
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

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> 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 officer and provide the requested security and client information. Please note that a suitability review and other pre-trade procedures must still be followed.

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:

863598PE5

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%

IMPORTANT DISCLAIMER:

Non-agency RMBS is a complex fixed income product and is not suitable for all investors. Please note that while desk assumptions are driven by a number of collateral and macro factors, the historical performance of a deal is not indicative of its future performance. Additionally, this message is a product of sales and trading and is not a research report. Other key risks to consider are outlined below:

- All investments are subject to possible loss of principal

- Non-Agency bonds may have limited liquidity and clients should be aware that the secondary market for mortgage-backed securities has experienced periods of illiquidity and may do so in the future. Illiquidity means that there may not be any purchasers for your class of certificates. Although any class of certificates may experience illiquidity, it is more likely that classes that are lower in the capital structure and non-investment grade related may experience greater illiquidity than more senior, investment-grade rated classes.
- High Yield Non-Agency bonds are speculative non-investment grade bonds that have higher risk of default or other adverse credit events which are appropriate for high risk investors only

Non-Agency bonds are intended for clients with a minimum total net worth of \$50mm. Please make sure your client fulfills this requirement before soliciting this order.

This commentary is a product of JPMorgan Global Wealth Managements Taxable Fixed Income Trading Desk and not JPMorgan's Research Department. The views expressed in this trading desk commentary may differ from those of JPMorgan's Research Department. Any opinions expressed in this trading desk commentary are subject to change without notice and JPMorgan is under no obligation to update or keep this information current.

Bee-Ann Benson | Vice President | J.P. Morgan Global Wealth Management

270 Park Avenue, Floor 5, New York, New York 10017

This email is confidential and subject to important disclaimers and conditions including on offers for the purchase or sale of securities, accuracy and completeness of information, viruses, confidentiality, legal privilege, and legal entity disclaimers, available at <http://www.jpmorgan.com/pages/disclosures/email>.