards Maintenance Organization (MISMO) data standards?**
 - Yes, the CSP follows MISMO standards.
6. **Will the Common Securitization Platform or Single Security require changes to, or net new data elements within the Uniform Loan Delivery Dataset (ULDD) or some other deliverable to the Enterprises?**
 - No. The Single Security will include a few new securities disclosure elements, but these do not affect the ULDD or require additional data to be delivered by Seller/Servicers. Freddie Mac will update contracts to cover the 55-day payment cycle and include the new 10-year product we will issue as a Single Security to match Fannie Mae.
7. **Will the Common Securitization Platform or Single Security affect the post-delivery retrieval of data from the Enterprises?**
 - No. Seller/Servicers will continue to work with the Enterprises’ front-end systems to retrieve data, just as they do today. There may be some small enumeration changes for data exports. Also, Freddie Mac will add Prefix to some of the exports in addition to the Pool Number.
8. **Will the Common Securitization Platform or Single Security affect the Loan Quality Advisor (LQA)[®] or Early Check processing?**
 - No.
9. **Will the Common Securitization Platform or Single Security affect the web-based delivery systems?**
 - Freddie Mac will make some minor changes to its selling system to include the Single Security disclosure, new 55-day Single Security products, changes to pooling requirements, and a 10-year cash execution path to match Fannie Mae.



Fannie Mae™



10. Will there be any changes to the Buy Up/Buy Down or Guarantee Fee (GFee)?

UPDATED AS OF OCTOBER 2016

- Both Enterprises follow guidance from FHFA, our regulator, on our fees. The Enterprises do not expect changes to fees as a result of the CSP or Single Security implementation.

11. Will there be any unique regulatory reporting required for Single Security?

- No.

12. Do we have clarity on whether the CSP will extend the pooling cycle? Will there be impacts to hedging?

- The Single Security will follow the pooling terms of Fannie Mae's current MBS. The bond administration functions to be performed by the CSP will not change the pooling cycle. Because of the expected fungibility of the Single Security, investors should be able to deliver either Fannie Mae or Freddie Mac UMBS to satisfy their hedge positions.

13. How will Freddie Mac phase out Market Adjusted Pricing (MAP)? **NEW AS OF OCTOBER 2016**

- Freddie Mac currently uses MAP to compensate Seller/Servicers in situations where we need to make up for price disparities between Freddie Mac and Fannie Mae MBS. One of the goals of the Single Security is to eliminate these price disparities. Our expectation is that MAP will not be necessary following the launch of the Single Security.

14. Are changes expected for the Fannie Mae and Freddie Mac Seller/Servicer guides?

- Minor changes will be made by Freddie Mac to its Seller/Servicer Guide in order to align with the features of Fannie Mae MBS. These revisions will require a number of updates, including: the investor payment cycle (55-day delay); prefixes; pooling parameters; pool numbers; and the timing of delinquency disclosures. Fannie Mae will not make any changes to our Seller/Servicer Guide in response to Single Security.

15. Will the implementation of the CSP or of the Single Security change the pool submission process or extend the pooling cycle timeline?

- There will be no changes to the pool submission process as the result of the CSP or Single Security. The lender must allow sufficient processing time between the time it submits its loan delivery data and the document submission package and the time it wants the securities to be issued in book-entry form.



Fannie Mae™

Freddie Mac

Investors

16. When will investors receive payment in the Single Security construct, and who will remit payment?

- Investors will receive their payment on the 25th day of the month or, if the 25th day is not a business day, on the next business day. As with current practice, payment will be remitted by the issuing Enterprise through its paying agent, the Federal Reserve Bank of New York.

17. Will Fannie Mae and Freddie Mac have unique TBA CUSIPs for Fixed Income Clearing Corporation (FICC) matching, netting, allocation, and settlement processes?

- Both Fannie Mae and Freddie Mac will use the current Agency and Product code for Fannie Mae ("01F") to represent good delivery for either Fannie Mae or Freddie Mac backed 55-day securities. Market participants can either allocate existing Fannie Mae MBS, exchanged Freddie Mac Single Securities, or Freddie Mac / Fannie Mae Single Securities that were created after the Single Security implementation date into 01F.

