

# Single Security Initiative Conference

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Sheraton New York Times Square



Fannie Mae



Freddie Mac

# COMMINGLED SECURITIES: SUPERS AND REMICS

## MODERATOR



**Jamie Miller**

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## SPEAKERS



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Markets – Multiclass Issuance,  
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VP, Capital Markets –  
Structured Transactions,  
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## The ability to commingle in Supers and REMICs is a key feature of the Single Security Initiative

- Commingling Freddie Mac and Fannie Mae securities opens up new possibilities for investors
  - A commingled resecuritization could consist of one GSE wrapping collateral issued by the other (e.g., a FRE issued Supers with 100% FNM-issued collateral underneath)...
  - ...or a mixture FRE and FNM-issued collateral within the same Supers or REMIC
- Since either Enterprise can issue commingled Supers or REMICs, it will be an effective tool to manage portfolio limits
- Important reminders for commingling:
  - Supers and REMICs are always guaranteed by the top-level issuer – whether the collateral underneath is issued by one GSE, or a combination of both
  - To measure diversification across Original Issuers look through to the underlying collateral mix

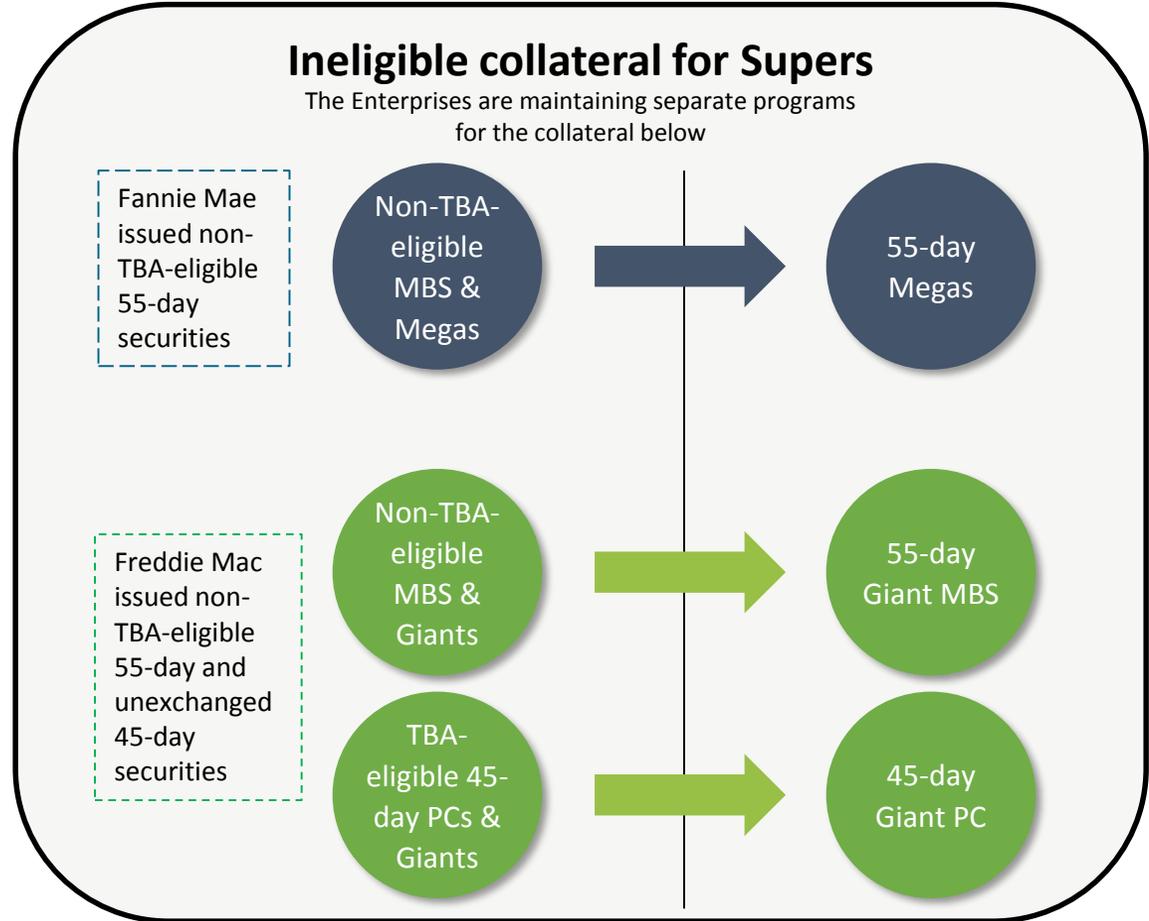
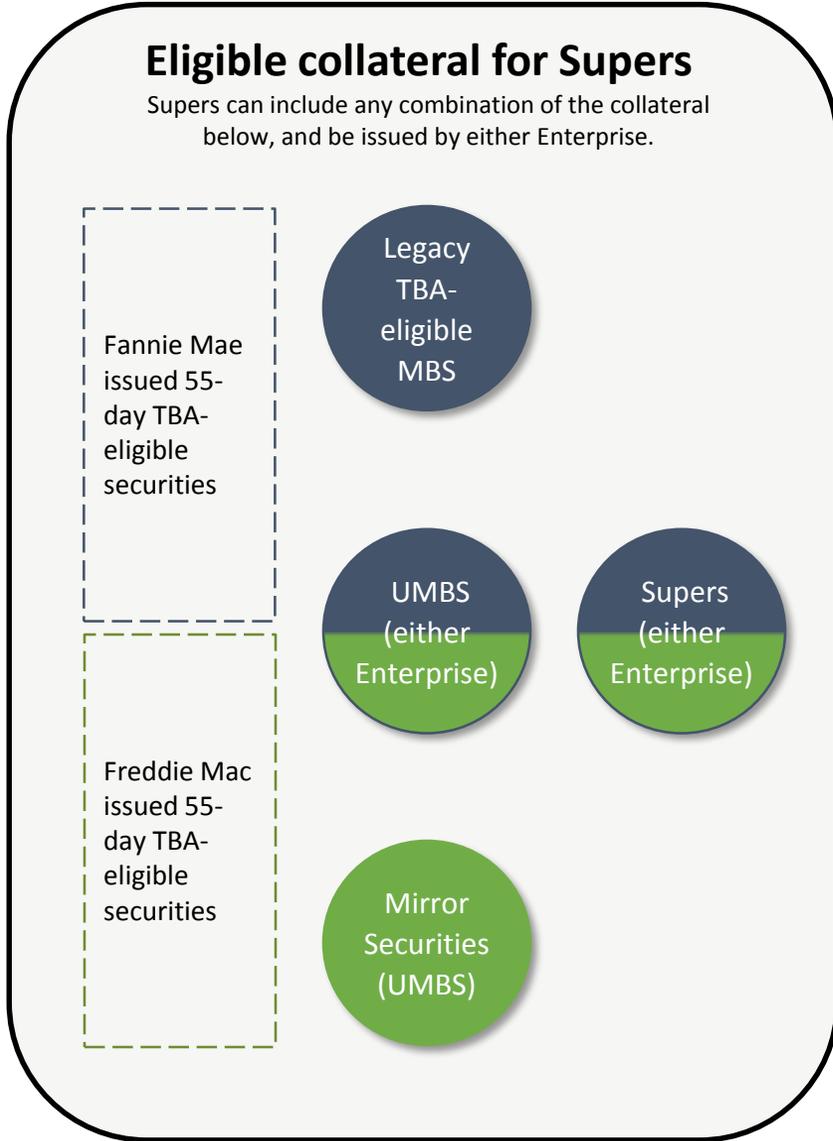


