

Welcome to the Securities Spotlight, published quarterly to keep you up to date with all resources, events and insights related to mortgage-backed securities (MBS).

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GSE Alignment and Five Years of UMBS

This year marks the fifth anniversary of the **Uniform Mortgage-Backed SecuritiesSM (UMBS[®])** market's launch. Here's a quick look back at the market's history and achievements.

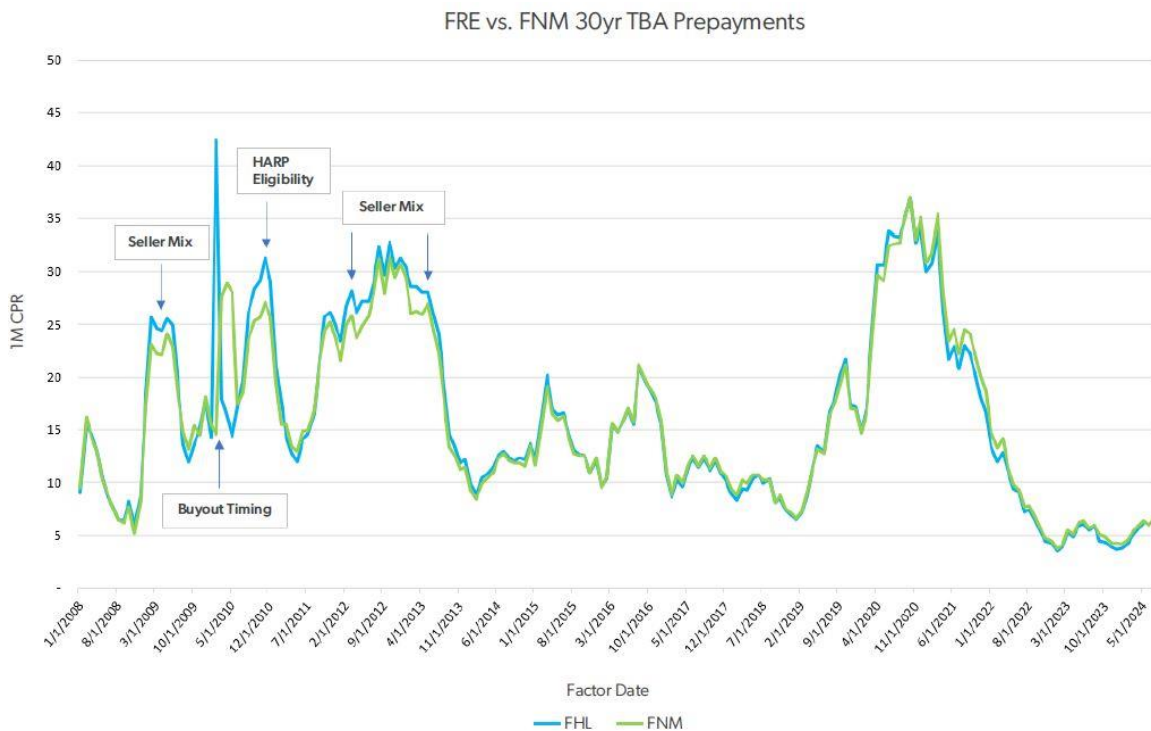
UMBS is Created

- The Federal Housing Finance Agency (FHFA) 2014 Strategic Plan provided the earliest public look at an idea for a single unified mortgage securities market.
- Proposed to increase competitiveness and liquidity in the To Be Announced (TBA) market, the concept was envisioned to eliminate the price differential between securities issued by Freddie Mac and Fannie Mae, as well as the substantial incentives Freddie Mac was paying Sellers to compensate for that differential.
- The initiative built upon an earlier FHFA initiative, the Common Securitization Platform (CSP), which facilitated the commingling of the GSEs' (government-sponsored enterprise) securities, an essential element of the Single Security construct.

- Between 2014 and 2019, the GSEs worked to create the UMBS. We made efforts to align prepayment behavior and key security characteristics, including Weighted Average Coupon (WAC), loan size and Seller mix.
- Simultaneously, Freddie Mac started pooling loans in larger multi-lender pools to manage idiosyncratic prepayment risk of smaller single-lender pools. The market appreciated this strategy and started to pay up for these large, liquid, predictable and diversified pools. Fannie Mae eventually followed this strategy.
- In April 2019, the first UMBS trades were recorded.

Focus on Alignment Continues

With adoption of the UMBS Rule in 2019, FHFA further demonstrated a commitment to ensuring prepayment alignment between the GSEs by putting structural safeguards in place to monitor and manage the relative prepayment rates between the GSEs. The success of these efforts was evident in the prepayment alignment between the GSEs through a period of historically high prepayment rates in 2020 and 2021.



Source: Freddie Mac, Fannie Mae, eMBS

Today, the Single Security benefits are clear. Prepayments between the GSEs have remained aligned, and the UMBS market has survived a global pandemic and recession without disruptions or market dislocations.

Since 2019, the Single Security has helped Freddie Mac reach its liquidity and fungibility goals, which is why it remains committed to UMBS and to the alignment that makes UMBS possible.

[Discover more](#) about the history of the UMBS market and our areas of focus looking forward.



In Case You Missed It!

Mission Index and Social Bonds

This year, the GSEs began to issue labeled Social MBS as outlined in our updated [Social MBS Framework leveraging our Mission Index disclosures](#). Learn more about how impactful Social MBS and the Mission Index have been in the market in this recent [blog post](#).

Updated Green Bond Framework

Freddie Mac published an updated [2025 Single-Family Green MBS Framework](#) which will go into effect January 2025. Freddie Mac also announced the capability for Guarantor execution of Single-Family Green MBS in January 2025. For more details, refer to the [Single-Family Seller/Service Guide Bulletin 2024-15](#).

Clarity Data Intelligence® (Clarity)

We recently updated our Affordable and Green MBS Issuance Volume Dashboard to include new categories highlighting our labeled Social MBS and renamed the report to Affordable, Social and Green MBS. [See what else is new](#).

Investor Day Recap

Thank you to those who attended our MBS Investor Day 2024 on October 15. We hope you found the networking opportunity valuable and the insights and market trends shared by our officers and senior executives helpful. See the [Chief Economist's presentation](#).

MBS Disclosures

Freddie Mac and Fannie Mae introduced a new disclosure that describes which version of the Mission Index methodology is used to calculate the Mission Criteria Score and Mission Density Score for pools. [Learn more](#).



For You!

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