

# HOMEOWNERSHIP FINANCING 102: TBA MARKET

NCSHA 2021 THE HFA INSTITUTE  
FEBRUARY 1 – 12 | VIRTUAL

## Disclaimer

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# Contents

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- Basics of TBA Market
- Production Trends
- Market Update
  - TBAs
  - HFA MBS



# TBA MARKET

## TBA (Mortgage-Backed) Securities Market

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- Mortgage-backed securities (MBS) -- debt obligations
- The most common form of MBS are pass-through certificates
- MBS are highly liquid -- particularly those backed by agency guarantees
- Most mortgages in the US are securitized through the agency MBS market
- This trading convention significantly improves agency MBS liquidity – leading to lower mortgage rates for households
- The key distinguishing feature of agency MBS is they carry a form of government guarantee – explicit (Ginnie Mae) or implied (Fannie and Freddie)
- Other distinguishing feature is the existence of liquid forward market for trading
- “TBAs” or “To Be Announced” are a form of future contracts

## TBA (Mortgage-Backed) Securities Market – continued

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- Vast majority of MBS trading (over 90%) occurs in the forward market – TBA Market
- Seller and buyer agree to a sale price without identifying the specific pool numbers
- Six basic characteristics -- issuer, maturity, coupon rate, price, par amount and settlement date are agreed upon
- Pools guaranteed by Ginnie Mae (a federal government agency), Fannie Mae or Freddie Mac (GSEs) can be allocated to TBA transactions
- The goal of the TBA market was to create liquidity
- A hedging tool – with settlement dates up to nine months out -- allows lenders to “lock in” sale prices for loans
  - The use of dollar rolls allows the seller to extend hedges
- Drivers of market activity are broker dealers



## TBA (Mortgage-Backed) Securities Market – continued

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- TBA trading occurs electronically on an over-the-counter basis
  - Two platforms, DealerWeb (interdealer trades) and TradeWeb (customer trades)
  - Trades can also take place via telephone, fax or e-mail – not common
- Securities Industry and Financial Markets Association (SIFMA) has specific rules regarding what constitutes TBA eligible deliveries also known as “good delivery”
- Only mortgages meeting certain size and credit quality criteria “conforming mortgages” are eligible for inclusion
- Sheer aggregate size and the homogenous nature of agency MBS contribute significantly to liquidity – compared to corporate bonds or munis
- TBA Market is the largest debt market in the world outside of US Treasuries
- Virtually every primary broker/dealer on the street and in the world makes a market in TBA MBS

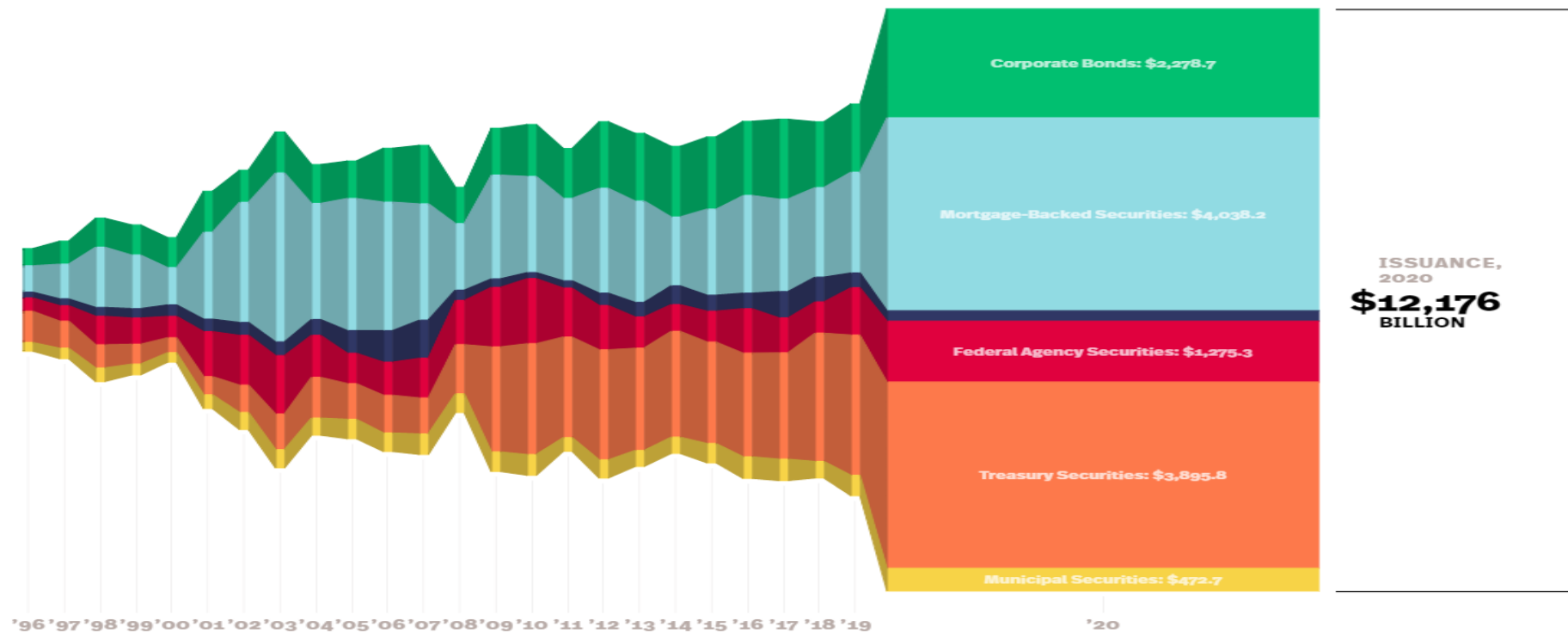
## TBA (Mortgage-Backed) Securities Market – continued

