

Single Security: What Does It Mean for Freddie Mac Seller/Serviceers

Freddie Mac and Fannie Mae, at the direction of the Federal Housing Finance Agency, are working on a common security (Uniform Mortgage- Backed Security, or UMBS™) that will be introduced to the market in June 2019. It is important that you become familiar with the Single Security initiative, so you can begin to prepare for the changes and business opportunities the Single Security will bring. Below is a summary of impacts to Seller/Serviceers. You'll find additional details in the [Single Security Initiative Adoption Playbook](#).

As always, we will inform Seller/Serviceers of specific requirements, system and contract changes in advance of implementation so you'll have enough time to work with your system vendors and get ready for operational and process changes.

Originating and Underwriting

New 10-year mortgage product

- We'll introduce a 10-year fixed-rate mortgage (TBA-eligible only) before the Single Security implementation. The requirements will be incorporated into the *Single-Family Seller/Serviceer Guide*.
- Sellers may sell these 10-year mortgages via Guarantor or Cash execution.
- There will be no 10-year offering for non-TBA security products.

Loan Product Advisor®

- Loan Product Advisor and all other Loan Advisor Suite® tools will be updated to reflect the eligibility requirements for our 10-year mortgage offering.
- There will be no change in how Sellers will use Loan Product Advisor and all other Loan Advisor Suite tools.

Selling and Delivering

Loan Selling AdvisorSM

- Loan Selling Advisor will be updated to reflect our pricing for a 10-year mortgage offering. TBA-eligible securities will be priced as 10-year products and no longer as 15-year products as we do currently.
- There will be no change in the way pricing is displayed in the Loan Selling Advisor.
- There should be no change in the way Sellers interact with the Loan Selling Advisor.

Data delivery

- Minimal change to the Uniform Loan Delivery Dataset.
- No additional loan level data requirements.

Contracts

Master Agreements and Pricing Identifier Terms will be updated, as needed, to reflect the 10-year mortgage product and 55-day payment cycle.

Taking out contracts in Loan Selling Advisor

- 45 days before the Single Security launches, Seller/Serviceers will be able to take out forward contracts to deliver loans into the new UMBS.
- The 45-day security products will no longer be available for contracting once the Single Security is implemented.

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Pooling

- Sellers will continue to have the option to pool for a solo-issuer security or contribute to a MultiLender pool.
- Minimal change in pooling for TBA-eligible products.
- Minimum pooling size for non-TBA loans will increase to \$1 million (current minimum pool size is \$250,000).
- No change to \$1,000 minimum contract amount for MultiLender pools.

Guarantor/MultiLender execution

- Depending on the eligibility of the collateral they deliver, Sellers will receive a 55-day UMBS or a 55-day non-TBA security
- Sellers will continue to interact with us even though the bond administration functions are handled by the [Common Security Platform](#).

Legacy 45-day Participation Certificates (PCs)

- Sellers may exchange their 45-day Gold PCs or Giants for 55-day Freddie Mac mirror securities through a member of Freddie Mac's approved dealer group.
- Freddie Mac will create 55-day mirror securities on a one-on-one basis for all exchange-eligible 45-day PCs and Giants.
- Freddie Mac may open the exchange window the month preceding the Single Security go-live.
- There will be no fee to make these exchanges and there will be compensation for the 10-day payment difference.

Servicing

Servicing mortgages for Freddie Mac

- Changes related to disclosure and buyout requirements are covered by the [Investor Reporting Change Initiative](#).
- Servicing buyers will be able to bid for the servicing rights of the 10-year loans we purchase.

Milestones/Proof Points

Common Security Platform

Freddie Mac is already using the platform for certain bond administration functions for our current single-family fixed-rate PCs.

Aligned Disclosures

In August 2017, Freddie Mac adopted the aligned loan -level and pool disclosures for our current PCs. These are the same disclosures that will be used for the Single Security.

