



## Focus on: **Modifiable and Combinable REMICs (MACRs)**

Modifiable and Combinable REMICs (MACRs) allow investors to exchange their securities for different securities backed by the same cash flows. REMICs with the MACR feature use various mortgage security collateral and have the same tranche types as standard REMICs. MACR classes appeal to total rate-of-return investors who have traditionally purchased REMICs as well as other non buy-and-hold investors. MACRs are created at time of issuance and are defined in the Freddie Mac Offering Circular Supplement. With the MACR feature, investors will own the same REMIC class but with the added reconfiguration option. Investors will realize cost savings by performing these reconfigurations and exchanges through the MACR feature. In addition, dealers have greater flexibility in bidding on these securities and in matching buyers and sellers.

### **MACR Reconfigurations Through Exchanges**

Investors deliver to a primary dealer their current REMIC or MACR class(es) to be reconfigured into a new MACR or REMIC class(es) in their proper proportions. Exchanges will require 1 day notice and will not be allowed on the first or last business day of the month. Securities that may be created and/or combined are defined at issuance.

Reconfigurations may be performed throughout the life of the securities; however, the aggregate principal and interest cash flows of the class(es) being delivered must match the aggregate principal and interest cash flows of the class(es) received. Also, securities that may be

created and/or combined will be defined at issuance.

REMICs with the MACR feature offer four distinct types of reconfigurations: Maturity Reconfigurations, Scheduled/Support Reconfigurations, Coupon Stripping, and Floater/Inverse Floater Reconfigurations.

### **Maturity Reconfigurations – Example**



By combining REMIC classes with differing weighted average lives, investors can form a class with a single weighted average life. For example, through a REMIC dealer an investor can deliver to Freddie Mac 1-year, 3-year, and 5-year sequential pay classes and receive a 3-year wide window sequential pay class. Over the life of the security, an investor would also have the opportunity to deliver in the wide window sequential pay class and receive back the 1-year, 3-year, and 5-year sequential pay classes.

### **Scheduled/Support Reconfigurations – Example**



By combining one or more classes with schedules (i.e., PACs, TACs) with one or more support classes, investors can form a class with sequential pay characteristics. For example, through a REMIC dealer an investor can deliver to Freddie Mac a PAC and its companion support class and receive back a sequential pay security. An investor could, at a later date, reverse the trade.

### Coupon Stripping – Example



By stripping all or a portion of the interest payments from the principal payments of a specified class, investors can change their interest coupons to reflect current market conditions. For example, through a REMIC dealer, investors can lower the coupon on their PAC from 8.0% to 7.5% by delivering the 8.0% PAC to Freddie Mac and receiving a 7.5% PAC and a 50 basis point PAC IO. At a later date, the investor would have the option of either reversing the trade or stripping off more interest to form a lower PAC coupon.

### Floater/Inverse Floater Reconfigurations – Example



By reconfiguring floating rate classes and their inverse classes, investors may increase or decrease the interest rate caps and margins on their floating rate classes. Additionally, inverse floater investors may change the amount of leverage in their securities by combining inverse floaters with floating rate securities. For example, investors in a 9.0% cap LIBOR floater may increase their cap to 9.5% by delivering in the 9.0% cap floater and its inverse class, and receiving back the 9.5% cap floater and its inverse class. At a later date, the investor may reverse the trade or choose to increase the cap. Floater/inverse floater pairs may also be recombined into a fixed-rate security.

### Record/Payment Date

Freddie Mac will pay principal and/or interest for the multiclass PCs and the MACR classes on the 15th of each month, to the holder of record as of the close of business on the last day of the month prior to payment. The first payment on the multiclass PCs and the MACR classes will

be made in the month following the exchange month. The exchange month is the month the holder of record notifies a Freddie Mac REMIC group dealer of the intent to execute an exchange. Payment during the exchange month will be made to the holder of record as of the close of business on the last day of the month before the exchange month.

### Eligible Securities

Gold PCs, Strips, Giant PCs and existing REMIC classes are examples of eligible underlying securities for REMICs with the MACR feature. Freddie Mac's REMIC group determines collateral eligibility.

### Customer Support

Freddie Mac takes pride in providing timely customer support. A variety of resources are available to provide investors with the most comprehensive information about their Modifiable and Combinable REMICs.

- **Investor Inquiry (800) 336-3672 or [Investor\\_Inquiry@FreddieMac.com](mailto:Investor_Inquiry@FreddieMac.com)**

Speak with a knowledgeable securities information specialist available from 9:00 a.m. to 5:00 p.m. EST.

- **[www.FreddieMac.com/mbs](http://www.FreddieMac.com/mbs)**

Log on for quality information about Freddie Mac securities; including product information, CUSIP lookup, mortgage securities data and subscription services, and legal documentation.

- **Bloomberg (FMAC <GO>)**

Experience the wide range of information available on Freddie Mac's Bloomberg site; including recently priced REMICs, collateral availability, reference pools, estimated REMIC production, and other mortgage securities issuance reports.

**For additional information about Freddie Mac Modifiable and Combinable REMICs, contact Investor Inquiry at (800) 336-3672.**