

Freddie Mac
Early Exchange Market Check-in
April 4, 2019





Today's Discussion

- Retained Portfolio Exchange Transactions
- Planned April Exchanges
- May Exchanges – What to Expect
- New Disclosure Reports
 - Cumulative Exchange Activity
 - Daily Exchange Activity
 - Aggregate L1 Collateral Activity
 - Outstanding Supply Report
- Transaction Messages
- Customer Set-up
- Additional Key Reminders



Retained Portfolio Exchange Snapshot

- All early exchanges for our portfolio were conducted via Dealer Direct
- 27 pools settled across March 26, 28 and 29
 - 16 were TBA-eligible and 11 were not
- Total current UPB of the exchanges was approximately \$33 million
- We tested the exchange cancel and re-book scenario, as well as an exchange that failed delivery on settlement day (March) and then was auto-rebooked for the next available settlement date (April)



Planned April Exchanges

- We will continue conducting small, controlled exchanges in April
 - Opening exchange to all dealers for booking starting April 15; all exchanges must settle by April 28
 - Dealers must complete verification and set-up, acknowledge the exchange agreement and complete Freddie Mac wire-instruction set-up
 - Each dealer is limited to no more than 10 CUSIPs with current UPB \leq \$1,000,000 each
 - Will complete a few more exchanges with our retained portfolio
 - Will also conduct an exchange via Tradeweb to ensure that path is working smoothly
- All exchanges will be visible through our exchange disclosure reports

What to Expect in May

- Both exchange paths will open May 7 for booking
- The first settlement date for all exchanges booked between May 7 and May 15 will be May 17
 - Thereafter, during our 3-6 month transition period exchanges will settle T+2
 - Exchanges booked on May 16 will settle May 20, and so forth
- Exchange capacity will be limited to < 50,000 exchanges per day during the transition. We will start with 10,000 per day and ramp up.
- Investors and dealers must complete the set-up process and be approved to transact before they can exchange
- You must provide CUSIP, current par, pool number and desired settlement date
 - Investors may provide optional security dollar price in Tradeweb path
- Collateral must be delivered by noon Eastern time on settlement date

Exchange Activity File Descriptions

Daily Exchange Activity File

This daily file provides information on the exchange transactions settled on the preceding business day, including the original par amount exchanged, pool numbers and CUSIPs of the 45-day and 55-day securities.

Freddie Mac 45-Day Security Identifier	Freddie Mac 45-Day Security CUSIP	Freddie Mac 55-Day Security Identifier	Freddie Mac 55-Day Security CUSIP	Issuance Investor Security UPB	Exchanged Issuance Investor Security UPB	Cumulative Exchanged Issuance Investor Security UPB	As of Date
V61905	3132KGDJ6	ZA3942	31329MLX6	3588259	3588259	3588259	3292019

Cumulative Exchange Activity File

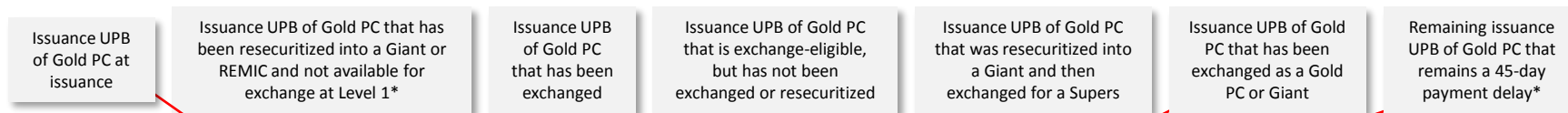
Provides information on each Mirror Security as it is issued. This daily report provides the mapping of the 45-day PC or Giant to the corresponding 55-day Mirror Security.

Freddie Mac 45-Day Security Identifier	Freddie Mac 45-Day Security CUSIP	Freddie Mac 55-Day Security Identifier	Freddie Mac 55-Day Security CUSIP	Issuance Investor Security UPB	Cumulative Exchanged Issuance Investor Security UPB	As of Date
A00011	31295VAL4	ZI0000	31326SAJ9	59619267	0	3292019

Exchange Activity File Descriptions

Aggregate Level 1 Collateral Exchange Activity File

This daily file contains one row for every Freddie Mac fixed-rate 45-day payment delay Level 1 PC, even if the PC is not eligible to be exchanged. This file shows the issuance UPB, the issuance UPB that has been exchanged and is still available for exchange at Level 1, the issuance UPB that has been resecured, and the issuance UPB that has been resecured and exchanged, for all outstanding fixed-rate Gold PCs. This report is designed to help the market with prepayment analysis.