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- TBA Market is made possible largely because agency MBS are exempt from the registration requirement of the Securities Act of 1933
- Although not required, agencies do publicly disclose information about the composition of each pool
- Similar to Treasury futures, TBAs trade on a “cheapest-to-deliver” basis
- On a forty-eight-hour day, the seller selects which MBS in its inventory will be delivered to the buyer at settlement
- In practice, most TBA trades do not ultimately lead to a transfer of physical MBS
  - In most cases the seller will either unwind or “roll” an outstanding trade



# US Fixed Income Issuance Market

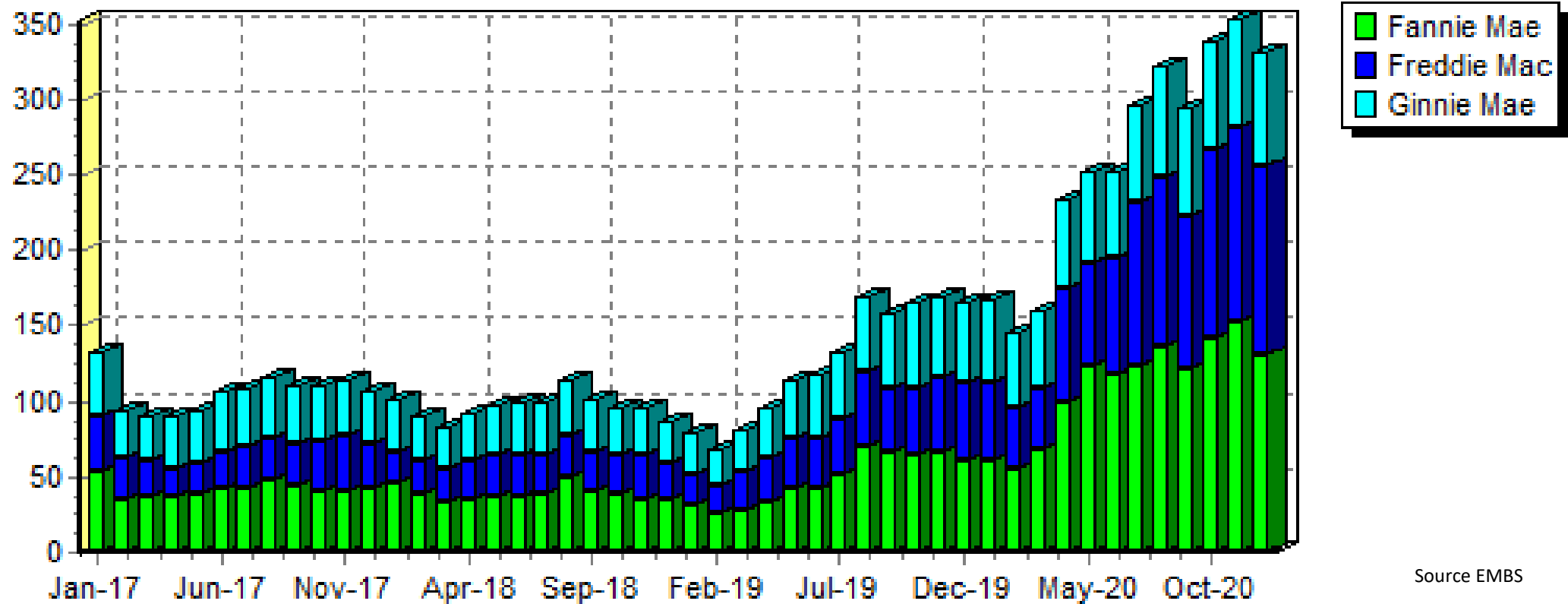


*Issuance is long-term instruments only.  
ABS/MBS outstanding data lags by one quarter.*

