

# Looking Ahead: CRT in 2023

January 2023



**Credit Risk  
Transfer**

# Today's Speakers



**Mike Reynolds**

Vice President

Single-Family CRT Capital Markets



**Christian Valencia**

Vice President

Single-Family CRT Capital Markets



**Jeff Shue**

Senior Director

Single-Family CRT Capital Markets

# Overview



## STACR® & ACIS® Updates

- Program activity
- LIBOR transition update
- EU due diligence and risk retention requirements
- STACR tender offers
- ACIS 5-year early call options
- Investor participation
- Pricing spreads
- Loss mitigation
- Delinquency
- CRT performance
- Freddie Mac Single-Family pipeline

## CRT in 2023

- CRT and industry conferences
- STACR and ACIS issuance calendars
- Freddie Mac Single-Family pipeline



# STACR & ACIS Updates

# STACR® (Freddie Mac Structured Agency Credit Risk) Program Activity 2022



- **\$12.7 Billion** new issue volume
- **\$326 Billion** single-family mortgages with credit protection
- **37** new investors
- **78** unique investors on a single STACR transaction
- **144** total unique investors
- **\$5.1 Billion** 1Q deal volume
- **\$1.9 Billion** STACR 2022-DNA2

## **STACR Issuance and Tender Offers:**

- 7 DNA – Collateral with OLTVs 61 – 80
- 3 HQA – Collateral with OLTVs 81 – 97
- 4 TO – STACR Tender Offers

## **STACR Call Options Exercised:**

- STACR 2014-HQ1
- STACR 2015-HQ1

Source: Freddie Mac, all data as of December 2022.

# ACIS® (Freddie Mac Agency Credit Insurance Structure) Program Activity 2022



- **\$6.8 Billion** new transaction volume
- **\$202 Billion** single-family mortgages with credit protection
- **4** new counterparties
- **30** unique participants on a single ACIS transaction, largest ever
- **33** total unique participants in a single year, tie for largest
- **\$2.6 Billion** 2Q deal volume, largest ever
- **13** ACIS transactions in a single year, tie for largest

## ACIS Issuance:

- 7 SPL – Collateral with OLTVs 61 – 80
- 3 SPH – Collateral with OLTVs 81 – 97
- 1 COR – Collateral comprised of Cash-out Refi loans with OLTVs 51 – 60
- 2 AFH – 1 Month Forward with OLTVs 81 – 97

# London Interbank Offered Rate (LIBOR) Transition Update



Freddie Mac will transition its legacy LIBOR-indexed contracts to an index based on the Secured Overnight Financing Rate (SOFR) the day after June 30, 2023.

CRT Type	Current Index	After June 30, 2023
Legacy LIBOR-indexed CRT	1-Month LIBOR	30-Day Average SOFR, plus spread adjustment for 1-month tenor
Existing SOFR-indexed CRT	30-Day Average SOFR	30-Day Average SOFR
Future New Issue CRT	N/A	30-Day Average SOFR

Find out more at [FreddieMac.com](https://www.FreddieMac.com)

- [Press Release](#)
- [Reference Rates Transition Homepage](#)

Source: Freddie Mac

# EU Due Diligence and Risk Retention Requirements



In response to the October 2022 clarification made by the EU Regulation Commission, the Credit Risk Transfer team will be providing the following to support EU and UK investors:

- CRT EU Resource website will be refreshed to provide the most up-to-date information. UK Securitisation Regulation is substantially the same and we will refer UK institutional investors to the EU Resource website.
- FAQs will be provided to address common investor inquiries.
- Beginning in the February 2023 reporting period, loan level disclosure in the format set forth by Annex II will be available at issuance for new STACR transactions and monthly disclosures for all existing STACR transactions.
  - Download of the EU loan level files will be available via Clarity.
  - Mapping and further explanation between existing loan level disclosure and the EU template will be available.
- CRT is also working with the respective trustees or global agents on Annex XII. Timing of availability will be announced in the coming weeks.



# STACR Tender Offers 2022



## \$5.6B tendered

- 4 tender offers (1 per quarter)
- 35 notes included
- 62% average take up
- No impact on capital or risk