Level 1 Security Identifier	Level 1 Security CUSIP	Issuance Investor Security UPB	Resecuritized Issuance Investor Security UPB	Cumulative Exchanged Issuance Investor Security UPB	Issuance Investor Security UPB Remaining Eligible for Exchange	Cumulative Issuance Investor Security UPB Exchanged through Resecuritizations	Aggregate Exchanged Issuance Investor Security UPB	Aggregate Issuance Investor Security UPB Remaining Eligible for Exchange	Security Factor	Security Factor Date	As of Date
A12395	31296LUU3	32059013	0	0	32059013	0	0	32059013	0.05263922	032019	3252019
A15135	31296PV41	100000649	0	50000500	50000149	0	50000500	50000149	0.030093	32019	3292019
C05328	31292M4M2	229704865	229704865	0	0	161509	161509	229543356	0.96641	32019	3292019

*Please note - REMICs are reflected in the resecured values, however REMICs are not exchange-eligible



Exchange Activity File Descriptions

Outstanding Supply Report File

Beginning with April, Freddie Mac will publish a new monthly Outstanding Supply Report. This report shows the current UPB, by term and coupon, for Level 1, TBA-eligible Freddie Mac-issued securities. This report includes: unexchanged exchange-eligible Gold PCs, exchanged Freddie Mac-issued UMBS, and UMBS newly issued by Freddie Mac on or after June 3rd, 2019. Cohorts with current UPB less than \$50,000,000 are not listed on this report. The Outstanding Supply Report will be published monthly after factors are released.

Current UPB, by term and coupon, of exchange-eligible, TBA-eligible Gold PCs that have not been exchanged

Current UPB, by term and coupon, of UMBS issued by Freddie Mac following exchange from TBA-eligible Gold PCs

Current UPB, by term and coupon, of UMBS issued by Freddie Mac on or after June 3, 2019

Sum of Exchanged 55-day and New Issuance 55-day (D+E)

Sum of Unexchanged 45-day, Exchanged 55-day, and New Issuance 55-day (C+D+E)

A	B	C	D	E	F	G
Term	Coupon	Unexchanged 45-Day (\$MM)	Exchanged 55-Day (\$MM)	New Issuance 55-Day (\$MM)	Total Outstanding 55-Day (\$MM)	Total Outstanding (45-Day + 55-Day) (\$MM)
360	2.50	3,022	2,558	100	2,658	5,680
	3.00	168,851	156,104	100	156,204	325,055
240	2.50	1,640	1,224	100	1,324	2,964
	3.00	16,830	15,972	100	16,072	32,902

Exchange Settlement via the Dealer-facilitated path



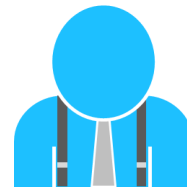
Investor



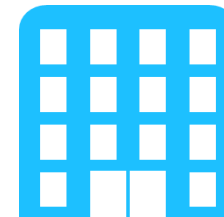
Custodian



Dealer



Custodian



Freddie Mac

- Investor instructs custodian to **deliver 45-day DVP to Dealer** per their settlement instructions
- Use SWIFT messaging wherever possible, including:
 - Exchange ID in tag **20C**
 - “UMBS” in tag **22F**

- Dealer instructs custodian to **deliver 55-day DVP to Investor** per their settlement instructions
- Float compensation amount **netted from price**

- Dealer instructs custodian to **deliver 45-day FREE to Freddie Mac**
- Deliver via Fedwire to:
 - **FHLMC WASH/2BD7**
 - **ABA# 021033205**
- Freddie Mac will match on **CUSIP, Par and 3rd party** (you are not required to provide Exchange ID)

- Freddie Mac **delivers 55-day FREE** via Fedwire from:
 - **FHLMC WASH/2BD5**
 - **ABA# 021033205**
- Cash wire to Dealer includes **UMBS + Exchange ID in Fed tags 3320 and 4320** (e.g., UMBS12345678)



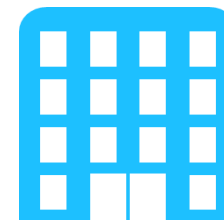
Exchange Settlement via the Direct-to-Freddie Mac path (via Tradeweb)



Investor



Custodian



Freddie Mac

- Investor instructs custodian to **deliver 45-day FREE to Freddie Mac**
- Use SWIFT messaging wherever possible, including:
 - **Exchange ID** in tag **20C**
 - **“UMBS”** in tag **22F**
 - **MT-210** pre-advice on cash wire (upon request)

