

## September Newsletter

### Freddie Mac Announces Direct-to-Freddie Exchange Path to be Developed with Tradeweb

Freddie Mac and Tradeweb issued a joint [press release](#) announcing an arrangement to develop a direct-to-Freddie Mac exchange path for institutional investors related to the Single Security Initiative. The proposed path will allow approved institutions to exchange eligible Freddie Mac Gold PC and Giant PC 45-day securities for the recently announced Freddie Mac 55-day, To-Be-Announced (TBA) uniform mortgage-backed security (UMBS) and 55-day, non-TBA mortgage-backed security (MBS) when Freddie Mac commences its proposed exchange offer, currently expected in May 2019.

Please refer to the [Exchange Paths Overview](#) for more details concerning the proposed exchange paths. More information on the [Proposed Gold PC and Giant PC Exchange](#) is also available online.

### Freddie Mac Single Security Readiness Webpage Launches

Are you ready for the Single Security Initiative? If not, the Enterprises are here to help. Freddie Mac has recently redesigned its [Single Security Readiness Page](#) to make useful materials easily accessible to stakeholders working to get ready for the June 3, 2019 implementation date. The page features vendor testing timelines, readiness testing details, upcoming events, and videos from the May 2018 Single Security conference. The page will be regularly updated with new readiness aids and other relevant materials as they are developed.

### IRS Tax Decision

The IRS has published its [Revenue Ruling 2018-24](#) regarding certain tax treatment of the Gold PC exchange that Freddie Mac plans to offer as part of the Single Security Initiative. According to the ruling, the exchange of 45-day Gold PC securities for 55-day Freddie Mac mortgage-backed securities will not be taxable. The IRS ruling is consistent with the earlier guidance from the SEC, where the SEC did not object to treating the exchange as a minor modification for accounting purposes. Freddie Mac's original request for a ruling from the IRS included the security exchange, the associated float compensation payment, and a potential inducement fee. At this time Freddie Mac has no plans to pay an inducement fee.

The IRS did not rule on the taxability of the associated float compensation payment nor the inducement fee, and is not expected to provide additional guidance on these payments. The Enterprises are advising market participants to consult with their tax experts to determine how to treat the float compensation.

### FHFA's NPR Announcement

On September 12, the Federal Housing Finance Agency (FHFA) issued a Notice of Proposed Rulemaking (NPR) on UMBS. This ruling would require Fannie Mae and Freddie Mac to align programs, policies and practices affecting prepayment speeds in the TBA MBS and TBA UMBS markets. The NPR is open to receive public comment for 60 days.

For more information, access the [FHFA NPR Announcement](#) or the full [UMBS NPR](#).

## Market Adoption Playbook Updates

A new version of Freddie Mac and Fannie Mae's [Market Adoption Playbook](#) was released and posted to our respective Single Security websites in September. These updates focus on including additional details on the two exchange paths, dollar rolls, repos, and a refresh of relevant dates and timelines.

## TABLETOP EXERCISE APPROACH



On Monday, September 10, Freddie Mac and Fannie Mae jointly hosted a Tabletop Testing working group meeting in New York City. This event was the second working session hosted by the Enterprises in preparation for the Q4 live Tabletop Testing exercise. The session focused on four scenarios that will be part of the market transition: performing a TBA trade, dollar rolls, and the dealer-facilitated and direct-to-Freddie Mac exchange paths. The deep dive into these scenarios was an opportunity to discuss common assumptions and allowed for constructive conversation between the groups. The notes from this working session are posted under the Market Readiness Testing section of the [Freddie Mac Single Security Readiness](#) site. Another working session to discuss commingled securities issuance will be scheduled soon. If you would like to get more information on how you can be involved in the Tabletop Exercise working group, please reach out to [jamie\\_miller@freddiemac.com](mailto:jamie_miller@freddiemac.com) or [stephanie\\_milner@fanniemae.com](mailto:stephanie_milner@fanniemae.com).

## Mirror Security Issuance Calendar

Freddie Mac began issuing Mirror securities in August 2018 and will continue to do so until all Mirror securities have been issued for exchange-eligible securities. Freddie Mac has gradually ramped up issuance to 5,000 Mirror securities each business day and expects to continue issuing Mirror securities until roughly mid-October. No Mirror securities will settle on BD 1-4, Reg A or Reg B dates, or the last two business days of the month. On the payment days September 17th and 25th, Freddie Mac expects to broadcast and settle only 1,000 Mirror securities. Until eligible Freddie Mac Gold PCs and Giant PCs commence being exchanged for their related Mirror securities in the second quarter of 2019, the Mirror securities that are issued will remain in a Freddie Mac account at the New York Fed.

For more information, view Freddie Mac's [Mirror security issuance calendar](#)

## Additional News

Freddie Mac (800-336-3672), Option 1, then Option 2 and Fannie Mae (800-2FANNIE), Option 3 have investor hotlines to assist with any Single Security Initiative questions.

FHFA issued a new Enterprise Prepayment Monitoring Report with data on Fannie Mae and Freddie Mac security prepayment speeds through the second quarter of 2018. The report can be retrieved [here](#).

The Vendor Testing Timeline includes major testing milestones from key stakeholders across the industry. The Enterprises anticipate additional stakeholders to be included on the timeline in the next 2 weeks. If you are a vendor that is conducting client testing for the Single Security Initiative, please contact [single\\_security@freddiemac.com](mailto:single_security@freddiemac.com) or [single\\_security@fanniemae.com](mailto:single_security@fanniemae.com) to have your plans included on the timeline.

On September 13, a Tri-Party Discussion – with dealers, investors, and custodians – was held to provide an update on the Direct-to-Freddie Mac Exchange path. These meeting materials can be found [here](#).

## Find us at an upcoming event

### ABS East

September 23-25,  
Miami Beach, FL

[Click here for more information](#)

### Freddie Connect

September 23-25,  
Chicago, IL

[Click here for more information](#)

### MBA Annual Convention and Expo

October 14-17, Washington, DC

[Click here for more information](#)

### SFIG Residential Mortgage Symposium

October 29-30, New York, NY

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