## 2022-TO1

- Streamlined 5-day tender period introduced

## 2022-TO2

- Largest tender offer
- First tender to include trust notes

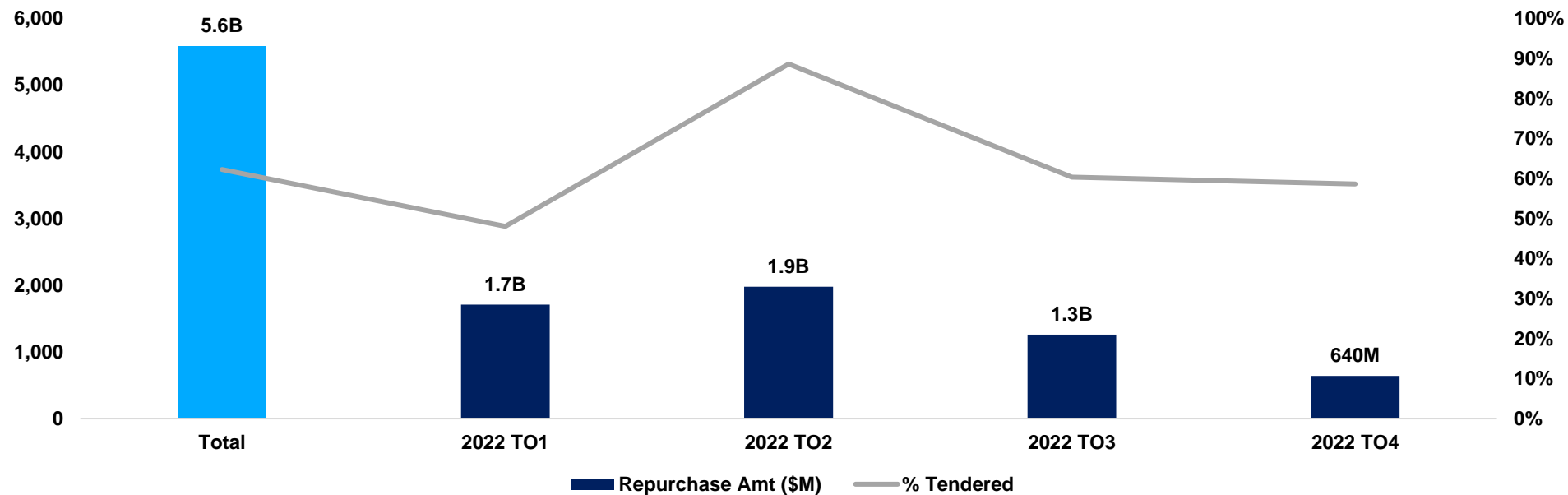
## 2022-TO3

- Most notes included in any tender
- First tender with debt and trust notes

## 2022-TO4

- First tender with B-1 note included
- First tender with discounted tender price

### Tender Offer Amounts and Uptake



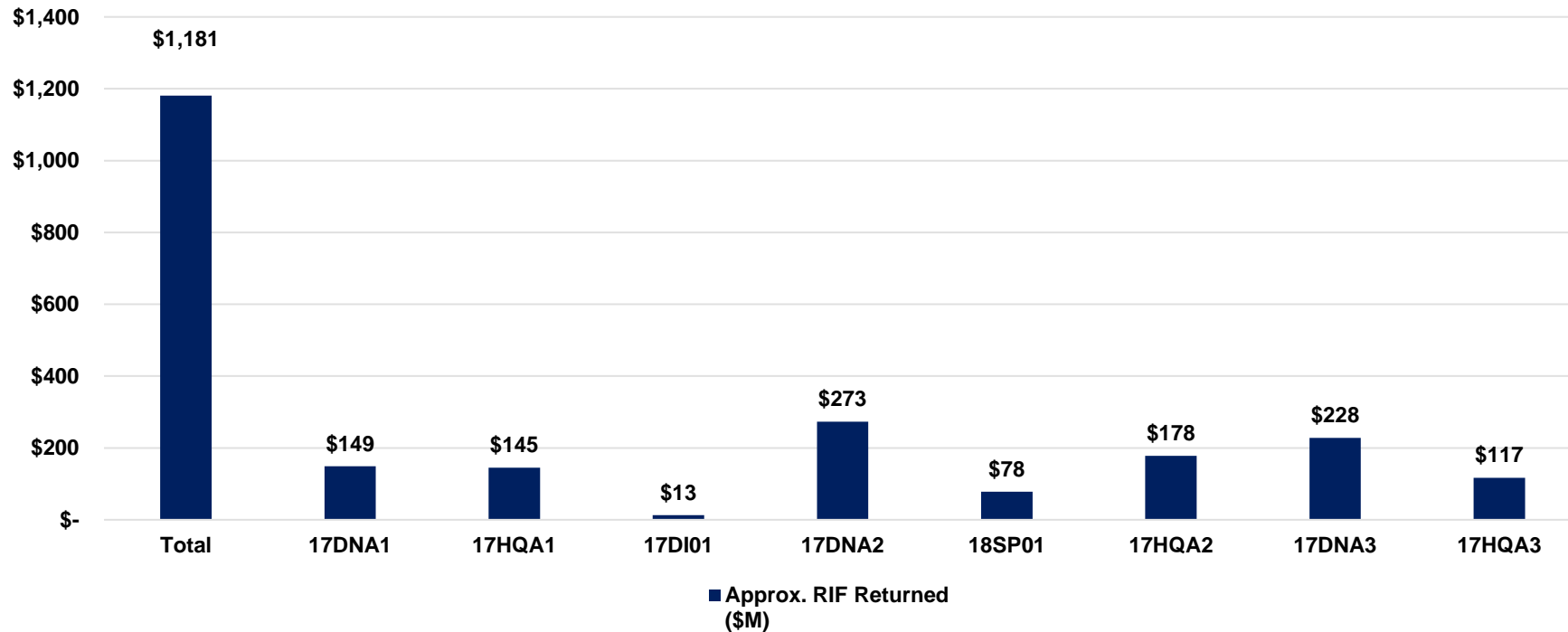
Source: Freddie Mac, all data as of December 2022.

