

Bloomberg US MBS Index

This document is intended to be read in conjunction with the [Bloomberg Fixed Income Index Methodology](#); these documents collectively constitute the index methodology for this Index.

The Bloomberg US Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into cohorts and then index inclusion rules are applied at the cohort level. Introduced in 1985, the GNMA, FHLMC and FNMA fixed-rate indices for 30- and 15-year securities were backfilled to January 1976, May 1977, and November 1982, respectively.

Index ID	95
Base Currency Index Ticker	I00095US / LUMSTRUU: Total Return USD Unhedged

Eligibility Requirements:

Pool Cohort Construction and Index Inclusion Rules

The US MBS Index is formed by grouping the universe of individual TBA-deliverable MBS pools into pool cohorts and then applying the index inclusion rules at the cohort level. Each cohort is a representation of its mapped individual pools and contributes their total amount outstanding to the US MBS Index. The cohort creation and index inclusion rules for both Conventional (Fannie Mae and Freddie Mac) and Ginnie Mae programs are outlined below.

Conventional (Fannie Mae and Freddie Mac) Construction and Inclusion Rules:

Individual MBS pools issued under the Conventional programs are grouped into cohorts based on program, coupon and vintage year (e.g. FNCL 3 2021).

For cohort construction, pools issued under the Fannie 55-day and Freddie 55-day conventional programs are combined into a single UMBS program. Legacy Freddie 45-day pools are kept separate for cohort construction.

A conventional coupon vintage cohort thus constructed must have at least USD \$1 billion amount outstanding to be eligible for the Index. Any conventional coupon vintage cohorts that exceed USD \$10 billion in amount outstanding are then further partitioned in the index into specified cohorts as well as the remaining non-specified(W2D) cohort in a sequential manner known as the cohort waterfall (See [Index Specified Cohort Waterfall](#)). Once the rules determine that a cohort will be broken down into its specified cohort partitions, only individual specified and non-specified(W2D) cohorts with at least USD \$300 Million amount outstanding are included in the index.

For example, the FNCL 2.5 2021 cohort has amount outstanding greater than \$10 billion, so it is broken out into its specified cohort partitions in the Index. Since the FNCL 2.5 2021 PR specified cohort is under \$300 million amount outstanding, it is not index eligible.

Ginnie Mae Construction and Inclusion Rules:

Individual MBS pools issued under the Ginnie Mae I and II programs are grouped into cohorts based on program, coupon and vintage year. A Ginnie Mae cohort thus constructed must have at least \$1 billion amount outstanding to be eligible for the Index. Ginnie Mae II (G2) custom pools are not included in the index. The US MBS Index does not partition Ginnie Mae coupon vintage cohorts into waterfall specified cohorts.

Credit Rating

- Securities must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, S&P and Fitch; when a rating from only two agencies is available, the lower is used; when only one agency rates a bond, that rating is used.

- US Agency MBS is assigned the same rating as US government debt.

Minimum Liquidity Requirements

Fixed-rate pool coupon vintage cohorts must have at least USD \$1bn outstanding, i.e. unpaid principal balance (UPB).

Conventional coupon vintage cohorts exceeding USD \$10bn in UPB will be partitioned into specified cohorts as well as the remaining (W2D) cohort in a sequential manner, i.e. the cohort waterfall. Once the rules have determined a cohort will be partitioned in this way, only specified or remaining (W2D) cohorts with at least USD \$300mn UPB are included in the index.

Currency

Principal and interest must be denominated in USD.

Coupon

Fixed-rate programs are included in half-percent increments.

Maturity

Pool cohorts must have a weighted average maturity (WAM) of at least one year.

Market of Issue

SEC-registered securities, bonds exempt from registration at the time of issuance and SEC Rule 144A securities with registration rights are eligible

Security Types

Included

- Agency MBS: GNMA, FHLMC, FNMA
- 30-year, 15-year and 20-year fixed-rate programs
- TBA- deliverable pools

Excluded

- TBAs
- Collateralized Mortgage Obligations (CMOs)
- Non-agency (whole loan) collateral
- FNMA mega pools, FHLMC giant pools, GNMA platinum pools
- Floating-rate ARMs
- Jumbo pools
- Prepayment penalty mortgages
- 10-year fixed-rate programs
- Buydowns
- High LTV FNMA CR/CQ and FHLMC U6/U9 pools

Rebalance Date

The last business day of each month.

Publication Currency:

Bloomberg may offer this index in additional base currencies for both unhedged and hedged indices.

- See Appendix 2 of the [Bloomberg Fixed Income Index Methodology](#) for Currency Hedging and Currency Returns.
- See Appendix 12 of the [Bloomberg Fixed Income Index Methodology](#) for Index Identification and Publication Currency.

Index Specified Cohort Waterfall:

Cohort Category	Definition	Index MBS Id 4th Char	Terminal Access
Low Loan Balance (LB)	LB, Max OLS <= \$85K	A	LB085
	LB, \$85K < Max OLS <= \$110K	B	LB110
	LB, \$110K < Max OLS <= \$125K	C	LB125
	LB, \$125K < Max OLS <= \$150K	D	LB150
	LB, \$150K < Max OLS <= \$175K (Orig Date >=200901)	E	LB175
	LB, \$175K < Max OLS <= \$200K (Orig Date >=201401)	F	LB200
	LB \$200K < Max OLS <= \$225K (Orig Date >=201701)	G	LB225
	LB \$225K < Max OLS <= \$250K (Orig Date >=202101)	H	LB250
	LB \$250K < Max OLS <= \$275K (Orig Date >=202201)	I	LB275
	LB \$275K < Max OLS <= \$300K (Orig Date >=202401)	J	LB300
		K	Reserved for LB
High Loan-to-Value (LTV)	Not LB, Min OLTV >= 95	L	LTV
Geography (GEO)	Not LB, Not LTV, %NY>99%	N	NY
	Not LB, Not LTV, %PR>99%	P	PR
	Not LB, Not LTV, %FL>99%	S	FL
	Not LB, Not LTV, %TX>99%	T	TX
Occupancy (OCC)	Not LB, Not LTV, Not GEO, %Investor>99%	U	OCC
Low FICO (FICO)	Not LB, Not LTV, Not GEO, Not OCC Max Credit Score < 700	V	FICO
Non-Specified (W2D)	Not LB, Not LTV, Not GEO, Not OCC, Not FICO	W	W2D

If a pool meets multiple spec criteria what determines which spec cohort the pool will belong to?

It is possible for a pool to meet more than one specified criterion, however a pool will always map to a single specified cohort. This is the reason for a waterfall approach rather than a matrix approach. Within the waterfall, priority is given to those stories that have historically exhibited relatively stronger prepayment protection and in turn higher relative pay-ups. For example, a pool could be 85K max OLS and Low FICO. In this example the pool would be classified as 85K max OLS and map to the relevant cohort (E.G. FNCL 4 2018 LB085).

FAQ Document on Spec Cohort inclusion in the index can be found [here](#).

Environmental, Social and Governance (ESG) Disclosures

This Index does not take into account any ESG factors or pursue any ESG objectives. Please refer to the [Bloomberg Fixed Income Methodology](#) for ESG disclosures.

Document Version History

Date	Update
December 2023	Publication in new format

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