18. What will happen with existing trades in Golds that someone wants to roll into next month during the month of the Single Security implementation date? **UPDATED AS OF OCTOBER 2016**

- Firms could pair off and put on new trades or swap into the new security following an exchange. Firms should discuss any potential accounting implications related to swaps and rolls with their internal / external accountants and legal counsel. Freddie Mac will update Seller/Service contracts for Single Security deliveries well in advance of the launch date, so originators can plan for the execution path they want. There may be some forward trading of the Single Security prior to the implementation date, which will coincide with new issuance.

19. Will the resecuritization process change? **UPDATED AS OF OCTOBER 2016**

- No change in the resecuritization process is expected. However, the Enterprises may commingle the UMBS in a resecuritization.

20. Has there been a decision on the fee for commingling? Will current resecuritization fees change?

- There is not expected to be an extra charge for commingled resecuritizations over and above regular resecuritization fees. Regular resecuritization fees are expected to be priced in a manner that is consistent with pricing today.

21. Will the timing of the Mega/Giant creation process change prior to the implementation of Single Security? **UPDATED AS OF OCTOBER 2016**

- The Enterprises do not expect any changes to the timing or process for creating Megs or Giants prior to the implementation of the Single Security. Post-implementation, Freddie Mac will still allow for the creation of 45-day Giants using legacy 45-day PCs.



Fannie Mae™

Freddie Mac

22. Once the Single Security is live on CSP, can accounts continue to put 45-day PC's into Giants?

- After the Single Security launches, Freddie Mac will continue to offer 45-day Giants backed by legacy 45-day collateral. Investors who are unable to do exchanges or who need to administer their portfolios more precisely may still require 45-day Giants. The Enterprises expect most of the market interest will be in the new UMBS and Supers securities.

23. The Fixed Income Clearing Corporation (FICC) is implementing several enhancements to the Novation function in July of 2017. This is requiring many financial institutions to make system changes to key applications with significant development efforts and testing resources. Has the Single Security effort and release planning taken this third-party functionality change into consideration since the planned timing of the Single Security is in 2018?

- Yes, FHFA and the Enterprises are in active talks with all key market counterparties to understand their development and testing projects and the interplay with the Single Security project. These counterparties include the Federal Reserve Bank of New York, FICC, JP Morgan Chase, Bloomberg, Tradeweb, etc. FHFA and the Enterprises also want to hear from other vendors, customers and regulators to make sure we have captured and planned for the full impact of the Single Security.

24. Will there be an impact to the time to receive back a security?

- No, there will not be an impact. The processing times are expected to remain the same as they are today.

25. Should market participants expect changes to SIFMA agreements, e.g., Master Securities Forward Transaction Agreement (MSFTA) and the Master Repurchase Agreement (MRA)?

- No changes will be necessary to the standard forms (e.g., MRA or the MSFTA) as a result of Single Security. If the parties to any particular agreement wish to update the list of eligible collateral in response to Single Security, certain annexes to those standard forms may need to be updated by those parties.

Disclosures

1. Will the market know if a security is issued by Fannie Mae or Freddie Mac? **UPDATED AS OF OCTOBER 2016**

- Yes, the issuer will be disclosed. The issuer of the Single Security will generally be available 48 hours ahead of taking delivery of the security, also known as “48-hour day.”



Fannie Mae™

Freddie Mac

2. Do the new disclosures apply to both first-level and second-level Single Securities?
UPDATED AS OF OCTOBER 2016

- Yes, in general the new disclosures apply to the first-level, second-level, and third-level Single Securities. Recently, the Enterprises have identified certain disclosure attributes that apply only to first-level or second-level securities in the joint [Single Security Technical Specification](#) published in Summer 2016. The Enterprises are targeting the end of 2016 to provide the disclosure attributes for third-level securities.

3. What disclosures will be provided at-issuance vs. monthly? **UPDATED AS OF OCTOBER 2016**

- The file format for at-issuance and on-going disclosures will be identical, with the data reflecting the appropriate reporting period. The data that is currently slated to be disclosed can be viewed in the joint [Single Security Technical Specification](#) published in July 2016. Within this document, attributes that are only applicable for at-issuance versus on-going are clearly indicated.

