

Single Security Initiative

# Single Security Initiative Update





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## Overview

### Single Security Initiative

- New uniform mortgage-backed security
- Common features
- Single TBA market
- Issued by Fannie Mae and Freddie Mac

### Issuer/Guaranty Structure

- Level 1: UMBS; Level 2: Supers
- Supports commingling in second-level resecuritizations
- Issuer of top level security is guarantor

### Alignment

- 55-day payment delay
- Prefixes: use Fannie Mae FICC Clearing Code (01F)
- Disclosures: aligned to Freddie Mac new format

### Timing

- Implementation in Q2 2019
- Trading activities, including optional exchange\*, will begin several months in advance of implementation

\* Freddie Mac 45-day TBA securities



## Key Considerations – Investors

### Documents & Policies

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

### 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



## Key Considerations – Dealers

### Processes

- Forward trading and dollar rolls surrounding implementation
- Exchange: scheduling, settling, float compensation distribution\*
- Disclosure file format and timing

### Systems

- Vendor development, testing, and implementation timelines
- Presentation and analysis: two TBA markets combining
- Analytics, reports, data feeds

### Customers

- Customer support surrounding go-live period
- Exchange\* scheduling

\* Freddie Mac Gold PC securities only

## Key Considerations – Vendors

### Processes

- Rate schedule for the 10-day delay compensation (exchange\*)

### Systems

- Prefix and pool number content and structure
- System labels and logic\*\*
- Disclosure file format and timing
- Analytics, reports
- Display and reporting of transition to single TBA UMBS

### Customers

- Communication: nature and timing of system changes
- Documentation, training
- Customer testing and support surrounding go-live period

\* Freddie Mac 45-day TBA securities

\*\* See Resources page for links



## Key Considerations – Freddie Mac Sellers\*

### Processes

- New Freddie Mac cash contract products
- 10-year pricing
- Loan allocation to 0-2 WALA pools
- Loan age calculation

### Systems

- Prefix and pool number content and structure
- Selling System Security Product IDs
- Analytics, reports
- Disclosure files

### Contracts

- Security product name changes
- Freddie Mac new 10-year security products

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



Fannie Mae™

FreddieMac

## Recommended Actions

### Assess

- Review Market Adoption Playbook\*\*
- Complete initial impact assessment
- Develop level of effort estimate

### Plan

- Develop plan
- Identify and reach out to internal and external resources, coordinating with other internal divisions
- Identify key milestones to complete changes in 2018

### Budget

- Submit and obtain funding, if needed
- Coordinate with other affected internal divisions

### Keep Informed

- Sign up for initiative updates
- Participate in working group sessions, trade associations, conferences
- Look for Market Adoption Playbook and FAQ updates

\*\* See Resources page for links





## Resources

### Fannie Mae

Website: [www.fanniemae.com/singlesecurity](http://www.fanniemae.com/singlesecurity)

Technical:

Playbook: <http://www.fanniemae.com/resources/file/single-security/pdf/market-adoption-playbook.pdf>

Contact: [single\\_security@fanniemae.com](mailto:single_security@fanniemae.com)

### Freddie Mac

Website: [www.freddiemac.com/single\\_security](http://www.freddiemac.com/single_security)

Technical: [http://www.freddiemac.com/mbs/html/single\\_security\\_csp\\_platform/tech.html](http://www.freddiemac.com/mbs/html/single_security_csp_platform/tech.html)

Playbook: [http://www.freddiemac.com/mbs/docs/Single\\_Security\\_Initiative\\_Market\\_Adoption\\_Playbook.pdf](http://www.freddiemac.com/mbs/docs/Single_Security_Initiative_Market_Adoption_Playbook.pdf)

Contact: [single\\_security@freddiemac.com](mailto:single_security@freddiemac.com)

### Federal Housing Finance Agency (FHFA)

Website: [www.fhfa.gov/PolicyProgramsResearch/Policy/Pages/Single-Security.aspx](http://www.fhfa.gov/PolicyProgramsResearch/Policy/Pages/Single-Security.aspx)