# ACIS 5yr Early Call Option



- 11 ACIS deals have been called program-to-date
- 8 ACIS deals have been called in 2022 for a total of \$1.2B in RIF

5yr Early Call Option: RIF 2022

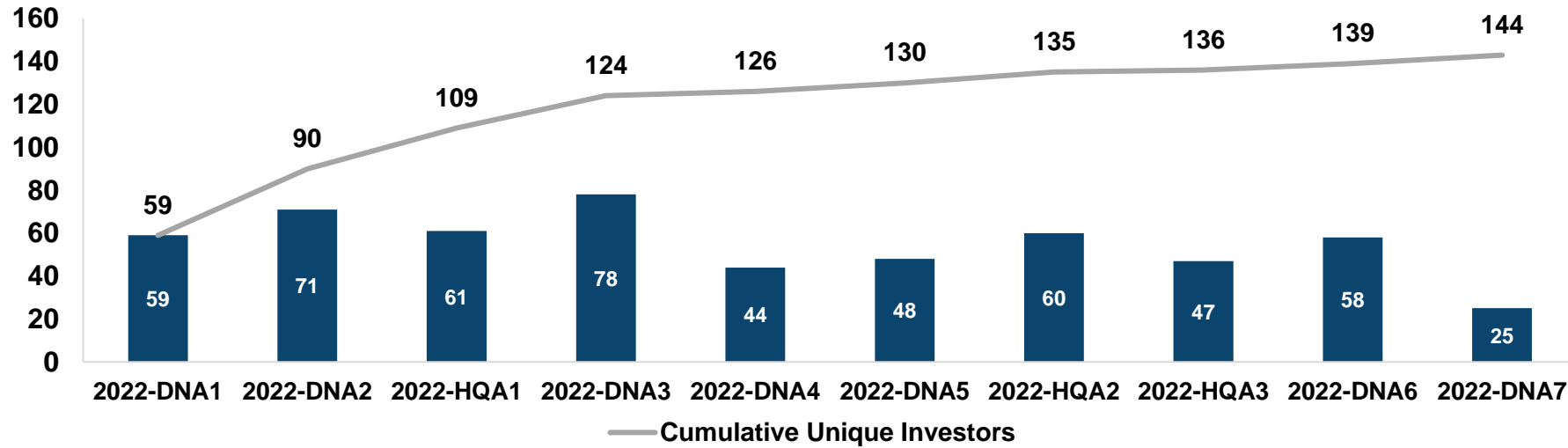


Source: Freddie Mac, all data as of December 2022.

