



# TaxNewsFlash

## United States

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### **Rev. Rul. 2018-24: Conversion involving mortgage-backed securities not taxable exchange of property**

The IRS today released an advance version of Rev. Rul. 2018-24 that concludes that a conversion involving certain mortgage-backed securities does not constitute a taxable exchange of property for purposes of section 1001.

An [IRS transmittal message](#) explains that Rev. Rul. 2018-24 provides guidance on the tax treatment of the exchange of mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation (Freddie Mac) pursuant to a “single security initiative.” Freddie Mac and the Federal National Mortgage Association (Fannie Mae) are both regulated by Federal Housing Finance Agency. This agency has proposed to standardize the terms for mortgage pass-through certificates issued by Freddie Mac and Fannie Mae.

As part of the single security initiative, the Federal Housing Finance Agency will require:

- Freddie Mac to cease issuing participation certificates
- Fannie Mae to cease issuing mortgage-backed securities
- Both entities to issue “uniform mortgage-backed securities” instead

[Rev. Rul. 2018-24](#) [PDF 38 KB] provides that the exchange of mortgage-backed securities pursuant to the single security initiative does not constitute a taxable exchange for purposes of section 1001.

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