Single Security Initiative

Tabletop Testing Exercise: Commingled Issuance

Working Session 3

October 17, 2018

Fannie Mae™   FreddieMac

Resecuritization: Commingled Collateral

▪ Second- or third-level securitizations of UMBS issued by either Enterprise

Supers[SM] – Eligible Collateral (similar to Megas & Giants)	REMICs[1,2] – Eligible Collateral
• Can be backed by UMBS and/or other Supers (either issuance of one Enterprise or a commingling of issuances of both Enterprises) *and/or* • Existing Fannie Mae TBA-eligible MBS and/or Megas, which at Go-Live become UMBS-eligible *and/or* • Legacy Freddie Mac TBA-eligible PCs and/or Giant PCs that have been exchanged into UMBS and/or Supers	• Can be backed by new or exchanged UMBS and/or Supers (either issuances of one Enterprise or a commingling of issuances of both Enterprises *and/or* • Existing Fannie Mae TBA-eligible MBS and/or Megas, which at Go-Live become UMBS-eligible *and/or* • Legacy Freddie Mac TBA-eligible PCs and/or Giant PCs that have been exchanged into UMBS and/or Supers *and/or* • REMIC or Re-REMIC classes issued by either Enterprise that were at issuance 100% backed by any combination of the above

[1] Non-UMBS-eligible collateral and all 45-day PCs are not eligible collateral for Supers
  Non-UMBS-eligible collateral is eligible for resecuritization (Giant/Mega/REMIC) by the **original issuer only.**
[2] Any existing or legacy REMIC security which at issuance was backed 100% by UMBS-eligible collateral can be collateral for new REMIC classes issued by either Enterprise

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Category	Current	UMBS Future
Operational Process Delivery Method[1] **Freddie Mac**	• Giant collateral is delivered to one sub-account at the Fed → Account 2BD2 • Receive corresponding Giant(s)back	• Supers Collateral will be delivered to <u>two</u> subaccounts at the Fed – this is a requirement for Fed netting and clearing → Freddie collateral to account 2BD6 → Fannie collateral to account 2BX1 • Get corresponding Supers back from account 7025; REMICs will be issued from account 7026 • Same settlement timing and limitations
Fannie Mae	• Mega collateral is delivered to one sub-account at the Fed → Account 2BD3 • Receive corresponding Mega(s) back	• Supers Collateral will be delivered to <u>two</u> subaccounts at the Fed – this is a requirement for Fed netting and clearing → Fannie collateral to account 2BD3 → Freddie collateral to account 2BX1 • Get corresponding Supers or REMICs back from account 7010 • Same settlement timing and limitations
Diversification	• Investors look at the security issuer to determine if they may be close to portfolio name limits	• Look at security issuer OR look through to underlying collateral mix[2]
Guarantor	Fannie Mae or Freddie Mac, depending on whether you are forming a Mega or Giant	Security Issuer (top-level name) is the Guarantor
Fails/Claims	• Work with the issuer of the security (Fannie Mae or Freddie Mac), as relevant	• For any problem with a Supers or commingled REMIC you can contact either of the GSEs • Freddie & Fannie have an agreed-upon process – approved by FHFA – in place to handle this situation

[1] Pricing for commingled securitizations must be discussed separately with the security issuer
[2] Awaiting 817(h)-related guidance from IRS; this may impact diversification measurement and monitoring for certain investors

Additional Resources

- FHFA May 2015 Single Security Update
  - Appendix B: Counterparty Risk Analysis