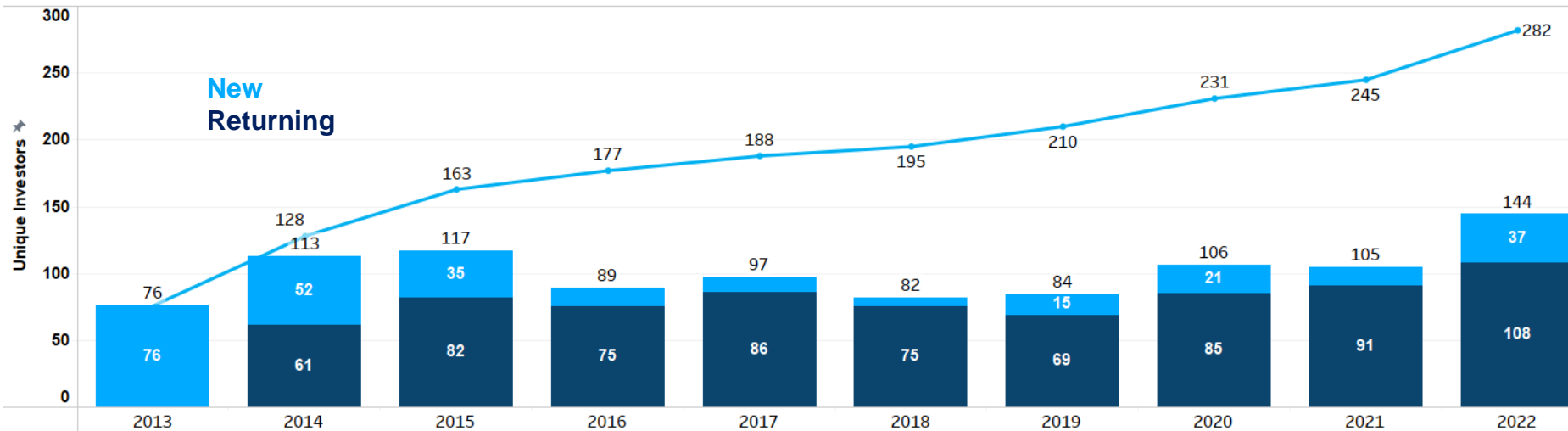
# STACR Investor Participation



## 2022 Deal Participation



## Unique Investor Count Since Inception

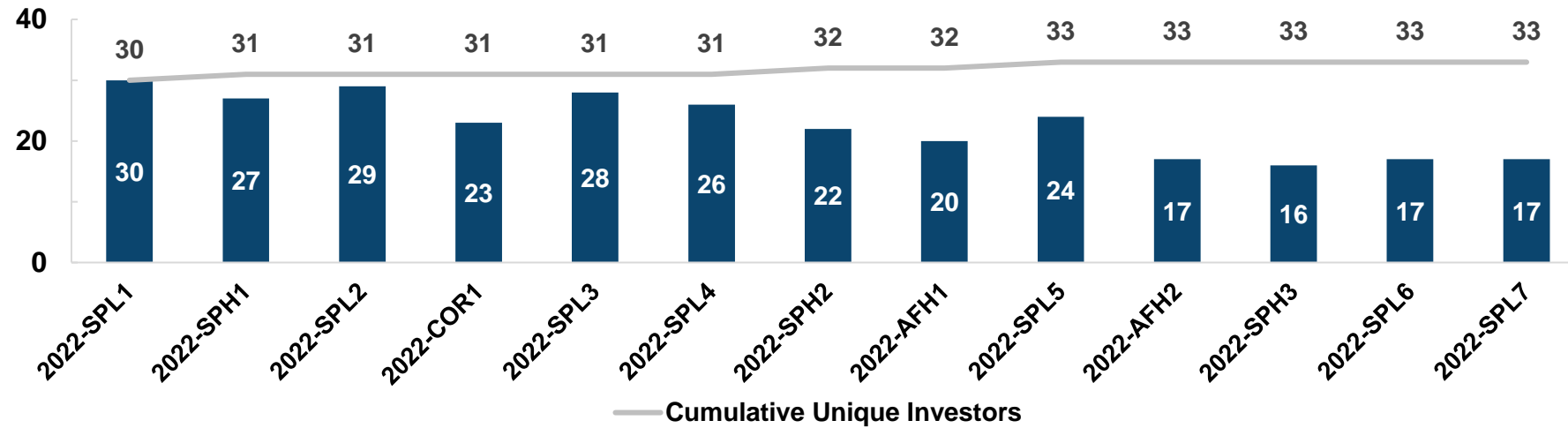


Source: Freddie Mac, all data as of December 2022.

# ACIS Investor Participation

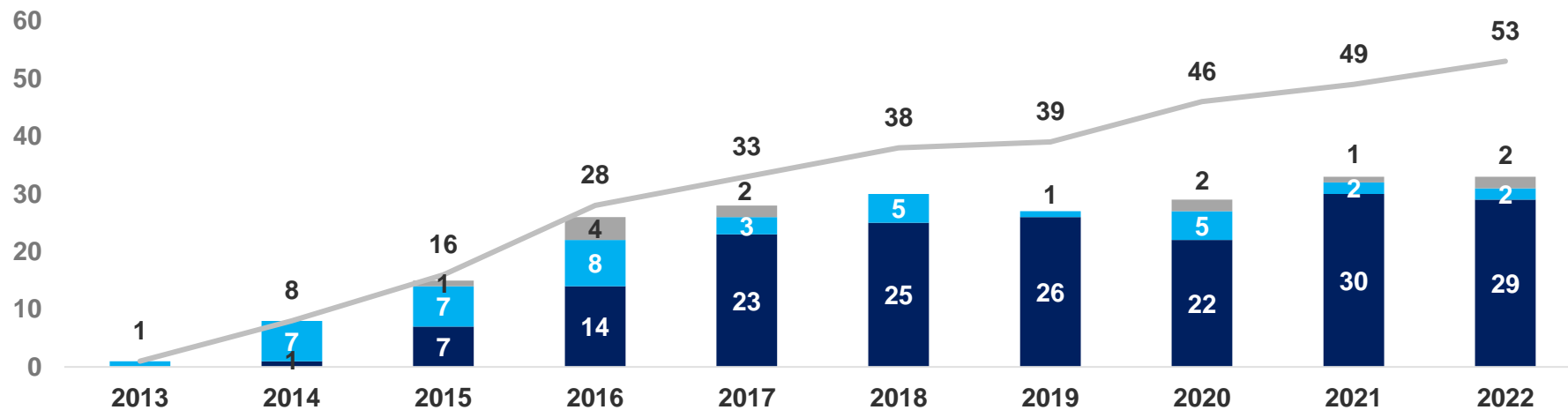


## 2022 Deal Participation



## Unique Reinsurer Count Since Inception

Returning (Dark Blue) | New (Light Blue) | Balance Sheet (Grey) | Cumulative (Line)