- Custodian **delivers 45-day FREE** via Fedwire to:
 - **FHLMC WASH/2BD7**
 - **ABA# 021033205**
- Freddie Mac will match on **CUSIP, Par, 3rd party and 4th party / for further credit** (you are not required to provide Exchange ID)

- Investor **receives 55-day FREE** from Freddie Mac per their settlement instructions
- Float compensation is received via **separate cash wire**

- Freddie Mac **delivers 55-day FREE** via Fedwire from:
 - **FHLMC WASH/2BD5**
 - **ABA# 021033205**
- Cash wire to Investor includes **UMBS + Exchange ID in Fed tags 3320 and 4320** (e.g., UMBS12345678)



Fannie Mae™





Dealer-Facilitated Path: Initial Setup

- Check our exchange website to view the list of dealers that have signed up to facilitate exchange. Reach out to your dealer if you do not see them on the list
 - <http://www.freddiemac.com/mbs/exchange/>
- Establish dealer as counterparty if you have not worked with them before
- Consult your dealer for any agreements they might require to use the Dealer-facilitated path
- Contact dealers well ahead of desired booking date
 - Dealers may have different internal capacity constraints and deadlines to prepare for exchanges

REMINDER

Direct-to-Freddie via Tradeweb Path: Initial Setup

- Before an initial exchange with Freddie Mac, investors can expect a 2-3 week set-up with Freddie Mac / Tradeweb
 1. Each investor will undergo a Know-Your-Customer (KYC) process performed by Tradeweb
 2. Each investor will need to satisfy appropriate tax requirements – if you are unable to do so, you will need to exchange via the Dealer-facilitated path
 - Each investor will submit a valid W9 or W8 (for non-US investors). **Note that your W-9 form must be dated October 2018 or later – otherwise, it will be rejected**
 - If you are an Asset Manager – these forms will be submitted for your organization, not for your individual clients
 - If you are a non-US Asset Manager exchanging on behalf of a client, you must be designated as a Qualified Intermediary
 3. If you are not an existing Tradeweb customer you will need to sign a new User Agreement
 4. Each investor will complete Tradeweb exchange product setup – including agreement to interact with Freddie Mac as a counterparty on exchange, and Exchange product / user enablement on Tradeweb platform
 5. Investors will enter into an agreement with Freddie Mac under which they will:
 - Make customary representations and warranties
 - Acknowledge receipt of the exchange offering circular
 - Accept the exchange offer
 6. Each investor will need to provide Freddie Mac with a point of contact for any exchange settlement issues
 7. Tradeweb will obtain wiring instructions from ALERT to be used for exchange - both inbound and outbound



Additional Reminders

Dealer Facilitated Path: Transaction Booking & Settlement

- Contact Dealer with request to exchange
- Through this path dealers can book transactions for current month or following month

Settlement Blackout Dates

- First 5 Business days of the month
- Reg A & Reg B Settlement Dates
- REMIC Collateral Delivery Date (EOM -2)

- Provide dealer with list of CUSIPS, par, pool number, and desired settlement date
 - Dealer will enter exchange into Dealer Direct and relay confirmation back to investor
 - 45-day collateral must be delivered to Freddie Mac by 12 p.m. Eastern time on Settlement Date
- Freddie Mac will wire the 55-day security immediately upon successful validation of incoming 45-day (typically within an hour)
 - Freddie Mac will hold the 45-day security in trust for the dealer until exchange is completed
 - We expect Dealers to net float compensation from the security price

Direct-to-Freddie via Tradeweb Path: Transaction Booking & Settlement

- Exchanges can be entered directly through Tradeweb or via Investor's OMS
- Exchanges can only be booked for current month

