
From: Barrett, Paul S <[REDACTED]>
Sent: Thursday, February 14, 2013 6:30 PM
To: Epstein, Jeffrey (jeevacation@gmail.com)
Cc: Weissend, Renee E; Ens, Amanda
Subject: NEW HY RMBS - \$12.98mm of SARM 040-4 B1 @ \$59-16 (7.24% yield/ 7.55 durn)

Jeffrey

We should buy \$1MM of this for Jeepers.

Paul

*** ALL OFFERS ARE SUBJECT

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THE BOND:

The SARM 04-4 B1 is an Alt-A Seasoned Hybrid Sub bond backed by 107 months seasoned Hybrid ARM mortgages. The bond has 3.15% credit enhancement vs 12.99% 60+ delinquencies, for a 0.24x coverage ratio.

THE COLLATERAL:

The pool consists of 773 Alt-A loans that are 107 months seasoned with an average updated LTV of 69%. 71% of the borrowers have not missed a payment in the past 2 years. The average 6 month CDR and severity has been 2.28% and 36%, respectively. Our base case assumes 2.5% CDR ramping up to 6% CDR over 2 years and a 40% severity ramping down over 2 years to 35%. At these assumptions, we are defaulting 18% of the pool when only 13% is in 60+ delinquency and project a 7.24% yield @ \$59-16.

THE STORY:

For investors looking for a housing recovery play backed by seasoned collateral, this bond offers a great convexity story levered to prepayments and overall homeowner performance.

Please call the desk with all bids/inquiries related to this bond. X32124

HIGHLIGHTS

- HPI Updated LTV = 69%
- 71% of the borrowers have not missed a payment in the past 2 years
- 107 months seasoned
- 715 FICO
- \$296k average balance

**Source: Bloomberg

SARM 2004-4 B1 Offered @ 59-16

BOND DESCRIPTION

Prepay Rate

4 CPR

8 CPR

10 CPR

Cusip:

86359BPE5

Default Rate

3 ramp 24 7 7 ramp 12 2 CDR

2.5 ramp 24 6 6 ramp 12 2 CDR

2.5 ramp 24 6 6 ramp 12 2 CDR

Original Face:

12,976,407

Default Severity

45 ramp 36 40

40 ramp 24 35

40 ramp 18 35

Current Face:

6,718,757

Delinq Rate

13 Percent

13 Percent

13 Percent

Bond Type:

Alt-A Hybrid Sub

Delinq Advance (% of P&I)

85

95

100

Ratings (S&P/Moodys/Fitch):

CCC/-/-

Call

No

No

No

Current Coupon:

2.899%

Yield @ Base Case

7.241%

Price @ 59-16

Stress Case

Base Case

Recovery Case

WAL @ Base Case

9.93

Yield

1.864

7.241

7.920

Principal Window @ Base Case

Mar13 to Sep47

Spread over Tsy

25

514

581

Writedown %

31.89%

Duration

7.52

7.55

7.42

Current Credit Enhancement:

3.15%

WAL

7.31

9.93

9.99

60+ Delinquencies

12.99

Principal Window

Mar13 to Aug46

Mar13 to Sep47

Mar13 to Sep47

60+ Delinquency Coverage

0.24x

Principal Writedown

61.68%

31.89%

26.50%

Total Collat Loss

2.71%

2.13%

2.03%

UNDERLYING COLLATERAL DESCRIPTION

Total Liquidation

23.10%

17.88%

16.41%

Average Loan Balance (\$,000s)

296

Loan Count

773

HISTORICAL PERFORMANCE

Mortgage Type

Alt-A Hybrid ARMs

1 MOS

3 MOS

6 MOS

Wtd Avg Mortgage Coupon

3.169%

CPR

9.36

10.04

8.97

Wtd Avg FICO Score

715

CDR

3.43

1.86

2.28

Wtd Avg Orig Loan-to-Value

67.20%

SEV

37.02

43.01

36.28

HPI Adj LTV

68.75%

Weighted Avg Loan Age

107

Owner Occupied

69.07

Top 1 Geo Concentration

CA 44%

Top 2 Geo Concentration

CO 10%

Top 3 Geo Concentration

FL 5%

Always Current (24 mos)

70.79%

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- All investments are subject to possible loss of principal

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