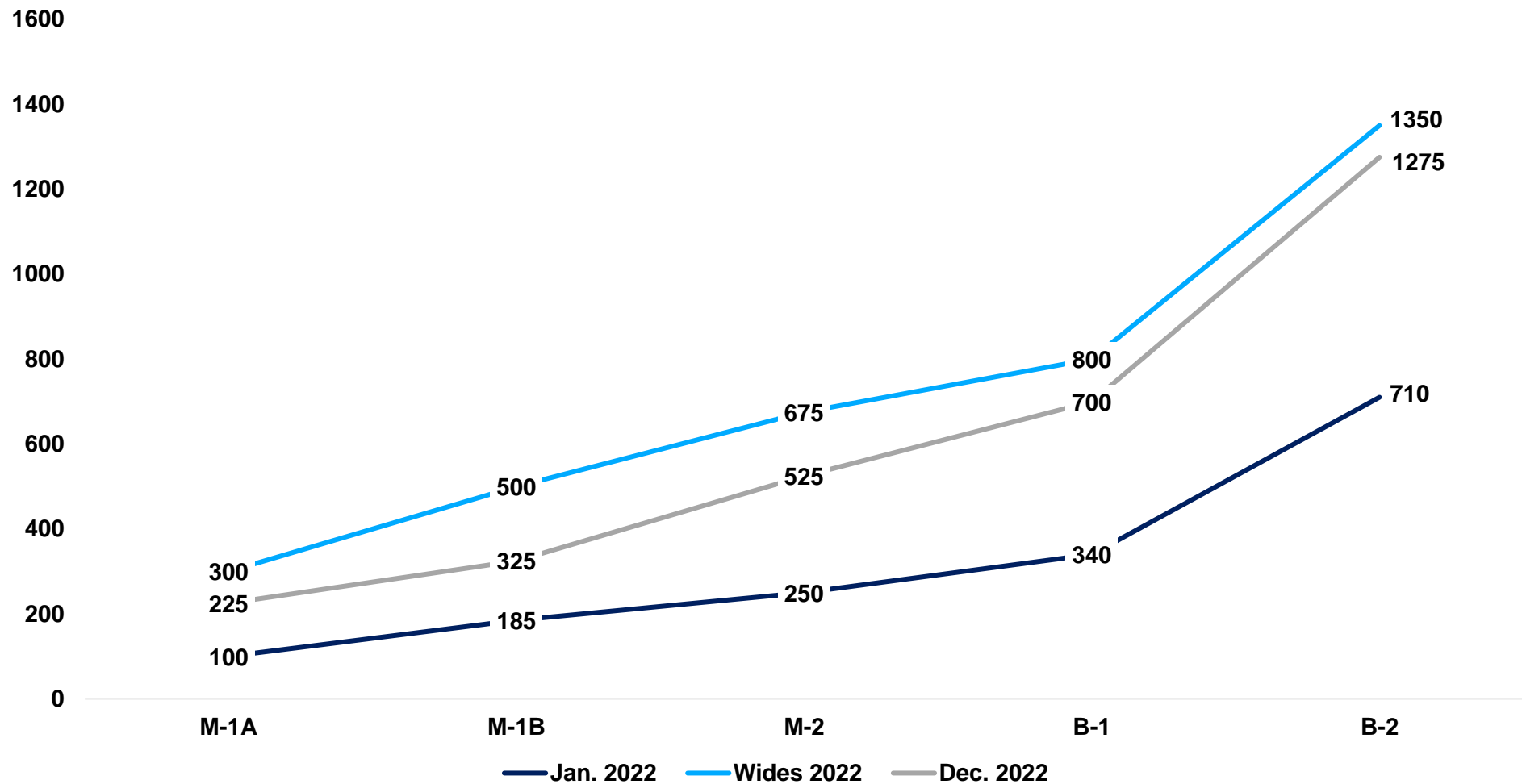


Source: Freddie Mac, all data as of December 2022.

# STACR Spreads



## Steepened Credit Curve

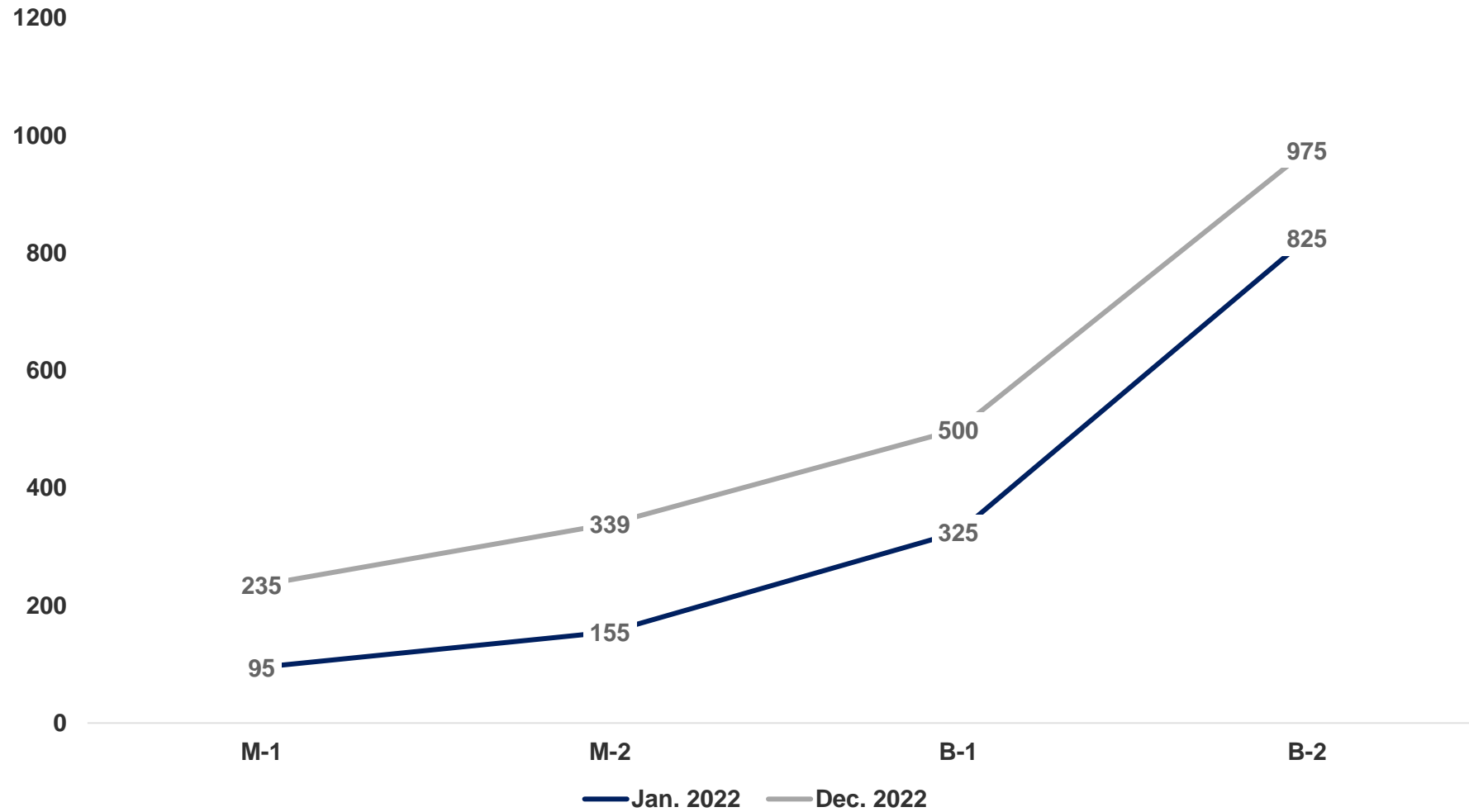


Source: BofA, all data as of December 2022.

