

Change to Mortgage Index Analytics due to Prepayment Model Update

The prepayment model used to calculate analytics for mortgage cohorts tracked by the FTSE USBIG Mortgage Index and the FTSE Mortgage Float-Adjusted Index is scheduled to be updated to Version 21.5 on November 17, 2019¹. These cohorts are also eligible for the FTSE US Broad Investment-Grade (USBIG®) Index and FTSE World Broad Investment-Grade (WorldBIG®) Index. Projected changes to index analytics are provided in the below table. Index prices and returns are not impacted by the model update.

Figure 1. Projected Impact of Prepayment Model Update to Index Analytics

	Issues	Par Amt (\$mn)	MV %	Effective Duration			Effective Convexity			OAS (bp)		
				V21.5	Existing Model	Diff	V21.5	Existing Model	Diff	V21.5	Existing Model	Diff
FTSE Mortgage Index	299	5,549.0	100.0	2.93	2.65	0.27	-1.69	-1.85	0.17	48.84	42.12	6.72
GNMA	88	1,565.6	28.3	2.73	2.31	0.42	-1.58	-1.86	0.28	41.51	30.74	10.77
FHLMC	104	1,582.2	28.5	2.96	2.75	0.21	-1.74	-1.87	0.13	51.24	46.19	5.05
FNMA	107	2,401.2	43.3	3.04	2.82	0.22	-1.71	-1.83	0.12	52.04	46.87	5.17
30 Year Mortgages	218	4,979.8	89.9	2.96	2.66	0.30	-1.80	-1.98	0.18	50.14	42.69	7.46
GNMA 30y	74	1,540.0	27.8	2.73	2.31	0.42	-1.59	-1.87	0.28	41.68	30.83	10.85
FHLMC 30y	72	1,366.6	24.7	3.01	2.76	0.25	-1.91	-2.05	0.14	53.28	47.43	5.85
FNMA 30y	72	2,073.1	37.5	3.10	2.84	0.25	-1.87	-2.01	0.13	54.36	48.36	6.00
15 Year Mortgages	81	569.2	10.1	2.63	2.62	0.01	-0.68	-0.73	0.05	37.17	37.05	0.12
GNMA 15y	14	25.6	0.5	2.51	2.31	0.20	-0.84	-1.04	0.20	31.31	25.45	5.87
FHLMC 15y	32	215.6	3.8	2.63	2.63	0.00	-0.67	-0.71	0.04	38.01	38.14	-0.13
FNMA 15y	35	328.0	5.8	2.64	2.63	0.00	-0.67	-0.71	0.04	37.08	37.24	-0.16
USBIG Index	7,968	21,068	100.0	5.83	5.76	0.07	0.31	0.27	0.04	47.89	46.16	1.74
WorldBIG Index	12,076	37,623	100.0	7.08	7.05	0.04	0.83	0.81	0.02	39.59	38.66	0.93

* Source: FTSE Russell. Data as of October 23, 2019.

¹ Further details on the model change can be found using the following link:
https://www.yieldbook.com/fs/pdf/articles/model/Agency_Prepay_Model_21-5.pdf

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