

CAS Deal Performance Test Monitor

Today, we launched the Deal Performance Test Monitor in [Data Dynamics](#). This report (available through CAS Deal Performance) provides additional transparency into the monthly status of Connecticut Avenue Securities® (CAS) deal-level credit enhancement and delinquency tests, which may have implications for investor cashflows. Investors may reference this report for a summary of deal-specific test provisions and may use the reported values in conjunction with their own assumptions about future deal performance to project the future status of these tests and gain insights for their investment cashflows.

Minimum Credit Enhancement Test

All CAS transactions contain a Minimum Credit Enhancement Test, which compares the then-current Subordinate Percentage (defined as the Current Credit Support Percentage in the Deal Performance Test Monitor) to the target specified in deal documents, which varies across deals. This provision exists to ensure that the senior tranche builds up sufficient protection from loss. Until this target level of credit enhancement is reached, all *Unscheduled Principal* payments are allocated to the senior tranche (retained by Fannie Mae). Scheduled Principal will continue to be paid to the offered subordinate tranches *pro rata* with the senior tranche. Once this test has been satisfied, *Unscheduled Principal* payments are allocated *pro rata* between the senior and subordinate portions of the deal structure. Many of our deals by design initially fail the Minimum Credit Enhancement Test for a period after issuance, as the subordination level builds by paying all *Unscheduled Principal* to the senior tranche. As of the August 2020 remittance period, the Current Credit Support Percentage for all deals except the most recent CAS 2020-R02 transaction exceeds the Minimum Credit Enhancement Test Percentage.

Delinquency Test

All actual loss CAS transactions contain a Delinquency Test, which compares the six-month average Distressed Principal Balance to a calculated threshold that depends on the Subordinate Percentage. This provision exists to ensure that the senior tranche builds up sufficient protection from potential losses associated with seriously delinquent loans. The Distressed Principal Balance is defined as the aggregate unpaid principal balance of Reference Obligations that are 90 days or more delinquent or are in foreclosure, bankruptcy, or REO status as of that Payment Date. The Distressed Principal Balance notably *does not* include modified, *performing* loans. If a deal fails to satisfy the Delinquency Test, *Unscheduled Principal* payments are diverted to the senior tranche (retained by Fannie Mae). The subordinate portion of the deal structure continues to receive its *pro rata* share of Scheduled Principal payments. This dynamic enables the senior tranche to accumulate additional loss protection while the deal is failing the Delinquency Test. As of the August 2020 remittance period, all actual loss CAS deals were passing the Delinquency Tests.

Supplemental Subordinate Reduction Amount (SSRA)

One nuance that only applies to deals issued using the Real Estate Mortgage Investment Conduit (REMIC) structure (indicated by CAS deals with an “R” name designation, for example CAS 2019-R01) is the Supplemental Subordinate Reduction Amount (SSRA) feature, which effectively caps the size of the offered subordinate tranches relative to the Reference Obligations. This provision was implemented in order to comply with REMIC requirements. The SSRA varies across deals. If the Subordinate Percentage for a deal in any given period is calculated to exceed the maximum permitted Subordination Percentage, the subordinate tranches will receive an additional portion of *Unscheduled Principal* in that same period in order to accelerate their amortizations (such that the Subordinate Percentage does not exceed the maximum permitted Subordinate Percentage) even if the deal is failing other performance tests. As of the August 2020 remittance period, all CAS REMICs® are below their respective SSRA thresholds.



Data Dynamics

The Deal Performance Test Monitor is a [Data Dynamics](#) tool that allows investors to analyze the monthly status of CAS deal-level credit enhancement and delinquency tests. With Data Dynamics, our goal is to continue to provide high levels of transparency and useful, intuitive tools to help investors analyze and understand the vast amount of data that Fannie Mae makes available to the market. As a reminder, deal data is updated on the 25th of each month with each remittance cycle.

Appendix

Glossary of Definitions for Deal Performance Test Monitor

Adjusted Supplemental Subordinate Reduction Amount (SSRA): For CAS REMICs®, the sum of: (1) the current remaining balance of the first loss class, which is not offered, divided by the current UPB of the Reference Obligations; and (2) the deal-specific SSRA threshold.

Current Amount Above (Below) Minimum Subordinate Percentage: The amount by which the Current Credit Support Percentage exceeds the Minimum Credit Enhancement Test Percentage. If the amount is positive, the Minimum Credit Enhancement Test is satisfied.

Current Amount Below the Adjusted SSRA Percentage: For CASREMICs®, the Current Credit Support Percentage less the Adjusted Supplemental Subordinate Reduction Amount (SSRA). When this amount is negative, the SSRA for that period is zero.

Current Calculated Delinquency Test Percentage: The quotient of (i) the sum of the Distressed Principal Balance for the current Payment Date and each of the preceding five Payment Dates, divided by six; and (ii) the excess of (x) the product of (a) the Subordinate Percentage and (b) the aggregate UPB of the Reference Obligations as of the preceding Payment Date over (y) the Principal Loss Amount for the current Payment Date. When this value is below the Delinquency Test Threshold Percentage, the Delinquency Test is satisfied.

Current Credit Support Percentage: With respect to any Payment Date, the percentage equal to 100% minus the Senior Percentage for such Payment Date. The Senior Percentage is calculated as the Class Notional Amount of the senior tranche retained by Fannie Mae as of the preceding Payment Date divided by the aggregate unpaid principal balance of the Reference Obligations at the end of the previous Reporting Period.

Delinquency Test Pass/Fail: The status of the Delinquency Test for a deal as of the Reporting Date.

Delinquency Test Threshold Percentage: The deal-specific percentage used in determining the deal's status for the purpose of the Delinquency Test.

DLQ Test Applies: This field reports whether the deal has a Delinquency Test provision. Only actual loss CAS deals contain this provision.

Initial Credit Support Percentage: The percentage equal to 100% minus the Senior Percentage at the time of deal issuance. The Senior Percentage is calculated as the Class Notional Amount of the senior tranche retained by Fannie Mae divided by the aggregate unpaid principal balance of the Reference Obligations.

Minimum Credit Enhancement Test Percentage: The deal-specific target of subordinate credit support required to be provided to the senior tranche.

Resources

- [Access Data Dynamics](#)
- [Contact Us via email](#) or 1-800-232-6643, Option 3
- [Sign up](#) for news and commentaries