# ACIS Spreads



## Price Shift through 2022

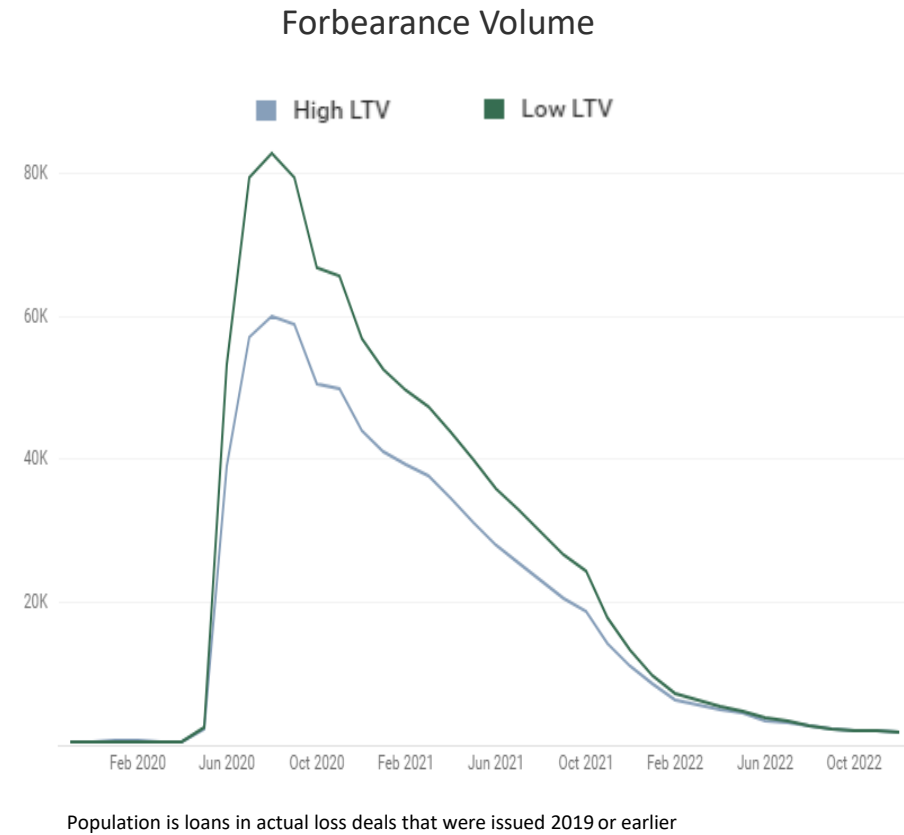
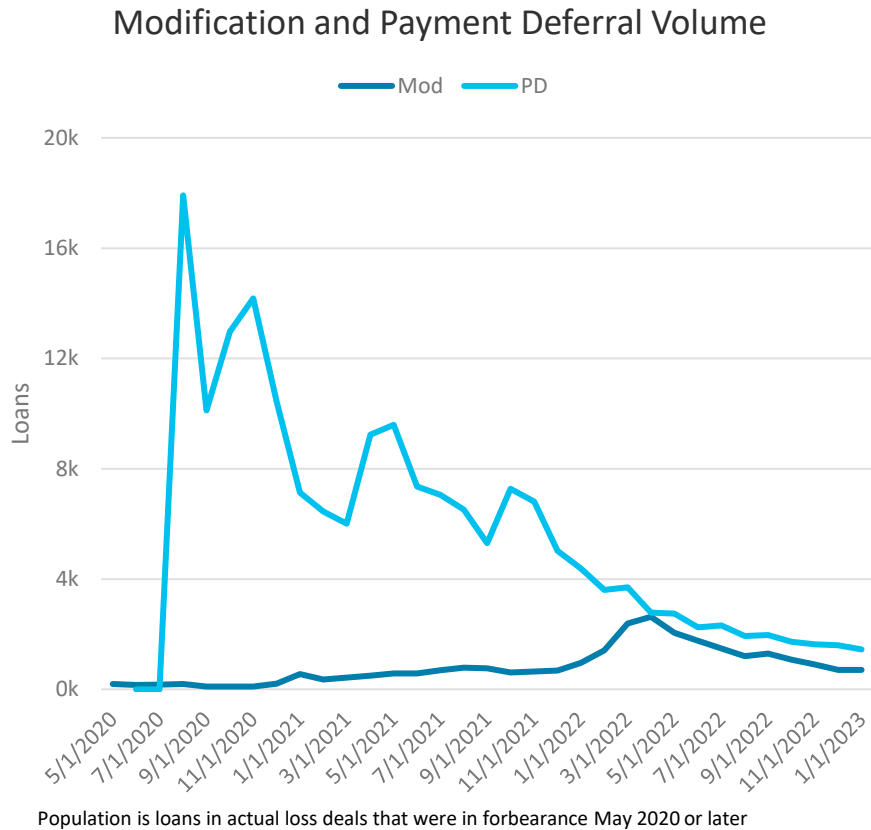


Source: Freddie Mac, all data as of December 2022.