## Understanding eligibility and the delivery process for Resecuritization after go-live

- What is eligible for Supers and what can be commingled?
- What about non-TBA? Giants and Megs will continue
- What is eligible for REMICs (TBA and non-TBA)?
- How does the process of delivering collateral change in the future? How do I deliver collateral for a commingled resecuritization?
- How much time should I allow if I need to exchange 45-day collateral prior to delivering collateral into my resecuritization?

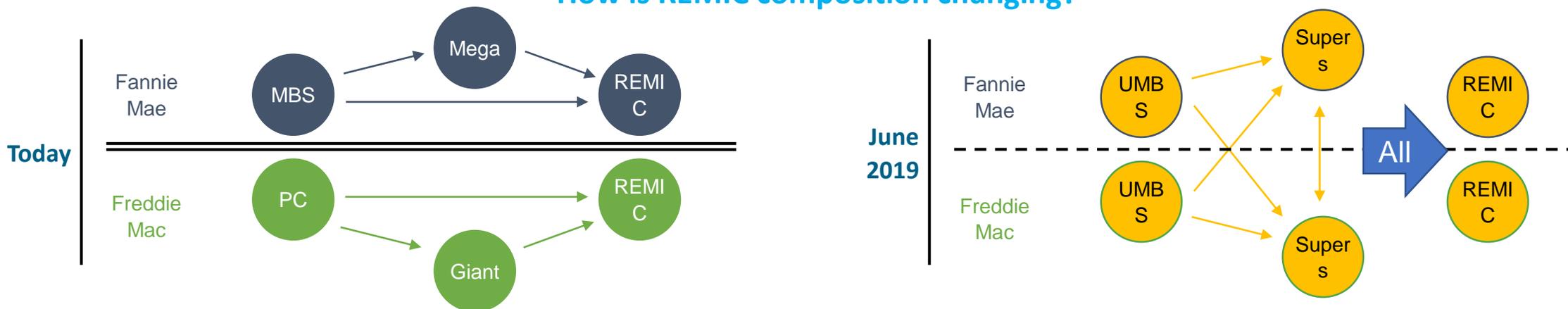


# What collateral is eligible for Supers?



# UMBS-eligible collateral for REMICs with either Enterprise

How is REMIC composition changing?



## What collateral is eligible to be delivered into a REMIC?

### REMIC Collateral

- ▶ All 55-day UMBS pass-throughs and Supers
  - 30-year CL/ZL
  - 20-year CT/ZT
  - 15-year CI/ZI
  - 10-year CN/ZN
- ▶ 45-day PCs & Giants that have been exchanged for 55-day UMBS
- ▶ Unexchanged 45-day UMBS-eligible PCs & Giants

### Re-REMIC Collateral

- ▶ All 55-day REMIC Classes issued by either Agency that at original issuance were 100% backed by UMBS Prefixes \*
- ▶ All 45-day REMIC Classes issued by either Agency that at original issuance were 100% backed (at all levels) by 45-day PCs/Giants that were UMBS-eligible \*

\* at all levels for multiple-layer Re-REMICs



Fannie Mae™



## Non-UMBS-eligible collateral for REMICs issued by each Enterprise

### Freddie Mac

#### REMIC Collateral

- ▶ All Freddie Mac issued 55-day non-UMBS passthroughs and Giants
- ▶ All Freddie Mac 45-day PCs/Giants/Strips that are not eligible for Exchange into 55-day UMBS Prefixes

#### Re-REMIC Collateral

- ▶ All 55-day Freddie Mac issued REMIC Classes that at original issuance were not 100% backed\* by UMBS Prefixes
- ▶ All 45-day REMIC Classes that at original issuance were not 100% backed\* by 45-day PCs/Giants that would be Exchange-eligible into 55-day UMBS Prefixes
- ▶ All 75-day ARM collateral
- ▶ All Freddie Mac issued Excess Servicing Strip Trust Classes

\* at all levels for multiple-layer Re-REMICs

### Fannie Mae

#### REMIC Collateral

- ▶ All Fannie Mae issued 55-day non-UMBS passthroughs, Megas, and Strips (fixed-rate and ARM)

#### Re-REMIC Collateral

- ▶ All 55-day Fannie Mae issued REMIC Classes that at original issuance were not 100% backed\* by UMBS Prefixes
- ▶ All Fannie Mae issued Excess Servicing Strip Trust Classes