4. When will the disclosures be made available?

- Both Enterprises will publish at-issuance files up to three times a day for first-level and second-level securities.
- Both Enterprises will publish monthly files on the fourth business day at 4:30 P.M. for first-level and second-level securities.

5. Where will the disclosures be made available?

- Market participants will continue to access disclosures via the Enterprises' websites as well as the websites of third-party data vendors.

6. Will the Enterprises continue to use their current systems (e.g., PoolTalk® for Fannie Mae, the Security Lookup feature for Freddie Mac) to provide disclosure on their websites? **UPDATED AS OF OCTOBER 2016**

- The Enterprises anticipate we will continue to provide all securities disclosures on our websites, including the same Single Security disclosures.



Fannie Mae™

Freddie Mac

7. Why did the Enterprises decide to place disclosures on separate locations on each of their websites, rather than creating one unified disclosure platform?

- For the Single Security program, the disclosures will be generated from a single database at CSS to populate the two Enterprise sites which will ensure synchronization of the file layouts. The Single Security initiative does not change the fact that the Enterprises are separate entities with separately guaranteed securities. Each Enterprise will continue to create our own trust agreements and disclosure documents, and must perform our functions as issuer, master servicer, guarantor, and trustee in an independent manner. An investor has recourse only to the Enterprise that issued the related Single Security, and should refer to the website of the issuer for the relevant documents and data. Additionally, the Freddie Mac disclosure platform includes all Freddie Mac securities, such as their 45-day securities.

8. What will the file formats look like?

- The disclosures will be made available in a flat file format. Industry stakeholders felt strongly that flat files are much easier to implement and therefore would encourage faster development and adoption of the new disclosures.

9. Will the new disclosure format be used prior to the go-live date of the Single Security?

UPDATED AS OF OCTOBER 2016

- Freddie Mac will implement the new disclosure format in the summer of 2017, prior to the Single-Security implementation date, in order to facilitate the exchange process.
- Fannie Mae will not use the new disclosure format until the Single-Security implementation date.

10. Do Fannie Mae and Freddie Mac plan to update their previously-issued securities with the new Single Security disclosure elements?

UPDATED AS OF OCTOBER 2016

- Fannie Mae will not provide the new disclosure elements on Fannie Mae previously-issued securities. For the newly-issued Single Security, Fannie Mae will provide the respective Single Security disclosure elements.
- Freddie Mac will provide updated monthly disclosures for all Freddie Mac securities outstanding (i.e., not paid-off) as of the summer of 2017. Historical data that was not previously collected from Seller/Servicers may not be available for previously-issued securities.

11. Why are some of the disclosure fields that are currently populated being removed from the Single Security specification?

- In determining the approach to Single Security disclosure, we wanted to balance investor needs against borrower privacy concerns. Therefore, we are masking or removing certain loan-level attributes and aligning available disclosure elements between the Enterprises.



Fannie Mae™

Freddie Mac

12. Have you determined the final Single Security features? Is this the final version of the Single Security disclosure specification?

- Yes. [Appendix A](#) of the [May 2015 Single Security Update](#) published by FHFA included the final features of the security. There will be no changes or additions to that feature set.
- Regarding the disclosure specification, the version published in July 2016 is the most up-to-date set of disclosure elements and their definitions. It is possible there may be minor updates to this specification prior to the 2018 launch of the Single Security.
- Fannie Mae will implement the new aligned disclosure format at Single Security implementation in 2018, while Freddie Mac will first implement it for outstanding Freddie Mac securities in 2017.

13. What is the disclosure file release schedule? UPDATED AS OF OCTOBER 2016

- Please refer to the Enterprises' [Disclosure Technical Specification](#) for details on the file timing.

14. When will Tradeweb and Bloomberg begin to show the Single Security symbol? Will disclosures be in a different location on Tradeweb and Bloomberg than they are now?