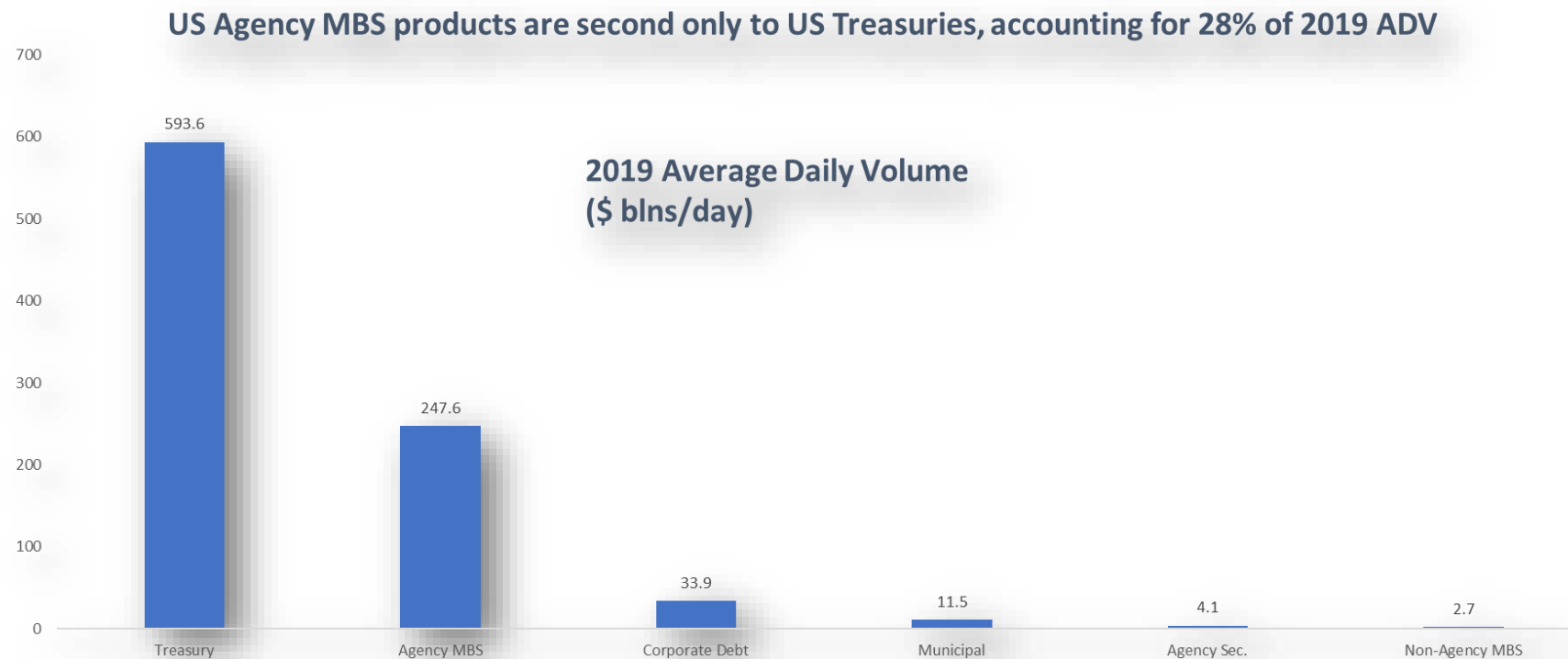
Source FINRA

## GSE Share of the Market

Issuance (Billions) by Month for Agencies



# US Fixed Income Daily Trading Volume



Source: FINRA



## Specified (Custom) Pools – HFA Loan Pay-ups

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- A smaller but significant portion of agency MBS trade outside of the TBA market
- Known as “Specified Pool”
  - The identity of the securities to be traded is specified at the time of trading
  - Some of these pools are typically not eligible for TBA trading
  - Backed by loans with more favorable prepayment (convexity) characteristics – allowing them to achieve higher prices
    - Lower loan balances
    - Slower prepayments due to DPA loans behind first mortgage
- Factors impacting pricing for specified pools today
  - Supply demand technicals and the volume of available MBS – GN1/GN2 swap
  - Interest rate environment – less demand in a rising rate market
- CRA buyers and FHLB make up a significant portion of the “specified” pool market

## TBA Program Benefits When Compared to MRB

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- Provides a no risk forward commitment mortgage program with no costs of issuance, negative arbitrage and legal expenses (outsourced)
- Produces a significantly lower mortgage rate when compared with Pass-Thru and traditional MRB structures
- Eliminates volume cap limitations
- Fund down payment and closing cost assistance without using HFA funds
- Flexibility to adjust rates as the market moves -- no yield implications
- Affords HFAs the option to pay higher lender compensation
- Can be used to provide financing for non-first-time homebuyers
- Program is more lender friendly -- less paperwork for the lender
- Can be combined with MCCs thus creating a lower effective mortgage rate
- Gives HFAs the option of offering refinances
- Can be more profitable for HFAs than tradition MRBs and Pass-Thru structures both on present value and ongoing basis
- It can be used as a hedging tool to accumulate MBS for future bond transactions

