

Loan-Level Directed CollateralSM (LLDCSM) Technical Overview



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LLDCSM Process Overview



What Is Loan-Level Directed CollateralSM (LLDC)?

Loan-Level Directed Collateral allows a dealer to customize eligible collateral at the loan level and then use the customized collateral to back newly-issued Freddie Mac REMIC classes.



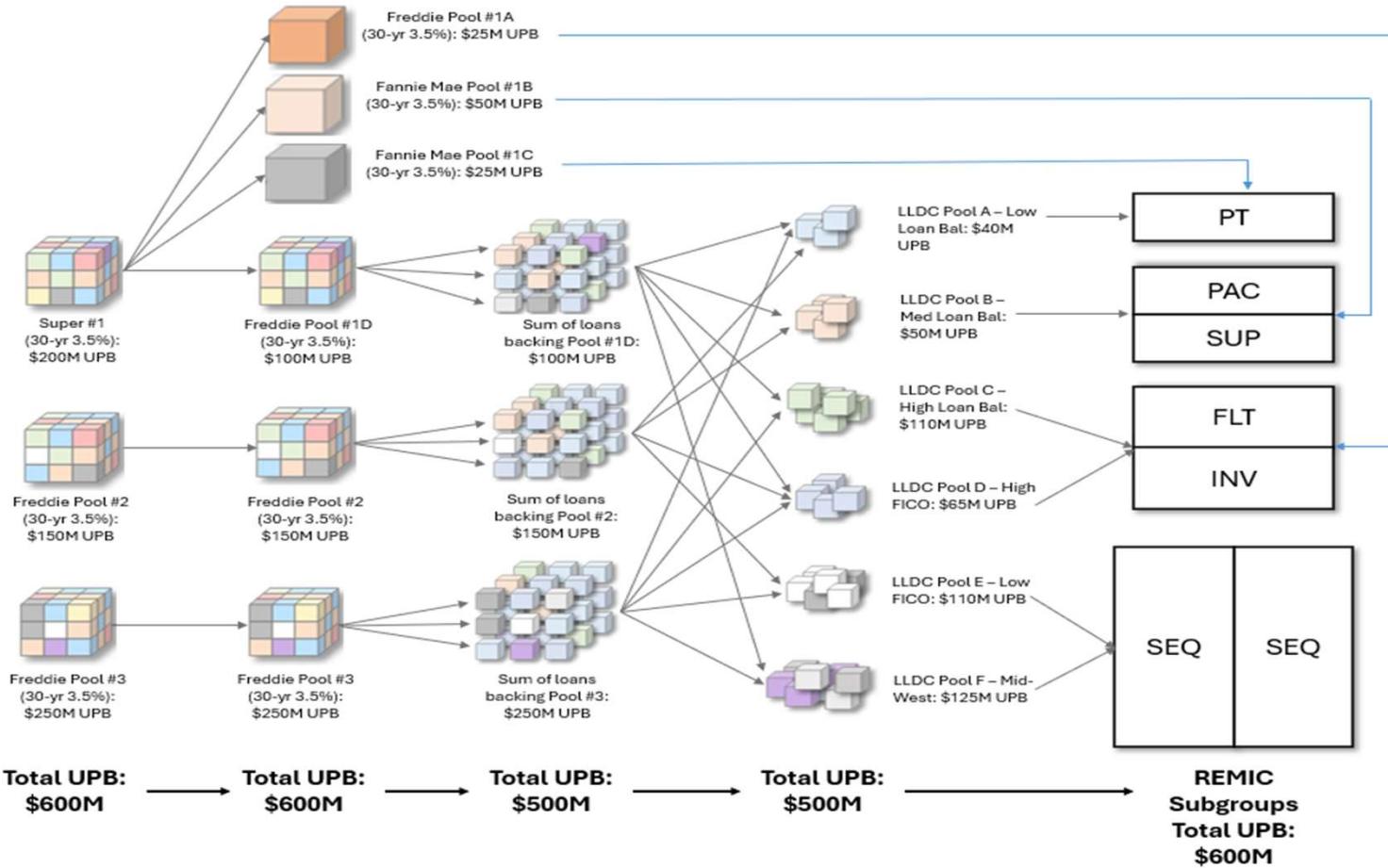
High level of optionality and customization

LLDC offers more enhanced optionality and customization at the collateral level than is currently available in the REMIC program.

How LLDC Works

- 1 Approved dealers utilize new functionality within the existing Dealer Direct portal to **deconstruct** eligible pools to the loan level.
- 2 The collateral is re-pooled into new **pseudopools** based on targeted, disclosed characteristics (LTV, FICO scores, geography, etc.).
- 3 Pseudopools back newly-issued Freddie Mac REMIC **LLDC classes**.

LLDCSM Deconstruction, Pool Formation and REMIC Class Structuring



- Freddie Mac collateral issued Pre-2006 (before loan-level disclosure) can only be deconstructed to the pool-level.
- All other eligible Freddie Mac collateral can be deconstructed to the loan-level.
- The Fannie Mae portion of commingled Supers can only be deconstructed to the pool-level.

Eligibility Rules for LLDCSM : Freddie Mac Issued 25th Payment Day*



LLDCSM Pseudopool Pooling Rules

- Pooling category (mortgage type), term and security coupon must match for all loans assigned to a pseudopool.
- Original interest rates must be pooled as follows:
 - ≤ 112.5 bps over the security coupon
 - > 112.5 bps over the security coupon
- 100% of loans backing a pool must meet or exceed a 24-month seasoning requirement.

Freddie Mac REMIC Series and Group Allocation Required

- LLDC pools can be commingled with other pass-through or ReREMIC classes within a REMIC group.
- REMIC groups backed partially or entirely by LLDC pools can use any currently eligible REMIC structure and payment rules.
- All LLDC pools must be allocated within a single REMIC group.
- REMIC classes backed partially or entirely by LLDC pools:
 - Are eligible for future ReREMIC transactions.
 - Are **NOT** eligible for future Reverse REMIC transactions.

LLDC Pool Formation

- When deconstructing Supers or Giants to the backing pools via Dealer Direct, an individual backing pool may appear multiple times within the same submission:
 - When these pools are eligible for loan-level deconstruction, fractional interests in a single loan may appear multiple times within the same deconstruction results. Fractional interests in a single loan must be assigned to the same pseudopool.
 - When collateral backing Supers or Giants is only eligible for pool-level deconstruction, fractional interests in a single pool do not require aggregation and can be assigned to multiple subgroups within a single REMIC group.

*Initially only Freddie Mac-issued L1 (UMBS/MBS) and MultiLenders are expected to be eligible.

Pools Ineligible for LLDC Submission

Fannie Mae Pass-Through Pools

- ✗ Fannie Mae UMBS pools remain eligible REMIC collateral for the Freddie Mac REMIC program, but at this time, these pools are not eligible for LLDC deconstruction.
- ✗ Fannie Mae Non-UMBS

Freddie Mac Collateral

- ✗ ARM pools
- ✗ Modified pools (fixed and step rate)
- ✗ Reinstated pools
- ✗ 15th payment day PCs and Giants
- ✗ Reduced servicing pools
- ✗ REMIC classes
- ✗ Non-REMIC-eligible pools (e.g., U7, U8, U9, 3V, 3W, 3X, >125% LTV pools)
- ✗ Submission of pool par of less than \$1,000

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