

MEMO# 30994

December 22, 2017

Reminder: January 9 Webinar on Preparing for the New Uniform Mortgage-Backed Security - Dial-in Information Included

[30994]

December 22, 2017 TO: ICI Members

Investment Company Directors

Accounting/Treasurers Committee

Fixed-Income Advisory Committee

Money Market Funds Advisory Committee

SEC Rules Committee

Securities Operations Advisory Committee

Small Funds Committee

Tax Committee

Variable Insurance Products Advisory Committee SUBJECTS: Disclosure

Fixed Income Securities

Fund Accounting & Financial Reporting

Money Market Funds

Operations

Tax

Trading and Markets RE: Reminder: January 9 Webinar on Preparing for the New Uniform Mortgage-Backed Security - Dial-in Information Included

As previously mentioned, on **Tuesday, January 9th, from 10-11 am ET**, Fannie Mae, Freddie Mac, and the Federal Housing Finance Agency (FHFA) will provide a webinar for ICI members on preparing for the new uniform mortgage-backed security to be issued by Fannie Mae and Freddie Mac. They have provided the following description of the webinar:

Single Security: What You Need to Do Now to Get Ready – You may have heard that Fannie Mae and Freddie Mac mortgage-backed securities are going to start trading together in one single security market starting in Q2 2019, but did you know that there are many activities that you should be doing *today* to make the transition easy for you and your investors? Hear from experts at Fannie, Freddie, and FHFA on the progress that has been made on the initiative and get the information you need to make sure you are ready for the Uniform Mortgage-Backed Security.

If your firm trades mortgage-backed securities, we urge you to attend this webinar. While the Single Security Initiative (SSI) will be implemented in Q2 2019, market participants will need to complete preparations by year-end 2018, as forward trading in the TBA market is expected to begin in Q1 2019. WebEx and dial-in information for the webinar is:

[Join WebEx meeting](#) (click on this link)

Meeting number (access code): 906 490 574

or dial: +1-415-527-5035 (US Toll)

Please see below for the brief background on the SSI we provided in our previous memo.

Background

In 2014, FHFA announced the strategic goal of developing a new securitization infrastructure for Fannie Mae and Freddie Mac (the “Enterprises”) for mortgage loans backed by 1- to 4-unit single-family properties. To achieve this goal, the Enterprises, working with FHFA, are working to develop and operate a Common Securitization Platform that will support the Enterprises’ single-family mortgage securitization activities, including the issuance by both Enterprises of a common, single mortgage-backed security (the Uniform Mortgage-Backed Security, or UMBS). The development of, and transition to, the new UMBS constitute the SSI. The objectives of the SSI are to: (1) establish a single, liquid market for mortgage-backed securities issued by both Enterprises and backed by fixed-rate loans; and (2) maintain the liquidity of this market over time. The SSI also is intended to reduce or eliminate the cost to Freddie Mac and taxpayers that has resulted from the historical difference in the liquidity of Fannie Mae’s Mortgage-Backed Securities and Freddie Mac’s Participation Certificates (PCs).

The UMBS will be issued and guaranteed by either Fannie Mae or Freddie Mac, with 100% of the UMBS’s underlying mortgage loans being those of the issuing Enterprise (i.e., there will be no commingling of Enterprise loans for first-level securitizations). UMBS then may be resecuritized together with other UMBS issued by either Enterprise, as well as certain of the Enterprises’ existing legacy securities. To promote fungibility and liquidity in the markets, legacy Freddie Mac PC investors will have the option to exchange their securities for comparable UMBS backed by the same mortgage loans, along with compensation reflecting the value of the 10-day payment delay in going from a 45-day certificate to the 55-day UMBS.

To help the market prepare for the SSI, FHFA has issued a series of public updates over time describing the progress of the initiative, and soliciting feedback from the public.^{[\[1\]](#)} These updates, along with other materials produced by the Enterprises and FHFA, identify and address various operational, regulatory, accounting, and disclosure issues raised by the transition to the UMBS.^{[\[2\]](#)}

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endnotes

[1] See, e.g., Federal Housing Finance Agency, *An Update on the Single Security Initiative and the Common Security Platform* (December 2017), available at https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/Update-on-the-Single-Security-Initiative-and-the-CSP_December-2017.pdf.

[2] *Id.* at 8. See Freddie Mac and Fannie Mae, *Single Security Initiative Market Adoption Playbook* (November 2017), available at <http://www.fanniemae.com/resources/file/single-security/pdf/market-adoption-playbook.pdf>.

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