# Fannie Mae/UMBS TBA Market

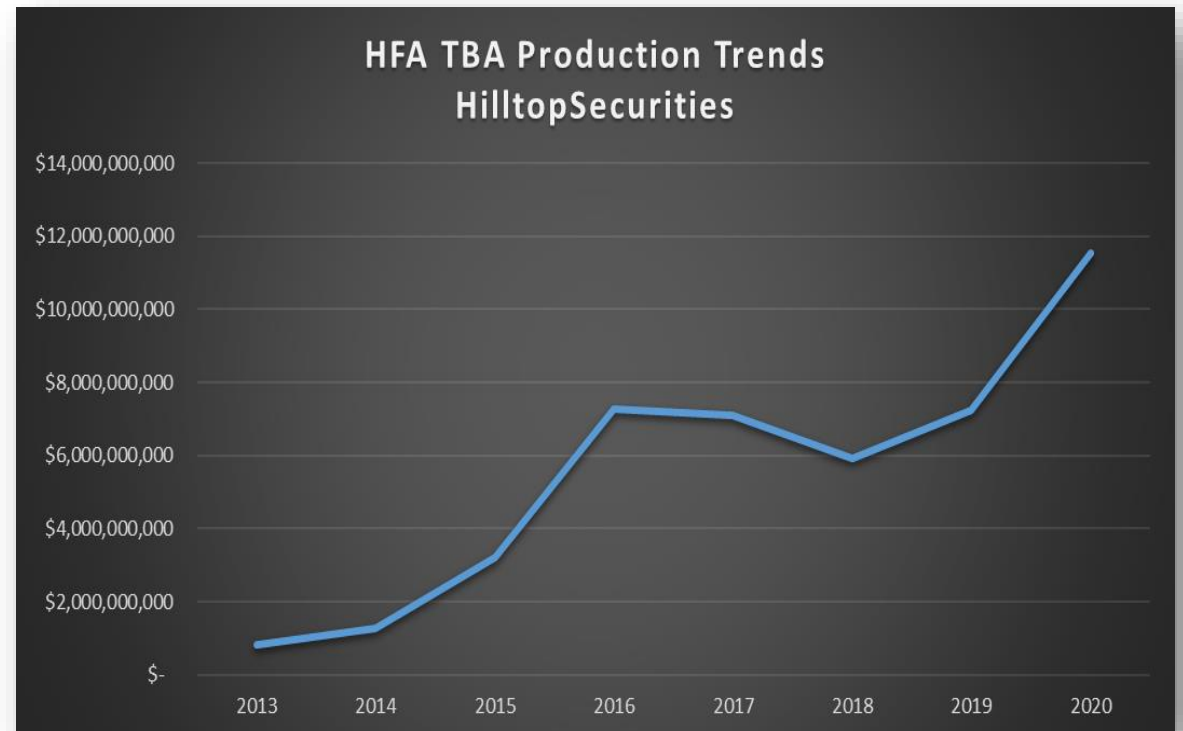
TBA			1) Actions			3) Settings			Fixed Income Tradi...											
22:31			* Market Closed *																	
4) TBA30			5) TBA15			6) MBS			7) Swaps			8) Butterflies								
21) UM30			22) UM15			23) GD30			24) GD15			25) GN30			26) GN15			27) GNII		
			2.0						2.5						3.0					
Jan			102-24 / 25			+ 00+			104-28+ / 29+			+ 01+			104-25+ / 26+			+ 01+		
Feb			102-20+ / 21+			+ 01+			104-25 / 25+			+ 04			104-29 / 30+			+ 02		
Mar			102-15+ / 16			+ 01			104-18+ / 19+			+ 04			105-00+ / 02			+ 02+		
Jan/Feb			04 / 04 <sup>1</sup> <sub>8</sub>			- 00 <sup>1</sup> <sub>8</sub>			05 / 05 <sup>1</sup> <sub>8</sub>			- 01 <sup>1</sup> <sub>8</sub>			- 03+ / - 03 <sup>3</sup> <sub>8</sub>			+ 00 <sup>1</sup> <sub>8</sub>		
Feb/Mar			05 / 05 <sup>1</sup> <sub>8</sub>			+ 00 <sup>1</sup> <sub>8</sub>			06 / 06 <sup>1</sup> <sub>4</sub>			+ 00 <sup>1</sup> <sub>8</sub>			- 02+ / - 02 <sup>3</sup> <sub>8</sub>			--		
			3.5						4.0						4.5					
Jan			105-24 / 25+			+ 01+			106-25+ / 27			+ 01			108-12+ / 14			+ 01+		
Feb			105-28 / 29+			+ 01+			106-31 / 00			+ 01			108-17+ / 18+			--		
Mar			105-31 / 01			+ 01			107-02+ / 04			+ 01			108-21 / 22			+ 00+		
Jan/Feb			- 03 / - 02 <sup>7</sup> <sub>8</sub>			+ 01 <sup>3</sup> <sub>4</sub>			- 05 <sup>7</sup> <sub>8</sub> / - 05 <sup>3</sup> <sub>4</sub>			- 00 <sup>1</sup> <sub>4</sub>			- 03+ / - 03 <sup>3</sup> <sub>8</sub>			+ 01 <sup>3</sup> <sub>4</sub>		
Feb/Mar			/			+ 03 <sup>3</sup> <sub>8</sub>			/			+ 04 <sup>1</sup> <sub>8</sub>			/			--		
Benchmarks									Roll Analysis-						Jan/Feb					
Treas 2Y		99-30 <sup>3</sup> <sub>4</sub> / 30 <sup>7</sup> <sub>8</sub>		0.145 / 143		+ 00 <sup>1</sup> <sub>8</sub>		Cpn		Cpr		Drp								
Treas 3Y		99-22 / 22 <sup>1</sup> <sub>4</sub>		0.230 / 227		+ 00 <sup>3</sup> <sub>4</sub>		2.00		7.09		4.000								
Treas 5Y		99-13 <sup>3</sup> <sub>4</sub> / 14		0.491 / 490		+ 02+		2.50		28.27		6.125								
Treas 7Y		98-22 / 22+		0.819 / 817		+ 05+		3.00		44.39		-3.750								
Treas 10Y		97-23 / 23+		1.121 / 119		+ 08		3.50		45.47		-4.500								
Treas 30Y		94-14+ / 16+		1.868 / 865		+ 12+		4.00		43.48		-5.125								