# Loss Mitigation



Most loans have exited COVID-19-related forbearance. Modification volumes increased in Q2 2022 but now declining

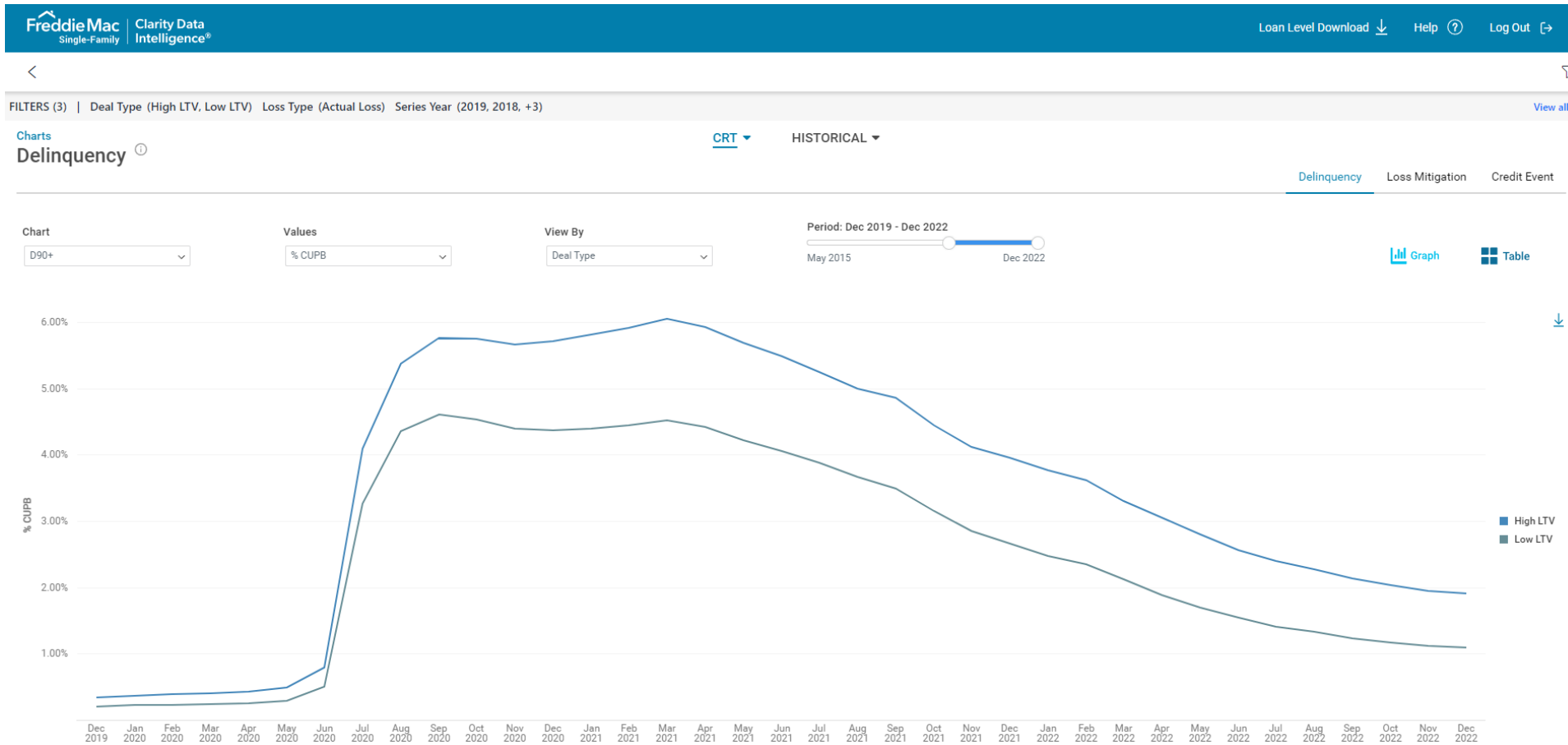


Source: Freddie Mac CRT disclosures and Clarity Data Intelligence®

# Delinquency



The D90+ rate has improved since the pandemic-related spike but has not returned to pre-COVID levels for deals issued 2019 and earlier. One driver of the relatively higher D90+ rates is the high prepay speeds over the past few years.



Population is loans in actual loss high and low LTV deals that were issued in 2019 or earlier