- FHFA and the Enterprises are in active talks with Bloomberg and Tradeweb to discuss how the Single Security will be identified in their systems and how new screens might look. Freddie Mac will be adopting the labeling conventions of the current Fannie Mae MBS, and we will use those for the Single Security. However, there will continue to be a supply of legacy Freddie Mac Gold PCs for a time as the market transitions to the new security. Therefore, the Enterprises will work with Bloomberg and Tradeweb to determine how this part of the market will be displayed compared to the Single Security TBA market.

15. What additional information will be provided to market participants to facilitate preparation for Freddie Mac's implementation of the aligned disclosure format in 2017?

- Vendors that use the securities disclosure information will be provided with the file layout and fields to begin their analysis in preparation for the summer 2017 implementation of the aligned format. In late 2016, Freddie Mac will publish sample files. Prior to the implementation date, test files will be provided that will allow vendors to ensure their systems match the expected disclosure results. The Enterprises together will issue joint sample files for the final Single Security specification.



Fannie Mae™

Freddie Mac

16. Who needs to implement the new disclosure format?

- Data vendors, dealers, investors and securities market participants will want to understand the Single Security disclosure file format. For some, this may mean making changes to their systems, software, or processes in order to support the market transition to the Single Security. Freddie Mac's early implementation of the file format for its legacy securities should help the market understand and make the changes to their systems prior to Single Security implementation, reducing transition risk when the Single Security launches.

Legacy PC Exchange

1. If investors exchange Freddie Mac securities, will the new payment be delayed from 45 days to 55 days? If so, how will investors be compensated for lengthening the time delay by 10 days?

- In order to promote fungibility of the securities, investors will receive a new Single Security with a 55-day payment delay in exchange for their legacy PC; they will also receive the approximate fair value compensation for the 10 days' difference in float. Each new Single Security will have the same characteristics as the corresponding PC such as unpaid principal balance, pool factor and weighted average coupon.

2. Will there be a fee charged to exchange Gold PCs? **UPDATED AS OF OCTOBER 2016**

- No, Freddie Mac will not charge a fee for exchanges. With the Single Security, the Enterprises want to build as much liquidity as possible in the new market. Therefore, there will be no fee – and Freddie Mac will compensate investors for the 10 days' difference in float between the legacy Gold PCs and the new 55-day Single Securities when there is an exchange of one for the other.



Fannie Mae™

Freddie Mac

3. How will a request for an exchange be initiated? What will investors get for their legacy PC? **UPDATED AS OF OCTOBER 2016**

- Generally, Freddie Mac plans to use a process similar to the one used for Giant transactions today, with our Giant dealer group conducting exchange transactions on behalf of customers. Investors who want to exchange PCs will need to contact a member of this group to initiate a transaction. The details, when finalized, will be available on FreddieMac.com. Exchange requests will be submitted through Dealer DirectSM, an online portal that has been created and will be maintained by Freddie Mac for the purposes of processing exchange transactions as well as other securities transactions.
- In preparation for exchange requests, prior to the Single Security launch Freddie Mac will create mirror 55-day Single Securities and non-TBA 55-day securities for all exchange-eligible 45-day PCs. These mirror securities will be backed by the same loans as the original PC. In exchange for their legacy 45-day PC, investors will receive the new 55-day Single Security and float compensation.

4. Will all Freddie Mac PCs have a mirror? Will these mirrored securities be available on Bloomberg even if there has not been an exchange?

- All fixed-rate first-level Freddie Mac PCs that are not 100% committed to a securitization will have a mirror. The market will be able to see the mirror securities on the Daily New Issue file on the day they are created. When the Single Security launches – and exchanges begin – three new data files and new reports will be provided on a daily basis to enable the market to see exchange activity.
- Freddie Mac will hold all mirror securities until an exchange for a given security is executed so mirror creation will have no impact on tradable supply. We will work with the market data providers on the display of the mirror securities, the relationship between 45-day and 55-day securities, and the exchange volume.
- After issuance, Freddie Mac will release a full set of ongoing disclosures on the mirror securities on a monthly basis, even if there are no exchange transactions involving a particular security.

5. Can 45-day PC's be exchanged to a 55-day Supers security at the same time or does the 45-day PC first need to be exchanged for a UMBS and then delivered into a Supers security?

- An exchange of a 45-day PC can be completed in one transaction from the PC into the Supers security. It is not necessary to take the two steps of first exchanging into a UMBS and then a Supers.