# PRODUCTION TRENDS

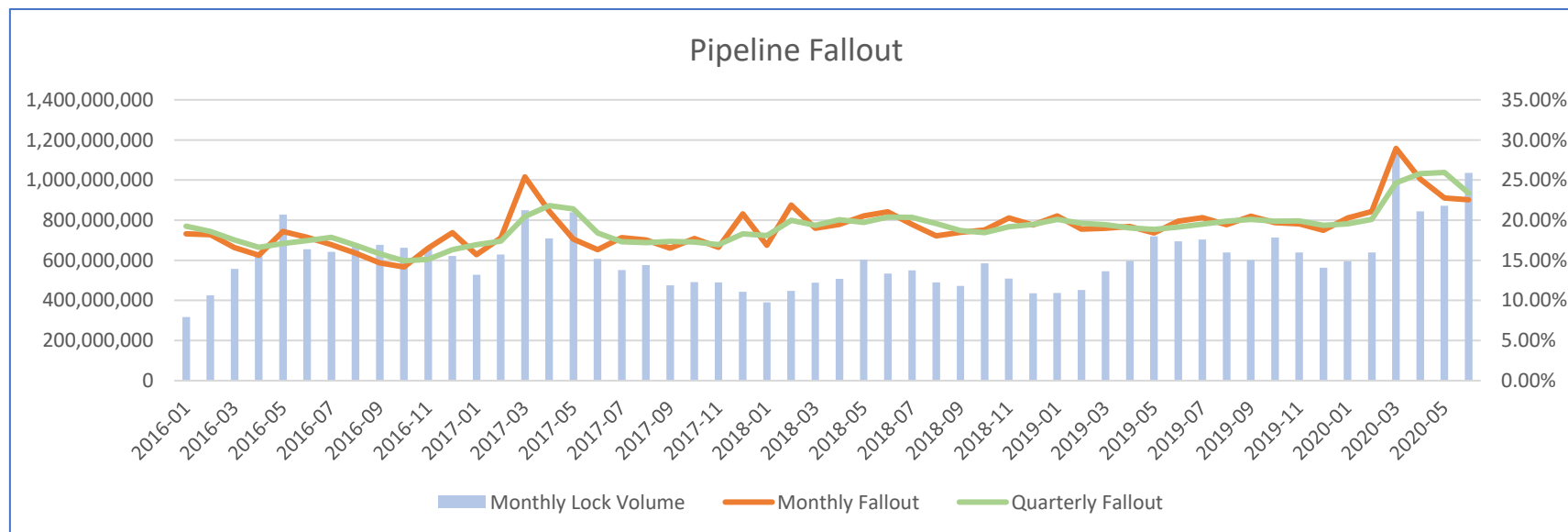
## Production Trends

- HFAs continue to see robust TBA volume despite increase in MRB issuance
  - Record low mortgage rates
  - Strong home purchase activity
- 2020 another record year in lock volume for HTS clients
  - 2020 locks of \$11.5 billion compared with \$7.23 billion in 2019 – up almost 60%
- Since July 2012 represented 18 state programs and over \$48 billion in locks with \$36 billion in MBS purchases
- 11 out of 18 HTS HFA partners using both MRB and TBA to fund single family activity



## Production Trends (cont..)

- Under 14% of YTD locks comprise conventional product, down from 36% for the same period of 2019
  - Many HFAs have discontinued offerings conventional products altogether
- Pipeline fallout has increased compared with ~19% long term average



Source: Hilltop Securities



# MARKET UPDATE

# Market Update – TBAs

- TBAs trade based on worst to deliver assumption
- As mortgage rates have continued to hit new lows, 2.5s and higher coupons have sped up
- Fed has been buying ~5bb/day supporting the TBA market
- Fed currently buying 2.0s and 2.5s in G2 TBA space

TBA			1) Actions ▾			3) Settings ▾			Fixed Income Tradi...				
22:32			* Market Closed *										
4 TBA30			5) TBA15		6) MBS		7) Swaps		8 Butterflies				
21) UM30		22) UM15		23) GD30		24) GD15		25) GN30		26) GN15		27) GNII	
2.0 ▾			2.5						3.0				
Jan		103-17 / 18		+ 02		105-03 / 04+		+ 03		104-28 / 29+		+ 01	
Feb		103-11 / 12+		+ 01+		104-29+ / 31		+ 03+		104-25 / 26+		+ 01	
Mar		103-05+ / 07		+ 01+		104-22+ / 24		+ 02+		104-23 / 25		+ 01	
Jan/Feb		05 <sup>7</sup> / <sub>8</sub> / 06		+ 00+		06 / 06 <sup>1</sup> / <sub>8</sub>		+ 00 <sup>1</sup> / <sub>8</sub>		02 <sup>5</sup> / <sub>8</sub> / 02 <sup>3</sup> / <sub>4</sub>		- 00 <sup>1</sup> / <sub>8</sub>	
Feb/Mar		05 <sup>5</sup> / <sub>8</sub> / 05 <sup>3</sup> / <sub>4</sub>		+ 00 <sup>1</sup> / <sub>8</sub>		06+ / 06 <sup>3</sup> / <sub>4</sub>		+ 00+		01+ / 01 <sup>5</sup> / <sub>8</sub>		- 00 <sup>1</sup> / <sub>4</sub>	
3.5			4.0						4.5				
Jan		105-26 / 29		- 01		106-22+ / 24+		+ 01+		107-09+ / 13		--	
Feb		105-29 / 00		- 00+		106-24+ / 27		+ 02		107-15 / 18+		+ 01	
Mar		105-28 / 00		--		106-25 / 27+		+ 02		107-14+ / 19+		+ 00+	
Jan/Feb		- 02 <sup>3</sup> / <sub>4</sub> / - 02 <sup>5</sup> / <sub>8</sub>		- 00 <sup>1</sup> / <sub>8</sub>		- 03 <sup>1</sup> / <sub>4</sub> / - 03 <sup>1</sup> / <sub>8</sub>		- 00+		- 04+ / - 04 <sup>3</sup> / <sub>8</sub>		+ 00 <sup>3</sup> / <sub>8</sub>	
Feb/Mar		/		- 00 <sup>1</sup> / <sub>8</sub>		/		+ 01 <sup>7</sup> / <sub>8</sub>		/		+ 03	
Benchmarks						Roll Analysis-			Jan/Feb				
Treas 2Y		99-30 <sup>5</sup> / <sub>8</sub> / 30 <sup>3</sup> / <sub>4</sub>		0.147 / 145		--		Cpn	Cpr	Drp			
Treas 3Y		99-22 / 22 <sup>1</sup> / <sub>4</sub>		0.230 / 227		+ 00 <sup>3</sup> / <sub>4</sub>		2.00	2.18	5.625			
Treas 5Y		99-13+ / 13 <sup>3</sup> / <sub>4</sub>		0.493 / 491		+ 02 <sup>1</sup> / <sub>4</sub>		2.50	22.09	6.000			
Treas 7Y		98-21+ / 22		0.822 / 819		+ 05		3.00	46.25	2.875			
Treas 10Y		97-22+ / 23		1.122 / 121		+ 07+		3.50	46.08	-3.000			
Treas 30Y		94-12+ / 15		1.871 / 868		+ 11		4.00	40.77	-3.250			