Source: Clarity Data Intelligence®



# CRT Performance: On-the-Run Actual Loss Transactions



Strong portfolio performance across vintages

**128**

Transactions Issued

**0.3**

Average bps of Loss  
Per Transaction

**6**

Retired Transactions

**32**

Transactions with  
No Losses

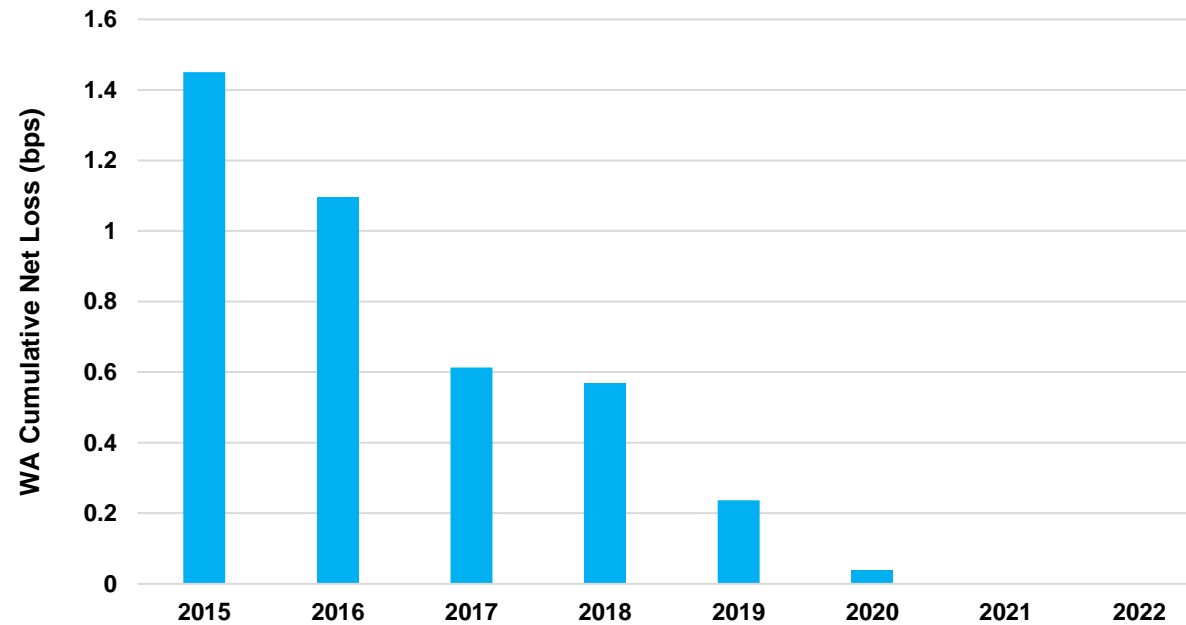
**112**

Transactions with  
<1bp of Loss

**0**

Transactions with  
>2 bps of Loss

**Weighted Average Cumulative Net Losses by Issuance Year (bps)**



Source: Freddie Mac monthly remittance data for STACR and ACIS 30 year low and high LTV transactions, as of September 2022.  
Retired transactions excluded from transaction loss counts.



# CRT in 2023

# Freddie Mac Single-Family Pipeline



- ~\$200 Billion eligible for CRT
- Estimated CRT Issuance Volume of \$4.5-\$6.5 Billion (STACR and ACIS Combined)

## Freddie Mac 2022 Production<sup>1</sup>

### LTV | 61-80

CRT Coverage	Month	Count	OUPB	Rate	OLTV	FICO	DTI
Eligible	December	33K	\$10B	6.3712	76	750	38
Eligible	November	30K	\$9B	5.9735	76	750	38
Eligible	October	34K	\$11B	5.5623	76	751	38
Eligible	September	49K	\$16B	5.5100	76	748	38
Eligible	August	61K	\$20B	5.3877	76	751	37
Eligible	July	53K	\$17B	5.2336	75	749	37
ACIS	June	56K	\$18B	4.8663	75	748	38
Eligible	May	61K	\$19B	4.4156	75	745	37
Eligible	April	77K	\$23B	4.0179	74	743	37
ACIS	March	89K	\$28B	3.6594	74	745	37
STACR	February	90K	\$28B	3.3616	74	743	36
STACR	January	120K	\$39B	3.2865	74	744	36

### LTV | 81-97

CRT Coverage	Month	Count	OUPB	Rate	OLTV	FICO	DTI
Eligible	December	34K	\$11B	6.3728	92	749	39
Eligible	November	28K	\$9B	5.8814	92	751	39
Eligible	October	30K	\$10B	5.4896	92	751	39
ACIS	September	43K	\$15B	5.4603	92	750	38
Eligible	August	49K	\$17B	5.4202	92	752	38
Eligible	July	45K	\$16B	5.1794	92	752	38
ACIS	June	42K	\$14B	4.8695	92	751	38
Eligible	May	38K	\$13B	4.4094	92	751	37
Eligible	April	40K	\$14B	3.9631	92	751	37
ACIS	March	42K	\$14B	3.5969	92	751	36
ACIS	February	44K	\$15B	3.2939	92	748	36
Eligible	January	59K	\$20B	3.2129	92	749	37

<sup>1</sup> 2022 production in these tables include all loans with terms 241-360 months and original LTV between 61-97 that were securitized into MBS during the specified period.

<sup>2</sup> Risk Layers: Risk layer is defined as loans that are investment property, DTI ratio greater than 45% or is unknown, FICO is less than 680, and cash-out refinance mortgages. Each condition will add one risk layer to the loan.

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# STACR Engagement Opportunities and Issuance 2023



## Freddie Mac CRT Events

- Investor Day 2023 (April - On Campus)
- CRT Quarterly Webinars

## Industry Conferences

- SFVegas (February)
- IMN Credit Risk Transfer NYC (May)
- ABS East Miami (October)

## In-Person Meetings and Roadshows

### 2023 Expected STACR Issuance\*

Q1	Q2	Q3	Q4
1-2 New Issue	2-3 New Issue	1-2 New Issue	1-2 New Issue
3-4 Tender Offers			

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# ACIS Engagement Opportunities and Issuance 2023



## Freddie Mac CRT Events

- Investor Day 2023 (April - On Campus)
- CRT Quarterly Webinars

## Industry Conferences

- GC GSE CRT Reinsurance Market (Jan)
- GC European Mortgage Summit (Mar)
- IMN Credit Risk Transfer NYC (May)
- SCI Conference (Jun)
- GC Nantucket Mortgage Conference (Sep)
- Aon Analytics Day (Sep)

## In-Person Meetings and Roadshows

### 2023 Expected ACIS Transactions\*

Q1	Q2	Q3	Q4
2-3 New Deals	1-2 New Deals	1-2 New Deals	1-2 New Deals
8 Early Call Options			

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# Questions?

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