Fannie Mae™

Freddie Mac

6. Can non-TBA 45-day products be exchanged for 55-day mirror securities?

- All Freddie Mac 45-day fixed-rate PCs – whether TBA-eligible or not – will be available for exchange, as long as the collateral is not 100% pledged to a multiclass resecuritization.

7. After a Freddie Mac PC is exchanged into a UMBS, can the Freddie Mac UMBS be changed to a Fannie UMBS?

- No. At the first-level of securitization, the UMBS cannot be changed into a UMBS issued by the other Enterprise, e.g., a UMBS guaranteed by Freddie Mac cannot be changed into a UMBS guaranteed by Fannie Mae, and likewise. At the second-level of securitization, any UMBS, regardless of the guarantor, may be resecuritized into a Supers security. Investors may choose to execute a Supers security to receive a resecuritization from a different issuer/guarantor than the UMBS or Supers issuer/guarantor that they own if they are approaching name limits in their portfolios.

8. Will exchange of Freddie Mac PCs for UMBS all take place at the implementation of the Single Security? Will a window open in advance of Single Security issuance?

- The exchange window for Freddie Mac PCs will open on or prior to the Single Security implementation date and will remain open for the foreseeable future once the Single Security launches.

9. Will exchanges be 1-for-1? Or will a dealer be able to submit 100 existing bonds and get one larger security back equal in size to the submitted bonds (e.g., a Giant)?

- Exchanges will be one-for-one, that is one PC CUSIP delivered for one UMBS CUSIP received. Dealers may submit multiple pieces of the same CUSIP to receive a UMBS that can be allocated across multiple investor accounts. A Supers security can be any combination of many securities for one Supers security received. With the planned exchange process through Freddie Mac's Dealer DirectSM portal, the transactions to exchange a legacy bond, receive a UMBS and then place it in a Supers security can be combined.



Fannie Mae™

Freddie Mac

10. Will investors be able to do an exchange directly with Freddie Mac? NEW AS OF OCTOBER 2016

- Freddie Mac decided to leverage our existing dealer relationships to conduct the exchange, rather than allowing investors to conduct exchanges directly in order to streamline the process and eliminate the need to establish individual counterparty relationships with thousands of individual investors and their sub-accounts. Freddie Mac has already conducted substantial due diligence regarding these dealers, including the establishment of custodial bank arrangements and counterparty agreements, and the additional effort required to perform due diligence with all investors who want to conduct an exchange transaction could result in delays in the exchange process.

11. How will Freddie Mac validate how much of each CUSIP can be submitted for exchange? NEW AS OF OCTOBER 2016

- Freddie Mac's Dealer DirectSM application will determine the remaining amount of par eligible for exchange for each security by subtracting the amount of par resecured in Giants and REMICs to date and the amount of settled exchanges to date from the at-issuance par amount. Note: Including pending exchanges in the validation introduces the possibility of preventing an exchange if another dealer hadn't yet canceled its pending exchanges for a CUSIP it traded away. This is similar to how Giant collateral is validated today.

12. How soon after exchange collateral is delivered to Freddie Mac will the mirror securities be wired to the dealer? NEW AS OF OCTOBER 2016

- Once Freddie Mac receives all of the 45-day collateral for a particular deal, we will immediately deliver the 55-day mirror security to the dealer. Note: Some delays may occur at peak times.
- If the exchange is contributing to a Giant/Supers deal, the 55-day collateral will be moved automatically to Freddie Mac's collateral account where it will await matching with any additional non-exchange 55-day collateral that may be contributing to the same Giant/Supers. The collateral will be matched and issued as it is today.

13. What happens if a dealer fails to deliver all expected collateral on settlement day? NEW AS OF OCTOBER 2016

- Exchanges will be matched automatically within each transaction. If any piece of collateral for a transaction (PC/UMBS or Giant/Supers) is not delivered as planned, the entire transaction will fail and will be "DKed." To minimize the risk of failed transactions, Freddie Mac will recommend that dealers only group collateral into a single transaction for their client if it will all be delivered together.



Fannie Mae™

Freddie Mac