\* at all levels for multiple-layer Re-REMICs

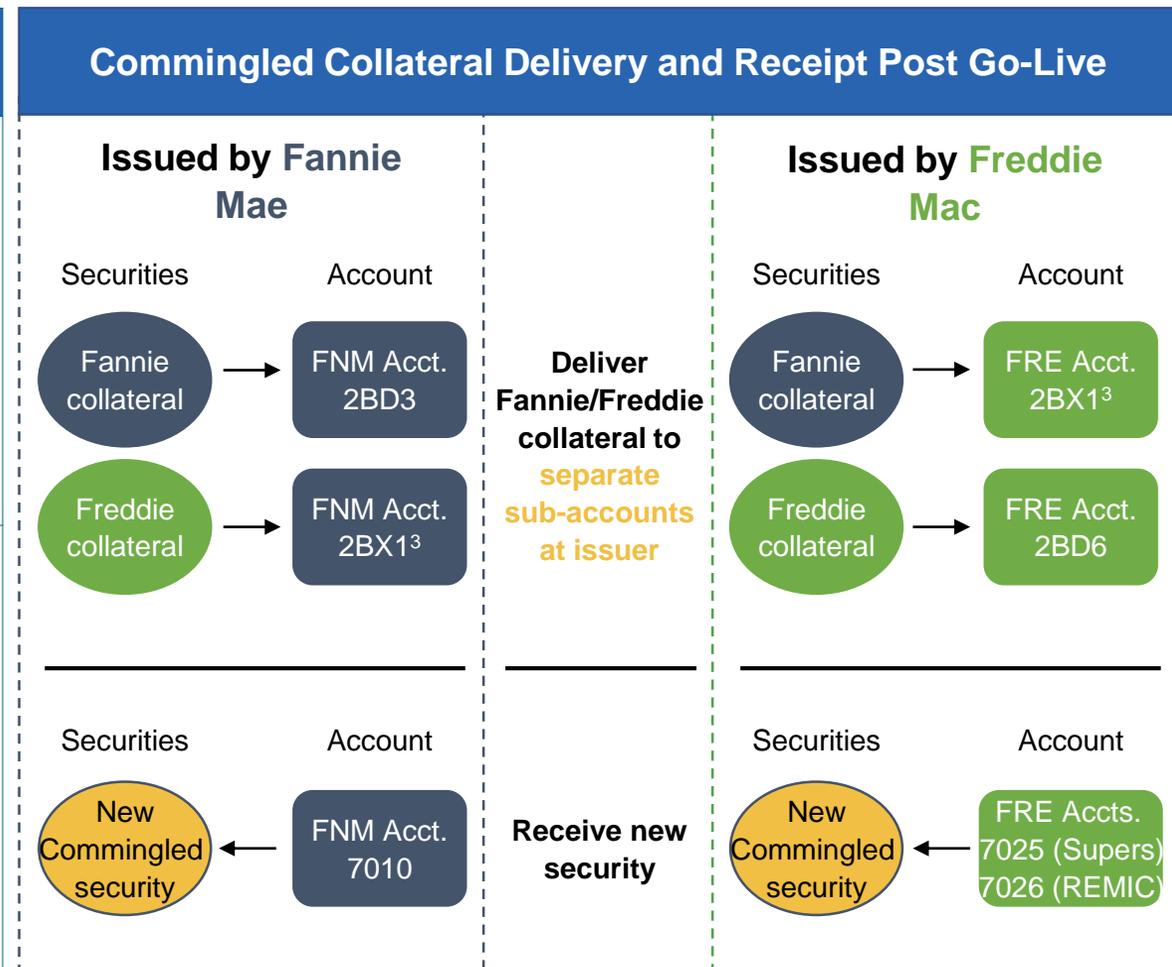


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# New securitization scenario: commingled collateral delivery

Category	Current	Future State: Commingling UMBS collateral after June 3, 2019 go-live	
Operational Process / Delivery Method	<b>Resecuritizing through Freddie Mac</b>	<ul style="list-style-type: none"> <li>45-day Giant collateral is delivered to one Freddie Mac sub-account at the Fed → Account 2BD2</li> <li>Receive corresponding Giant(s) and REMIC(s) back</li> </ul>	<ul style="list-style-type: none"> <li>Deliver Fannie/Freddie collateral to separate sub-accounts at issuer</li> <li>Deliver Supers / REMIC collateral to <b>two Freddie Mac subaccounts</b> at the Fed<sup>1</sup></li> <li><b>All collateral to Freddie Mac's ABA #021033205, then:</b> <ul style="list-style-type: none"> <li>→ <b>Freddie collateral to account 2BD6</b></li> <li>→ <b>Fannie collateral to account 2BX1</b></li> </ul> </li> <li>Receive corresponding Supers from FRE account 7025; REMICs from FRE account 7026</li> </ul>
	<b>Resecuritizing through Fannie Mae</b>	<ul style="list-style-type: none"> <li>55-day Mega collateral is delivered to one Fannie Mae sub-account at the Fed → Account 2BD3</li> <li>Receive corresponding Mega(s) and REMIC(s) back</li> </ul>	<ul style="list-style-type: none"> <li>Deliver Fannie/Freddie collateral to separate sub-accounts at issuer level</li> <li>Deliver Supers / REMIC collateral to <b>two Fannie Mae subaccounts</b> at the Fed<sup>1</sup></li> <li><b>All collateral to Fannie Mae's ABA #021039539, then:</b> <ul style="list-style-type: none"> <li>→ <b>Fannie collateral to account 2BD3</b></li> <li>→ <b>Freddie collateral to account 2BX1</b></li> </ul> </li> <li>Receive corresponding Supers or REMICs from FNM account 7010</li> <li>Same settlement timing and limitations</li> </ul>



