Single Security Initiative Conference

March 4\textsuperscript{th}, 2019

Sheraton New York Times Square
COMMINGLED SECURITIES: SUPERS AND REMICs

MODERATOR

Jamie Miller
Director, Investments & Capital Markets – Securitization, Freddie Mac

SPEAKERS

Bruce Bracco
VP, Investments & Capital Markets – Multiclass Issuance, Freddie Mac

Robert Mailley
VP, Capital Markets – Structured Transactions, Fannie Mae
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 Megas 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?

Eligible collateral for Supers
Supers can include any combination of the collateral below, and be issued by either Enterprise.

- Legacy TBA-eligible MBS
- UMBS (either Enterprise)
- Mirror Securities (UMBS)
- Supers (either Enterprise)

Ineligible collateral for Supers
The Enterprises are maintaining separate programs for the collateral below.

- Fannie Mae issued non-TBA-eligible 55-day securities
- Freddie Mac issued non-TBA-eligible 55-day securities
- Fannie Mae issued non-TBA-eligible 55-day and unexchanged 45-day securities
- TBA-eligible 45-day PCs & Giants
- Non-TBA-eligible MBS & Giants
- 55-day Megas
- 55-day Giant MBS
- 45-day Giant PC
- 55-day Giant PC
UMBS-eligible collateral for REMICs with either Enterprise

How is REMIC composition changing?

Today

- Fannie Mae
- MBS
- PC
- Giant
- REMIC

<table>
<thead>
<tr>
<th>Fannie Mae</th>
<th>MBS</th>
<th>Mega</th>
<th>REMIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freddie Mac</td>
<td>PC</td>
<td>Giant</td>
<td>REMIC</td>
</tr>
</tbody>
</table>

June 2019

- Fannie Mae
- UMB S
- Super s
- REMIC

<table>
<thead>
<tr>
<th>Fannie Mae</th>
<th>UMB S</th>
<th>Super s</th>
<th>REMIC</th>
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<tr>
<td>Freddie Mac</td>
<td>UMB S</td>
<td>Super s</td>
<td>REMIC</td>
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</table>

What collateral is eligible to be delivered into a REMIC?

**REMIX 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-REMIX 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-REMIXs
Non-UMBS-eligible collateral for REMICs issued by each Enterprise

**Freddie Mac**
- 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
- 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**
- All Fannie Mae issued 55-day non-UMBS passthroughs, Megas, and Strips (fixed-rate and ARM)
- 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
# New resecuritization scenario: commingled collateral delivery

## Future State: Commingling UMBS collateral after June 3, 2019 go-live

<table>
<thead>
<tr>
<th>Category</th>
<th>Current</th>
<th>Future State: Commingling UMBS collateral after June 3, 2019 go-live</th>
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</thead>
<tbody>
<tr>
<td><strong>Resecuritizing through Freddie Mac</strong></td>
<td>• 45-day Giant collateral is delivered to one Freddie Mac sub-account at the Fed → Account 2BD2&lt;br&gt;• Receive corresponding Giant(s) and REMIC(s) back</td>
<td>• Deliver Fannie/Freddie collateral to separate sub-accounts at issuer&lt;br&gt;• Deliver Supers / REMIC collateral to <strong>two</strong> Freddie Mac subaccounts at the Fed¹&lt;br&gt;• All collateral to Freddie Mac’s ABA #021032305, then:&lt;br&gt;→ Freddie collateral to account 2BD6&lt;br&gt;→ Fannie collateral to account 2BX1²&lt;br&gt;• Receive corresponding Supers from FRE account 7025; REMICs from FRE account 7026</td>
</tr>
<tr>
<td><strong>Resecuritizing through Fannie Mae</strong></td>
<td>• 55-day Mega collateral is delivered to one Fannie Mae sub-account at the Fed → Account 2BD3&lt;br&gt;• Receive corresponding Mega(s) and REMIC(s) back</td>
<td>• Deliver Fannie/Freddie collateral to separate sub-accounts at issuer level&lt;br&gt;• Deliver Supers / REMIC collateral to <strong>two</strong> Fannie Mae subaccounts at the Fed¹&lt;br&gt;• All collateral to Fannie Mae’s ABA #021039539, then:&lt;br&gt;→ Fannie collateral to account 2BD3&lt;br&gt;→ Freddie collateral to account 2BX1²&lt;br&gt;• Receive corresponding Supers or REMICs from FNM account 7010&lt;br&gt;• Same settlement timing and limitations</td>
</tr>
</tbody>
</table>

1 Fed netting/clearing requirement

2 Fannie's and Freddie's 2BX1 sub-accounts are unrelated.

## Commingled Collateral Delivery and Receipt Post Go-Live

### Issued by Fannie Mae

<table>
<thead>
<tr>
<th>Securities</th>
<th>Account</th>
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<tbody>
<tr>
<td>Fannie collateral</td>
<td>FNM Acct. 2BD3</td>
</tr>
<tr>
<td>Freddie collateral</td>
<td>FNM Acct. 2BX1³</td>
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### Issued by Freddie Mac

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<td>FRE Acct. 2BX1³</td>
</tr>
<tr>
<td>Freddie collateral</td>
<td>FRE Acct. 2BD6</td>
</tr>
</tbody>
</table>

1 New Commingled security

2 Same settlement timing and limitations

³Fannie’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

### Key Steps

<table>
<thead>
<tr>
<th>Step</th>
<th>Activity</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Booking</td>
</tr>
<tr>
<td></td>
<td>Set up exchange and Supers/Giant MBS transactions</td>
</tr>
<tr>
<td></td>
<td>Choose settlement dates</td>
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<tr>
<td>2</td>
<td>Settlement</td>
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<tr>
<td></td>
<td>Specify collateral to be delivered for Supers or Giant MBS at least two days prior to settlement</td>
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<tr>
<td>3</td>
<td>Settle exchange</td>
</tr>
<tr>
<td></td>
<td>Deliver collateral by 12pm on settlement date</td>
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<tr>
<td>4</td>
<td>Settle Supers or Giant MBS</td>
</tr>
<tr>
<td></td>
<td>Deliver collateral by 11am on settlement date</td>
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</tbody>
</table>

### Min. Turnaround Time

- **2 business days**
- **3 business days during transition**

- **Book exchange on day T**
- **Receive 55-day security on T+1 (T+2 during transition)**
- **Settle Supers or Giant MBS on T+2 (T+3 during transition)**

### Booking Availability

- **Dealer-facilitated path:**
  - 24 hours
  - 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

### 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**

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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

Min. Turnaround Time

- **4** business days
- **5** business days 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