Source: Bloomberg



# Market Update – HFA MBS

G2 MA6598	105-06 <sup>1</sup> / <sub>8</sub>	105-04 <sup>7</sup> / <sub>8</sub> / 105-07 <sup>3</sup> / <sub>8</sub>	Yield	0.786/0.761	Coupon	2.500%	BVAL
As of 11 Jan	Prepay	509PSA	Ginnie Mae II Pool	BAM TOAS	-35.6		
G2 MA6598 Mtge	Export					Page 1/2	Security Description
100% G2SF 2.5 N	2.992(347)9	CUSIP	36179VKK5	Pool Level	9% Buy	9% Sell	
1) Summary	2) Comments						
Pool	G2 MA6598	16) Seasoning	G2SF 2.5 N	As Of	01/2021		
Type	(SF) 15,30 years Level pay	17) Vintage	G2SF 2.5 2020	Issue Date	04/01/2020		
Traits	30/360			Maturity Date	04/20/2050		
11) Seller	Multiple Issuer	Issuer	GNMA				
12) Pool Information							
Coupon	2.500	WAC	2.992	Orig WAC*	2.989	Balance	
		WARM	347	Orig WAM*	356	Factor	0.83481821
		WALA	9			Orig Amt	20,094,840,058
						Curr Amt	16,775,538,407
13) Collateral Information						Prepay	CPR PSA
WAOLTV	92	AOLS	289,198	Orig TPO	54.21	1 Month	78.4 4358
WAOLTV-HPI*	90	WAOLS	344,804	Curr TPO	54.00	3 Month	45.1 2816
WAOLCLTV	92	MAXLS	2,538,200			6 Month	27.6 2125
WAOCs	720	WAOLT	357			1 Year	
		WAODTI*	0			Life	19.7 1967
14) # Loans	59,113	Delay	49 ( 19 )			18) States	%UPB
TRACE Eligible						California	16.7
						Florida	9.0
						Texas	8.1
15) Paydown Information							
Prepay History	Jan21	Dec	Nov	Oct	Sep	Aug	Jul Jun May Apr20
1 Month CPR	78.4	16.6	7.8	5.2	4.4	4.4	1.7 0.9 0.7
3 Month CPR	45.1	10.0	5.8	4.7	3.5	2.3	1.1
6 Month CPR	27.6	6.8	4.1	2.9			
12 Month CPR							
<small> Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  Japan 81 3 4585 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2021 Bloomberg Finance L.P.  SN 487818 EST GMT-5:00 H342-8159-1 12-Jan-2021 22:43:22 </small>							

Source: Bloomberg

- G2 multi issuer pools continue to exhibit streamlined refi behavior
- Involuntary prepaes stemming from Bank purchases of seriously delinquent loans have intensified overall prepaes further
- Perfect tailwind for HFA Specified pools that have slow empirical speeds, especially nonbank serviced



## Market Update – HFA MBS (cont..)

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- Factors impacting prepay speeds on HFA Pools
  - DPA format
  - Home Price Appreciation
  - Servicer
- How to maximize execution on HFA Pools
  - Thorough analysis of prepay speeds on production since inception, updated each month as speeds get reported
  - Industry standard MBS valuation models still do not understand HFA pools well, so onus lies on the entity that brings the HFA pools to market
  - Distribution
  - CMO structuring capability – HTS is the largest issuer of HFA CMOs with over \$7 billion issued to date



**HilltopSecurities**<sup>SM</sup>

HILLTOPSECURITIES.COM

# HFA Institute TBA, MBS, and Cash Window Panel



- Presentation by Bob Strycharski
- 17 years with New Jersey Housing
- 13 years at Philadelphia Stock Exchange
- BS Finance - Penn State '87





# Getting Started

- Peak Performance – MBS consultant
- Mike Awadis
- Governor's Authorities Unit
- Ginnie Mae



# Procuring Vendors

- Document Custodian/Certification Agent
- Trading Partners
- Sub-servicer
- Custodian as disbursement agent
- Risk Management system
- Post Closing vendor
- Pricing System





# Securitizing

- Building a rate through trial and error
- Participating Lender Compensation
- Paying for Down Payment Assistance
- Profit Margin inclusive of Servicing
- Pair off Costs due to fallout
- Starting slowly
- Hedging with light volume
- Issues with Curtailment Payments
- Building Volume through time with faster purchase turnarounds for our participating lenders



# MBS without MRB funds

- Once we found the sweet spot, we could profitably keep our Single-Family Program reserving loans continuously
- Growth from \$2 million per month to \$30 million per month 2015-2018
- We could make profits, but not a large amount if we wanted to keep our participating lenders happy and stay competitive with market interest rates
- In 2018, the MRB market became economically accessible to us.



# Hedging in the TBA market

- Generally, not too volatile except Apr 2020
- Take into account the coupon rate and hedge month
- Fallout rate and servicing values are constantly changing
- Participating Lenders are also changing
- Use an electronic trading system if possible
- Develop a relationship with trading partners
- State HFA loans are valuable due to borrower profiles and prepayment speeds
- Active coupons are where to be



# MRB and MBS

- Hardest Hit Fund money for DPA
- Avoiding negative arbitrage in MRB
- Rate differential between MRB and MBS
- MRB to MBS ratio at 2:1
- MBS became more profitable than before due to higher rate relative to MRB



# Getting Started Again

- We are securitizing our first pools of re-pooled loans in January 2021
- We are in process to get a Freddie Mac product (UMBS) and to use the Cash Window
- We have approval from our Board to start hedging our MRB loan reservations with GN2 TBA



Thank you

A decorative graphic on the left side of the slide, consisting of a network of white lines and small circles on a blue gradient background, resembling a circuit board or a stylized tree structure.

WVHDF TBA MARKET

- Pipeline coverage = 70% of 70% (for every \$1 million, we future hedge \$490,000)
- Current deliveries consist of 95% standard conventional and 5% HFA Preferred
- Since CoVid crisis began, majority of our business is refinance loans; HFA Preferred only Purchase loans

# MANDATORY COMMITMENT

Benefits: Interest rate range so loans can be swapped as long as term and amount fall within range

Amount can be adjusted \$10,000 either way; on this commitment, loan amount can range from \$134,400 to \$154,400

Detriments: If commitment cannot be fulfilled, pair-off fees can apply, usually up to 1% of amount



Fannie Mae

Pricing & Execution - Whole Loan

West Virginia Housing Development Fund [REDACTED]

