



## Update to Cohort Balance Aggregation in FTSE Mortgage Indexes

The approach taken by FTSE Russell to reflect the Single Security Initiative allows for separate tracking of Fannie Mae UMBS, Freddie Mac UMBS and legacy 45-day delay Freddie Mac pools in mortgage index cohorts.<sup>1</sup> In June 2019, we announced<sup>2</sup> that the universe of exchanged Level 1 legacy 45-day delay Freddie Mac pools that do not have a corresponding Level 1 UMBS mirror identifier which could be used for purposes of pricing would continue to contribute to legacy 45-day delay Freddie Mac cohorts where a pool-level price was available.<sup>3</sup>

FTSE Russell is now able to incorporate pool-level prices for the Level 1 exchanged pools without a corresponding mirror to their associated UMBS cohort. Effective from the February 2020 factor update, which will reflect new issuance, paydowns and exchanges through January 2020 month-end based on prevailing index rebalancing mechanics, exchanged Level 1 Freddie Mac UMBS pools that do not have a mirror will contribute to their corresponding UMBS cohort, rather than their 45-day delay Freddie Mac cohort.

As of the January 2020 factor update, it is projected that approximately \$109 billion in par amount outstanding of pools that do not have a corresponding mirror and currently contribute to legacy 45-day delay Freddie Mac cohorts will start to contribute to their corresponding UMBS cohort when the update to balance aggregation is made.<sup>4</sup> Any Freddie Mac UMBS cohort that newly meets the \$1 billion amount outstanding minimum for index inclusion as a result of change will also enter the index, effective with the March 2020 profiles. Approximately \$6 billion in par amount outstanding will no longer contribute to the index since their corresponding UMBS cohort does not meet the \$1 billion amount outstanding minimum for index inclusion.

The impact to cohort prices is expected to be minimal; as of January 10, 2020, the difference in overall weighted average par price for index-eligible cohorts was approximately 1bp.

Please contact us at [fi.index@ftserussell.com](mailto:fi.index@ftserussell.com) with any comments or questions.

FTSE Russell

<sup>1</sup> For further details please see: [https://www.yieldbook.com/f/m/pdf/ftse\\_indexes/announcements/IX2\\_20190124.mtg.single.pdf](https://www.yieldbook.com/f/m/pdf/ftse_indexes/announcements/IX2_20190124.mtg.single.pdf)

<sup>2</sup> For further details, please see: [https://www.yieldbook.com/f/m/pdf/ftse\\_indexes/announcements/IX2.20190624.single-security-implementation-update.pdf](https://www.yieldbook.com/f/m/pdf/ftse_indexes/announcements/IX2.20190624.single-security-implementation-update.pdf)

<sup>3</sup> Mortgage index cohorts are priced using an average of all underlying pool-level prices based on their current outstanding balance to arrive at a cohort-level price.

<sup>4</sup> For avoidance of doubt, the January 2020 factor update determines the weight and composition of cohorts for the February 2020 profiles; the February 2020 factor update determines the weight and composition of cohorts for the March 2020 profiles.

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