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**From:** Barrett, Paul S [REDACTED]  
**Sent:** Friday, October 19, 2012 3:17 PM  
**To:** Jeffrey  
**Cc:** Giuffrida, David J; Schaffer, Susannah  
**Subject:** To Do - NEW HY RMBS - \$7.521mm of SEMT 03-5 B1 @ \$80-16 (6.15% yield / 5.62 durm)

=0A

Hi Jeffrey

=span style="font-size:11.0pt;font-family:"Calibri","san=-serif";color:#1F497D">

This bond looks interesting. =0A

I would like to take profits on our Barclays Pfd which is yielding 3.70% and buy this mortgage bond. We are up \$154K all in on the Barclays Pfd.

Let me know

<= class="MsoNormal"> =/p>

Paul

=span style="font-size:11.0pt;font-family:"Calibri","san=-serif";color:#1F497D">

US Onshore Clients – Blue Sky (U.S. State Securities Law): Please confirm Blue Sky eligibility before soliciting to a US Onshore client by entering the CUSIP into the web tool located at:  
<http://pscppv1.amer.jpmchase.net:8080/BlueSkyPage.html>  
<<http://pscppv1.amer.jpmchase.net:8080/BlueSkyPage.html>> and review to see if your client's state of residence is listed. If you receive 'NO SECURITY FOUND', 'NO STATES FOUND' or the security DOES NOT HAVE A CUSIP or is not USD-denominated, then please contact your SM or local compliance office and provide the requested security and client information. Please note that a suitability review and other pre-trade procedures must still be followed.

The SEMT 03-5 B1 is a prime subordinate bond rated BB+/B2/BBB and is backed by 110 month seasoned Prime Vanilla ARM mortgages. The pool has 60.35% updated LTV, 84% always current borrowers (looking back 2 years), 271k average balance and most importantly, 4.7% credit support vs only 3.55% 60+ delinquency. The way I look at it, if 100% of the

60+ delinquent borrowers were immediately evicted and foreclosed on and the repossessed homes sold for \$0, the pool would incur 3.55% losses. In this scenario I painted, this B1 bond would still receive no writedowns

Additionally, this deal is immediately callable by the servicer since the collateral factor is below the 10% range. This deal becomes more callable as time passes and in the scenario where rates were to back up, the ARM mortgages in this pool would be worth a considerably more on bank balance sheets. With only 3.55% delinquent loans, this deal is already clean enough to call, it's really a matter of economics for the servicer at this point. In our recovery scenario, we are assuming the deal is called 3 years from today; even though the bonds are callable right now.

In our stress scenario, we default approximately 2.6x the current 60+ delinquent population at 60 severity ramping down over 2 years to 40. We're also running half the 6 month speeds and see this bond producing a 5.02% yield for a 6.03 duration bond.

\*\*\* THIS BOND IS OFFERED TO US AND THE STREET AT 84-16. I see value in this bond @ 80-16 but there is no guarantee we can trade it there.

<br>

HIGHLIGHT

HPI Updated LTV = 60%

84% of the borrowers have not missed a payment in the past 2 years

110 months seasoned

0

732 FICO

0 \$271k average balance

Source: Bloomberg

SEMT 2003-5 B1 Offered @ 80-16

BOND DESCRIPTION

3=CPR

5 CPR

8 CPR

Cusip:

=/td> 81743PCR5

2.5 ramp 24 1 CDR

2 ramp 24 0.75 0.5 CDR

<=d width="256" nowrap="" valign="bottom" style="width:192.0pt;background:#F2F2F2;padding:0in 5.4pt 0in 5.4pt;height:12.75pt">

2 ramp 24 0.5 CDR

Original Face:

=0D 7,521,500

Default Severity

60 ramp 24 40

=0A

Current Face:

=0D Delinq Rate

4 Percent

=0D 4 Percent

=0D

Bond Type:

<=td> Seasoned Prime Subs

Delinq Advance (% of P&I)

100

=td width="175" nowrap="" valign="bottom" style="width:131.0pt;background:#F2F2F2;padding:0in 5.4pt 0in 5.4pt;height:12.75pt">

100

10=

Ratings (S&P/Moodys/Fitch):

BB+/=3/BBB/\*-

N

N

10/2015<=>  
Current Coupon:=/span>

    \*\* Run to Fwd LIBOR<=p>    =0A    =0D  
Yield @ Base Case<=/pan>

6.149%

=0D    =0D  
WAL @ Base Case

Nov12 to Aug33    =/td>    =/tr>  
Nov12 to Aug33

    Price @ 80-16

=0A Stress Case

Base Case

Recovery Case

Writedown %

</=d>  6.149

10.416

Current Credit Enhancement:

    Spread over Tsy

=span style="font-size:8.0pt;font-family:"Arial","sans-s=rif";color:black">357

=0A

996

60+ Delinquencies

=0A    Duration=/p>  =0A

6.03

=0D

<=pan style="font-size:8.0pt;font-family:"Arial","sans-se=if";color:black">2.29

=0D

<=pan style="font-size:8.0pt;font-family:"Arial","sans-se=if";color:black">60+ Delinquency Coverage

=0D 1.32x

7.69

7.11

2.53

=0D =0D Principal Window

=0A Nov12 to Aug33<=:p>

Nov12 to Nov15

=0A  
UNDERLYING COLLATERAL DESCRIPTION

=0D =0D Principal Writedown

=0A 8.63%

0.00%=</p> =p class="MsoNormal" align="center" style="text-align:center">0.00%

<=r style="height:12.75pt"> 271

Total C=llat Loss

0.56%<=> 0.35%=</span>

=0ALoan Count=</o:p>

211

=0A Total Liquidation

9.20=

5.13%

2.57%

=0D

Mortgage Type

Seasoned Prime Van=lla ARMs

=0D <=tr>  
2.332%

=span style="font-size:8.0pt;font-family:"Arial", "sans-s=rif";color:black">HISTORICAL PERFORMANCE