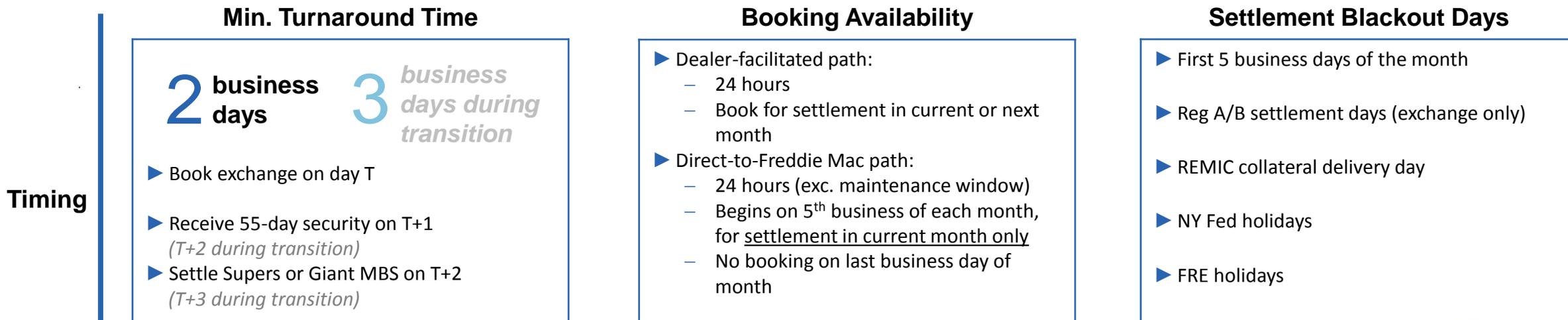
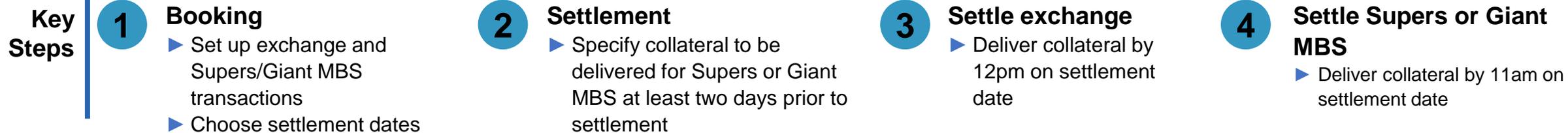
<sup>1</sup> Fed netting/clearing requirement

<sup>3</sup>Fannie's and Freddie's 2BX1 sub-accounts are unrelated.



# 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



<sup>1</sup> 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

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

<b>Timing</b>	<b>Min. Turnaround Time</b>	<b>Booking Availability</b>	<b>Exchange Settlement Blackout Days</b>
	<p style="font-size: 2em; font-weight: bold;">4 business days</p> <p style="font-size: 2em; font-weight: bold; color: #808080;">5 business days during transition</p> <ul style="list-style-type: none"> <li>▶ Book exchange on day T</li> <li>▶ Receive 55-day security on T+1 (<i>T+2 during transition</i>)</li> <li>▶ Deliver collateral for REMIC T+2<sup>1</sup> (<i>T+3 during transition</i>)</li> <li>▶ Receive REMIC on T+4 (<i>T+5 during transition</i>)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Dealer-facilitated path:                             <ul style="list-style-type: none"> <li>– 24 hours (exc. maintenance window)</li> <li>– Book for settlement in current or next month</li> </ul> </li> <li>▶ Direct-to-Freddie Mac path:                             <ul style="list-style-type: none"> <li>– 24 hours (exc. maintenance window)</li> <li>– Begins on 5<sup>th</sup> business of each month, for <u>settlement in current month only</u></li> <li>– No booking on last business day of month</li> </ul> </li> <li>▶ REMIC:                             <ul style="list-style-type: none"> <li>– Any business day 8:30 AM to 5:30 PM</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▶ First 5 business days of the month</li> <li>▶ Reg A/B settlement days (exchange only)</li> <li>▶ REMIC collateral delivery day</li> <li>▶ NY Fed holidays</li> <li>▶ FRE holidays</li> </ul>

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