## Commitment Details: [REDACTED]

Commitment ID	[REDACTED]	Original Commitment Amount	\$144,400.00
Seller Number	[REDACTED]	Current Commitment Amount	\$144,400.00
Seller Name	West Virginia Housing Development Fund	Pair-Off Amount	\$0.00
User ID	[REDACTED]	Over-Delivery Amount	\$0.00
Contact Name	Robert McCarty	Purchased Amount	\$0.00
Seller Unique ID	[REDACTED]	Remaining Balance	\$144,400.00
Execution Type	Mandatory	Pending Purchase Amount	\$144,400.00
Remittance Type	Actual/Actual	Potential Remaining Balance	\$0.00
Commitment Type	Flow	Commitment Date	01/11/2021 03:06 PM EST
Commitment Status	Open	Commitment Period (days)	4
		Original Expiration Date	01/15/2021
		Current Expiration Date	01/15/2021

Product Name 30-Year Fixed Rate - 150k Max Loan Amount

Low Tolerance Amount	\$134,400.00	HBL Purchased Amount	N/A
High Tolerance Amount	\$154,400.00	HBL Cap (%)	N/A
Max Over-Delivery Amount	\$180,500.00	Max Allowable HBL Delivery Amount	N/A

## Pricing

Min Pass-Through Rate	2.000	Base Servicing Fee (%)	[REDACTED]
Live Par Yield (%)	[REDACTED]	LPMI (%)	0.000
		Total Servicing Fee (%)	[REDACTED]

PTR	Price
2.500	100.000
2.375	100.000
2.250	100.000
2.125	100.000
2.000	100.000

Loan-Level Price Adjustments Applicable Yes

Print Date: 01/12/2021 12:32 PM EST

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# BEST EFFORTS COMMITMENT

Benefits: If loan cannot be delivered, no payoff fees apply (fallout); works better for higher-balance loans in which pipeline is not sufficient to swap another loan

Detriments: FNMA pays less for these loans compared to Mandatory (usually .25% less)

Loan cannot be hedged as Best Efforts until Approve/Eligible D/U findings are obtained



Fannie Mae

Pricing & Execution - Whole Loan

West Virginia Housing Development Fund | [REDACTED]

## Commitment Details [REDACTED]

Commitment ID	[REDACTED]	Original Commitment Amount	\$405,000.00
Seller Number	[REDACTED]	Current Commitment Amount	\$405,000.00
Seller Name	West Virginia Housing Development Fund	Commitment Date	11/19/2020 10:06 AM EST
User ID	[REDACTED]	Commitment Period (days)	55
Contact Name	Robert McCarty	Original Expiration Date	01/13/2021
Seller Unique ID	[REDACTED]	Current Expiration Date	01/13/2021
Underwriting Method	Desktop Underwriter®	Gross Note Rate	2.625
Casefile ID	[REDACTED]	Base Servicing Fee (%)	[REDACTED]
Execution Type	Best Efforts	LPMI (%)	0.000
Servicing Type	Retained	Total Servicing Fee (%)	[REDACTED]
Remittance Type	Actual/Actual	Pass-Through Rate	2.250
Commitment Type	Flow	Pass-Through Price	[REDACTED]

Product Name 20-Year Fixed Rate

Loan-Level Price Adjustments Applicable Yes

## Loan Information

Loan Amount	\$405,000.00	LTV	95%
Credit Score	[REDACTED]	CLTV	95%
<b>Borrower1</b>		<b>Borrower2</b>	
Name	[REDACTED]	Name	[REDACTED]
SSN	[REDACTED]	SSN	[REDACTED]
Street Address	[REDACTED]	Property Type	Detached
City	[REDACTED]	Occupancy Type	Primary Residence
State	West Virginia	Loan Purpose	Refinance
ZIP Code	[REDACTED]	Number of Units	1

## Status


Commitment Status	Open	Delivery Status	N/A
Loan Status	Committed	Delivery Status Date	N/A
Loan Closing Date	N/A	Fallout Date	N/A

Print Date: 01/12/2021 12:31 PM EST

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# TIERED PRICING

FNMA pays more for HFA-Preferred loans, as they meet their mission goals. These loans have income limits in which FNMA pays additional .50% for incomes below 80% of AMI (Area Median Income set by HUD) and 1.00% more for incomes below 50% AMI



Fannie Mae™

Pricing & Execution – Whole Loan

Make Commitment

WEST VIRGINIA HOUSING DEVELOPMENT FUND

01/10/2021 12:28 PM EST

Make Commitment

Frequently Used Products

Show All Products

Duration

☒ 30 yr
 ☒ 20 yr
 ☒ 15 yr
 ☒ 10 yr

Fixed Rate

30-Year Fixed Rate HFA Preferred Higher Income

30-Year Fixed Rate HFA Preferred - 225k Max Loan Amount

30-Year Fixed Rate HFA Preferred - 200k Max Loan Amount

30-Year Fixed Rate HFA Preferred - 175k Max Loan Amount

30-Year Fixed Rate HFA Preferred - 150k Max Loan Amount

30-Year Fixed Rate HFA Preferred - 125k Max Loan Amount

30-Year Fixed Rate HFA Preferred - 110k Max Loan Amount

30-Year Fixed Rate HFA Preferred - 85k Max Loan Amount

30-Year Fixed Rate HFA Preferred

30-Year Fixed Rate - 225k Max Loan Amount

30-Year Fixed Rate - 200k Max Loan Amount

30-Year Fixed Rate - 175k Max Loan Amount

30-Year Fixed Rate - 150k Max Loan Amount

30-Year Fixed Rate - 125k Max Loan Amount

30-Year Fixed Rate - 110k Max Loan Amount

30-Year Fixed Rate - 85k Max Loan Amount

30-Year Fixed Rate

30-Year Fixed Rate High Balance

30 Year Fixed Rate - New York

30 Year Fixed Rate - Investment Property

Adjustable Rate

7/6m SOFR ARM Plan 4928

5/6m SOFR ARM Plan 4927

3/6m SOFR ARM Plan 4926

10/6m SOFR ARM Plan 4925

Commitment Details

Product Name

Seller Unique ID

Commitment Amount 0.00

Commitment Period (days)

