MORNINGSTAR Indexes

November 5, 2025

Announcement: US Agency RMBS conventional cohort disaggregation for Morningstar Fixed Income Indexes

Due to changes adopted by Morningstar Indexes' data vendor, ICE Data Indices, the existing conventional constituent cohorts for the Morningstar US Mortgage-Backed Securities Index and all its aggregate and sub-indexes will be disaggregated and replaced by story-based sub-cohorts for grouping pools. Additionally, a $250 million UPB minimum will be applied for all cohorts to qualify for index inclusion. The full list of impacted indexes can be found here. These changes will take effect on **November 30, 2025.**

Background

The Morningstar US Mortgage-Backed Securities Index and all its aggregate and sub-indexes currently use conventional constituent cohorts. These cohorts are "generic" synthetic securities formed by grouping the hundreds of thousands of individual pool securities based on issuing agency, loan term, coupon and year of origination (vintage). These groupings, or "cohorts," reduce the roughly one million actual pool securities to about 400 index-eligible cohort synthetic securities.

The updated cohort definitions are intended to provide a more granular view of conventional index cohorts (UMBS and legacy Freddie Mac) based on specified pool "stories" considering the key categories affecting pool prepayment speed such as loan balance, high loan-to-value, low credit scores, occupancy type, and geography.

Methodology Changes: US Agency RMBS conventional cohort disaggregation for story-based sub-cohorts and $250 million UPB minimum

To provide a more granular view of the index cohorts, Morningstar Indexes will disaggregate the conventional constituent cohorts and replace the conventional cohorts with specified pool story-based sub-cohorts. Conventional agency mortgage index cohorts (i.e., UMBS and legacy Freddie Mac) will be based on specified pool "stories" as defined by a waterfall logic, taking into account the key categories affecting prepayment speed such as loan balance, high loan-to-value, low credit scores, occupancy type, and geography.

Some pools may meet more than one of the story categories, so a waterfall approach is used that is based on a descending order of general importance to prepayment speed (and thus pricing) of the story on individual pools affected by the story. The waterfall will assign a pool the first story cohort type for which it qualifies, based on the descending order represented in the table below. Once all conventional pools are assigned a sub-cohort type, it is then combined with the issuer/program, term, coupon, and vintage to define the index sub-cohorts. Conventional pools falling all the way through the waterfall will be collected into "non-specified" Generic/Other cohorts.

Story	Sub-Cohort Type	Sub-Cohort Definition
Low Loan Balance	Loan Balance <=85K	Maximum Original Loan Size <= $85,000
	Loan Balance >85K<=110K	Maximum Original Loan Size > $85,000 and <= $110,000
	Loan Balance >110K<=125K	Maximum Original Loan Size > $110,000 and <= $125,000
	Loan Balance >125K<=150K	Maximum Original Loan Size > $125,000 and <= $150,000
	Loan Balance >150K<=175K	Maximum Original Loan Size > $150,000 and <= $175,000
	Loan Balance >175K<=200K	Maximum Original Loan Size > $175,000 and <= $200,000
	Loan Balance >200K<=225K	Maximum Original Loan Size > $200,000 and <= $225,000
	Loan Balance >225K<=250K	Maximum Original Loan Size > $225,000 and <= $250,000
	Loan Balance >250K<=275K	Maximum Original Loan Size > $250,000 and <= $275,000
	Loan Balance >275K<=300K	Maximum Original Loan Size > $275,000 and <= $300,000
	Loan Balance >300K<=325K	Maximum Original Loan Size > $300,000 and <= $325,000
	Loan Balance >325K<=350K	Maximum Original Loan Size > $325,000 and <= $350,000
Geography	NY>95%	Not Low Loan Balance; % New York property loans > 95%
	PR>95%	Not Low Loan Balance; % Puerto Rico property loans > 95%
	FL>95%	Not Low Loan Balance; % Florida property loans > 95%
	TX>95%	Not Low Loan Balance; % Texas property loans > 95%
Low Credit	Low FICO (<700)	Not Low Loan Balance; Not Geography; Maximum borrower FICO credit score < 700
Occupancy	Investor or 2nd Home>95%	Not Low Loan Balance; Not Geography; Not Low Credit; Investor loans or loans for 2nd homes > 95%
High Loan-to-Value	High LTV OLTV>=95	Not Low Loan Balance; Not Geography; Not Low Credit; Not Occupancy; Minimum Original Loan-to-Value >= 95%
Non-Specified	Generic/Other	Not Low Loan Balance; Not Geography; Not Low Credit; Not Occupancy; Not High Loan-to-Value

Ginnie Mae I and Ginnie Mae II securities are unaffected and will continue with their existing cohorts.

The disaggregating of the existing index reveals a very long tail of the new "sub-cohorts" in terms of UPB. Therefore, in addition to the existing conventional cohort disaggregation to sub-cohorts by story type, the UPB minimum for all cohorts will be $250 million.

These changes will have a relatively minor structural impact on the affected indexes.

About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers and advisors in navigating investment opportunities across major asset classes, styles, and strategies. From traditional benchmarks and unique IP-driven indexes to index design, calculation and distribution services, our solutions span an investment landscape as diverse as investors themselves.

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