

# Loan-Level Directed Collateral<sup>SM</sup> (LLDC<sup>SM</sup>) Technical Overview



November 2025

# LLDC<sup>SM</sup> Process Overview

## What Is Loan-Level Directed Collateral<sup>SM</sup> (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

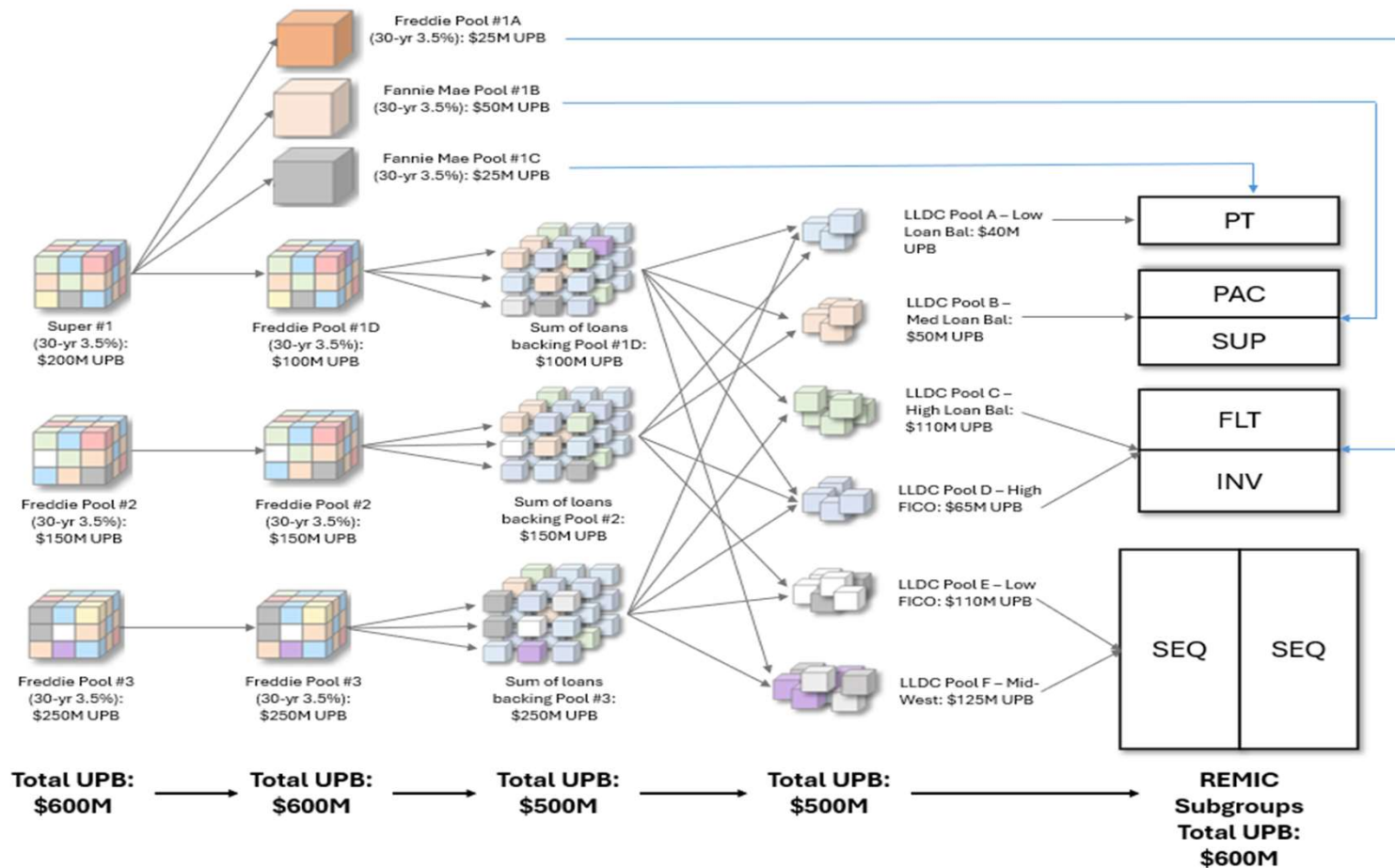
The collateral is re-pooled into new **pseudopools** based on targeted, disclosed characteristics (LTV, FICO scores, geography, etc.).



3

Pseudopools back newly-issued Freddie Mac REMIC **LLDC classes**.

# LLDC<sup>SM</sup> 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 LLDC<sup>SM</sup> : Freddie Mac Issued 25th Payment Day\*



## LLDC<sup>SM</sup> 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:
  - $\leq 112.5$  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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