Commitment Expiration Date

Remittance Type

Base Servicing Fee (%)

LPMI (%) 0.000

Total Servicing Fee (%) 0.000

Min Pass-Through Rate 0.000

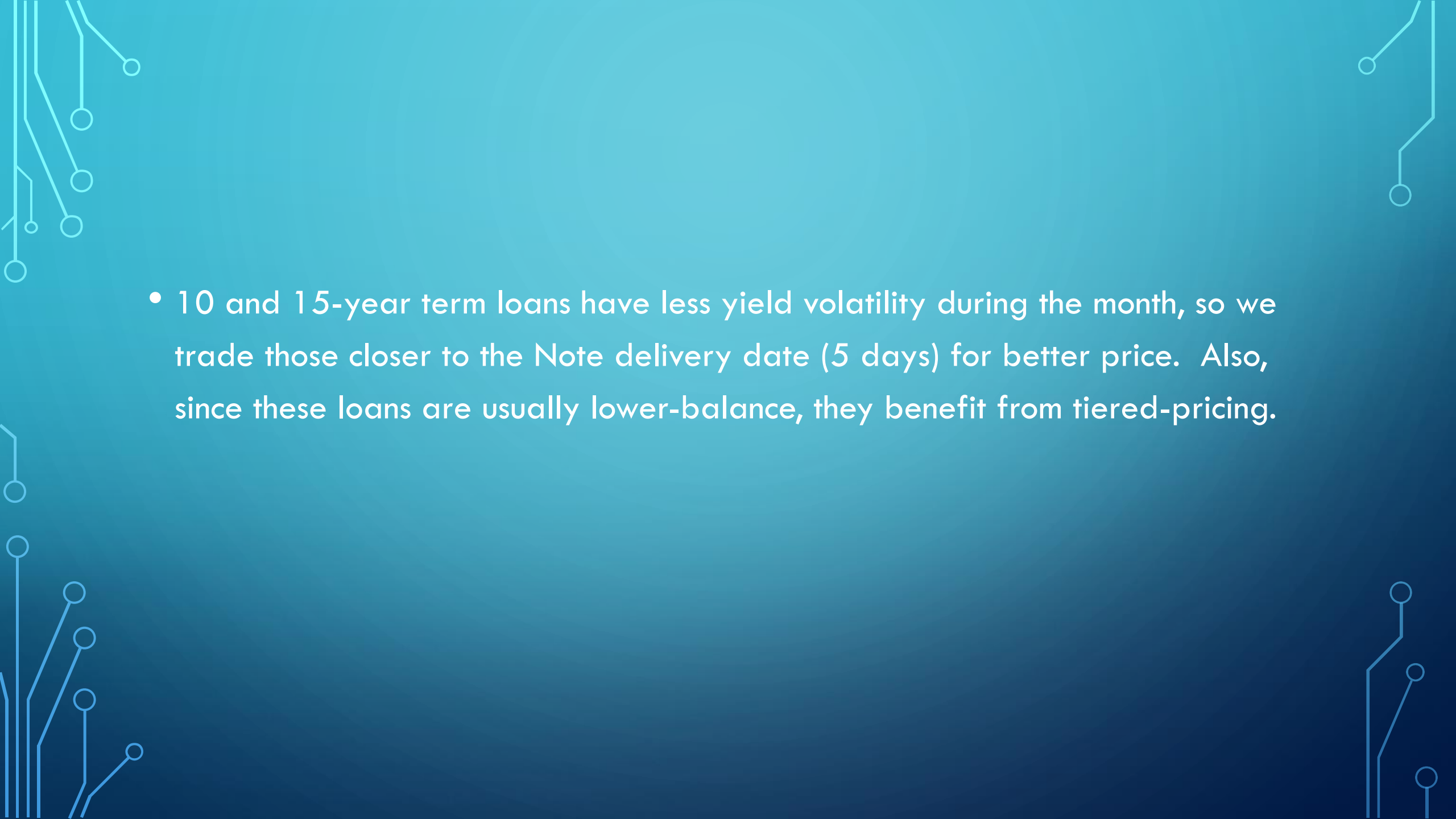
Servicing Type Retained

EXIT PRICING

<https://pe.fanniemae.com/pe/proposal/product/1610472579365310?improvePriceToggleEnabled=true&isConfirmationPasswordDisabled=true&isBestEffort=true>

# OUR STRATEGY

- We track FNMA Yield closest to par 100.00 each day to indicate when to hedge. When trend shows yield decreasing, we hedge the bulk of loans in pipeline. We noticed most yield volatility in 20 and 30-year term loans, so we hedge these loans first with longest expiration (60 days) to accommodate loan closing, receipt of original Note from lender and certification by FNMA custodian. These are usually our higher-balance loans, so we focus on Best Efforts commitments

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- The background is a solid blue gradient. In the corners, there are decorative white line art elements resembling circuit boards or neural network connections. These lines are thin and connect to small white circles, creating a modern, tech-oriented aesthetic.
- 10 and 15-year term loans have less yield volatility during the month, so we trade those closer to the Note delivery date (5 days) for better price. Also, since these loans are usually lower-balance, they benefit from tiered-pricing.

# SECONDARY MARK TO MARKET REPORT

- How do we know we are following the best strategy? By analyzing our Mark to Market on last day of month.
- Utilizing FNMA's yields on last day of month, we analyze profit/loss if all loans in pipeline were delivered to FNMA that day. We then analyze all commitment pairoff fees if outstanding commitments were closed with no loans delivered. If profit trending higher than previous month, strategy is working. If not, or if there is an overall loss, strategy must be reevaluated



THANK YOU