Prefix and Pool Naming Conventions

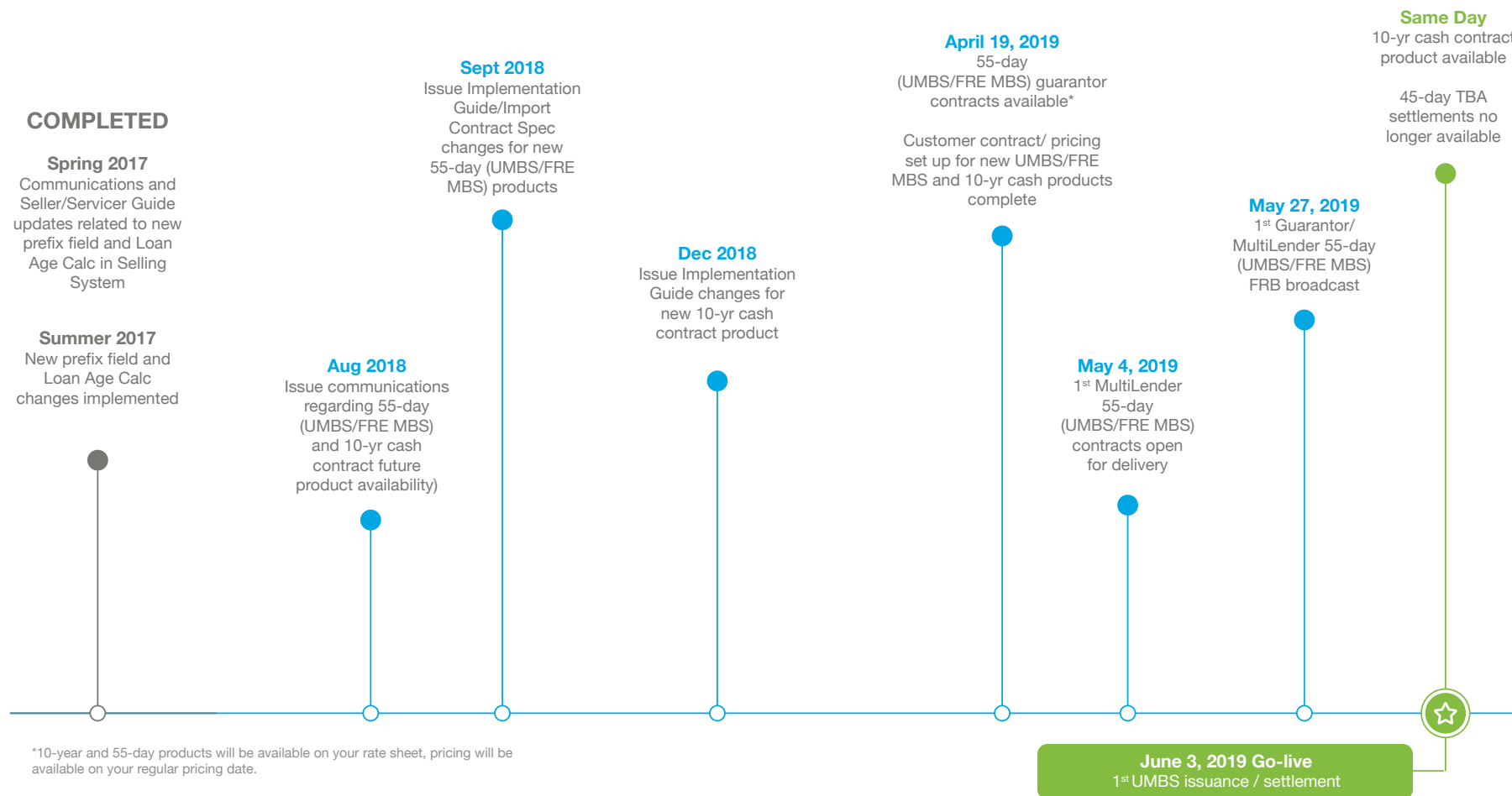
A new prefix field is now visible in several Loan Selling Advisor screens in preparation for the UMBS which will have a new prefix and pool naming convention.

Industry Outreach

- We continue to inform and educate all stakeholders of the mortgage and securities market:
- [Single Security Initiative Market Adoption Playbook](#) with a detailed Seller/Serviceicer appendix
 - Single Security [Frequently Asked Questions](#)
 - Freddie Mac Single Security and CSP [web page](#)
 - Single Security [features and highlights](#)
 - Single Security [Illustrative Implementation Schedule](#)

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This timeline shows relevant dates for Seller/Serviceicers in relation to the first UMBS issuance in June 2019.



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