Freddie Mac Single-Family CRT Expects to Ramp Up Volume in 2022

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Company Planning to Introduce M-1A and M-1B Slices to the Investment-Grade Tranche

MCLEAN, Va., Jan. 05, 2022 (GLOBE NEWSWIRE) -- Freddie Mac today announced that its Single-Family credit risk transfer (CRT) program expects issuance volume of at least $25 billion in 2022. The issuances are expected to include primarily STACR® (Structured Agency Credit Risk) and ACIS® (Agency Credit Insurance Structure) transactions.

“Freddie Mac is responding to the capital requirements established by the Enterprise Regulatory Capital Framework (ERCF) with plans to optimize our CRT offerings in 2022. We expect a record year for STACR and ACIS issuance,” said Freddie Mac’s Mike Reynolds, Vice President of Single-Family CRT.

The ERCF, which establishes risk-based and leverage capital requirements for Freddie Mac, requires Freddie Mac to hold significantly more capital than it did under the Conservatorship Capital Framework (CCF). For example, the pre-CRT capital requirement for the Freddie Mac STACR 2021-DNA7 reference pool is approximately 552 basis points under ERCF but would be approximately 312 basis points under CCF.

In addition to anticipated greater issuance volume, the company expects to introduce new slices of the M-1 tranche to its STACR on-the-run offerings in 2022.

“We anticipate a market for M-1A and M-1B, as well as the M-2 tranche among sophisticated buyers seeking investment-grade opportunities in agency risk,” said Reynolds. “That may be of special interest to investors who expect to take advantage of any STACR buybacks in 2022 and who are looking for a way to redeploy their capital. We believe the M-1A tranche could bring new capital into the program.”

Overall, the company expects to partly offset 2022 issuances by $15 billion through paydowns, repurchases and call options. The company conducted its first-ever tender offer for STACR notes in 2021, retiring $1.6 billion original principal balance of notes that had substantially deleveraged (due to decreases in credit risk of related reference pools and increases in credit enhancement to STACR securities), and that no longer provided Freddie Mac with an economically sensible means of transferring credit risk.

Through its flagship offerings, Freddie Mac issued more than $18 billion across 10 STACR and 11 ACIS transactions in 2021.

About Freddie Mac Single-Family Credit Risk Transfer
Freddie Mac’s Single-Family CRT programs transfer credit risk away from U.S. taxpayers to global private capital via securities and (re)insurance policies, providing stability, liquidity and affordability to the U.S. housing market. The GSE Single-Family CRT market was founded when Freddie Mac issued the first STACR® (Structured Agency Credit Risk) notes in July 2013. In November 2013, ACIS® (Agency Credit Insurance Structure®) was introduced. Today, the industry-leading and award-winning programs attract institutional investors and (re)insurance companies worldwide. For specific STACR and ACIS transaction data, visit Clarity Data Intelligence℠.

About Freddie Mac
Freddie Mac makes home possible for millions of families and individuals by providing mortgage capital to lenders. Since our creation by Congress in 1970, we’ve made housing more accessible and affordable for homebuyers and renters in communities nationwide. We are building a better housing finance system for homebuyers, renters, lenders, investors and taxpayers. Learn more at FreddieMac.com, Twitter @FreddieMac, and Freddie Mac’s blog FreddieMac.com/blog.

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