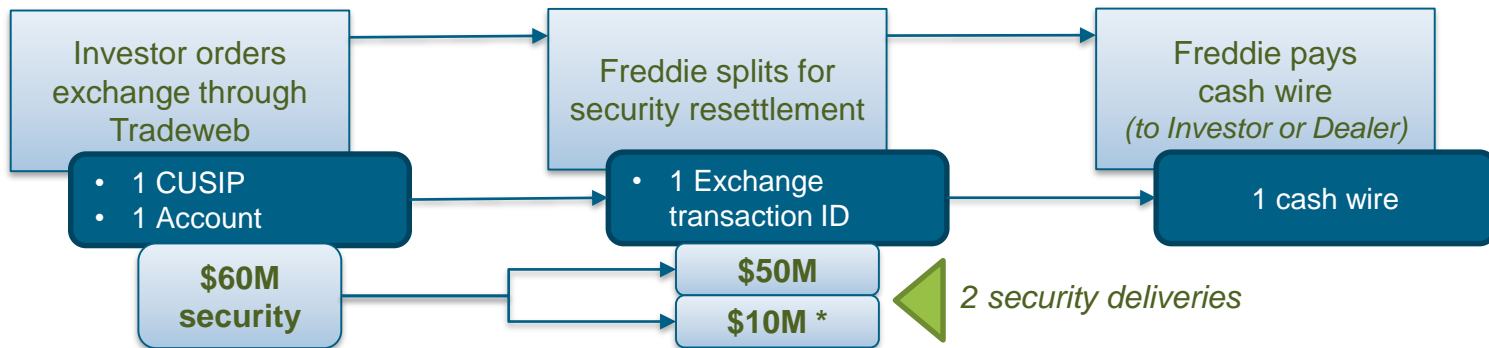
Booking Blackout Dates	vs.	Settlement Blackout Dates
<ul style="list-style-type: none">• First 4 business days of the month• Last business day of the month		<ul style="list-style-type: none">• First 5 business days of the month• Reg A & Reg B Settlement Dates• REMIC Collateral Delivery Date (EOM -2)

- Investors will provide CUSIP, par amount, optional dollar price and desired settlement date
 - Tradeweb will display the float compensation and other exchange terms you must agree to
 - Trade will be submitted and return confirmation back to investor
 - 45-day collateral must be delivered to Freddie Mac by 12 p.m. Eastern time on Settlement Date
- Freddie Mac will wire the 55-day security immediately upon successful validation of incoming 45-day (typically within an hour)
 - Freddie Mac will hold the 45-day security in trust for the investor until exchange is completed
 - Freddie Mac will return a separate wire to the investor a float compensation payment

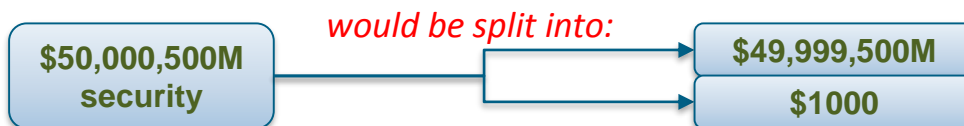
Splitting exchanges over \$50M

1 Any CUSIP exchanged over \$50M will be split for security delivery into increments of \$50M* **AND...**

...for the Direct-to-Freddie Mac path	...for the Dealer-facilitated path
<ul style="list-style-type: none"> Be assigned 1 transaction ID by Freddie Mac Receive 1 cash wire from Freddie Mac 	<ul style="list-style-type: none"> Be assigned 1 transaction ID for every CUSIP or group of CUSIPs entered in an exchange transaction (in the Dealer path, multiple individual security exchanges can make up 1 transaction) Receive 1 cash wire from Freddie Mac – paid to Dealer (netted from price to investor)



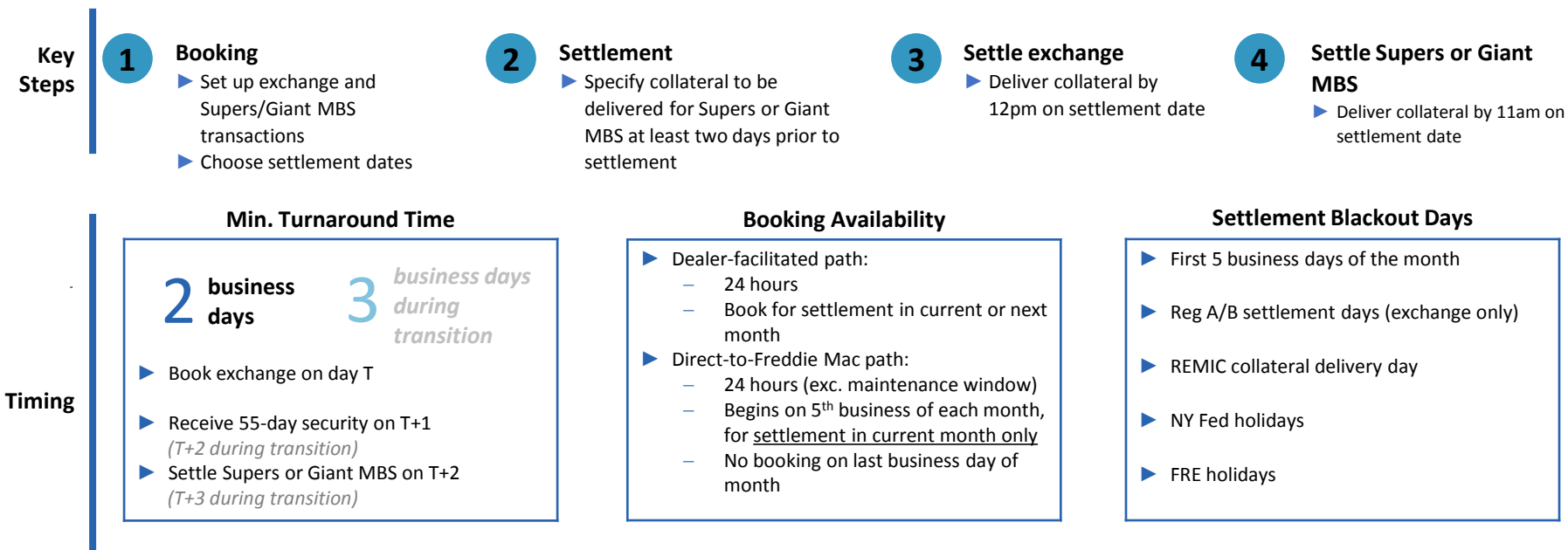
2 Note – if split creates a “tail piece” smaller than Fed’s \$1000 delivery minimum, Freddie Mac will decrease \$50M piece and increase tail piece until the tail reaches \$1000, for example:



If the incoming 45-day securities are split differently, they will fail to match and be DK'd

Allow additional time if you need to exchange prior to Supers or Giant creation

- If you need to exchange a security before delivering into a Supers or Giant, be aware that this will add a minimum of one (1) day to your timeline for delivery into the resecuritization (*minimum of two (2) during transition*)
- You must complete the exchange, and then redeliver the 55-day security into your Supers or Giant



¹ It is feasible to deliver resecuritization collateral on the same day the exchange is settled, but this is not advisable

Allow additional time if you need to exchange prior to REMIC creation

- If you need to exchange a security before creating a REMIC, be aware that this will add a minimum of two (2) days to your standard timeline for delivery into the REMIC (*minimum of three (3) during transition*)
- You must complete the exchange, and then redeliver the 55-day security into your resecuritization
- Creating a 45-day Giant, prior to exchange, then contributing to a REMIC adds at least one additional day

Key Steps

- 1 Booking**
 - ▶ Set up exchange and REMIC transactions
 - ▶ Choose settlement date for exchange
- 2 Upload collateral info**
 - ▶ Specify collateral to be delivered for REMIC at least two days prior to delivery
- 3 Settle exchange**
 - ▶ Deliver collateral by 12pm on settlement date
- 4 Deliver REMIC collateral**
 - ▶ Deliver collateral on REMIC collateral delivery date

Timing

Min. Turnaround Time

- 4 business days** **5 business days during transition**
- ▶ Book exchange on day T
 - ▶ Receive 55-day security on T+1 (*T+2 during transition*)
 - ▶ Deliver collateral for REMIC T+2¹ (*T+3 during transition*)
 - ▶ Receive REMIC on T+4 (*T+5 during transition*)

Booking Availability

- ▶ Dealer-facilitated path:
 - 24 hours (exc. maintenance window)
 - Book for settlement in current or next month
- ▶ Direct-to-Freddie Mac path:
 - 24 hours (exc. maintenance window)
 - Begins on 5th business of each month, for settlement in current month only
 - No booking on last business day of month
- ▶ REMIC:
 - Any business day 8:30 AM to 5:30 PM

Exchange Settlement Blackout Days

- ▶ First 5 business days of the month
- ▶ Reg A/B settlement days (exchange only)
- ▶ REMIC collateral delivery day
- ▶ NY Fed holidays
- ▶ FRE holidays

¹ It is feasible to deliver REMIC collateral on the same day the exchange is settled, but this is not advisable





Other Notes

- Securities exchanged prior to the June 3 Go-Live will not be eligible to trade in the TBA market until then
- We don't expect to see market-based prices for the mirrors until May settlements
- Freddie Mac expects to publish all our legal documents by mid-April
 - The only exception is the REMIC Offering Circular in May
 - We will post the draft Exchange Offering Circular this week
- Additional webinars or calls to small custodians and investors can be scheduled if you need outreach assistance



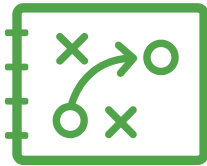
Resources



[Freddie Mac Single Security web page](#)



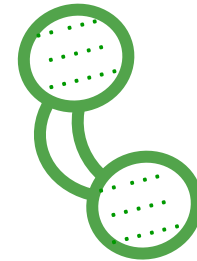
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