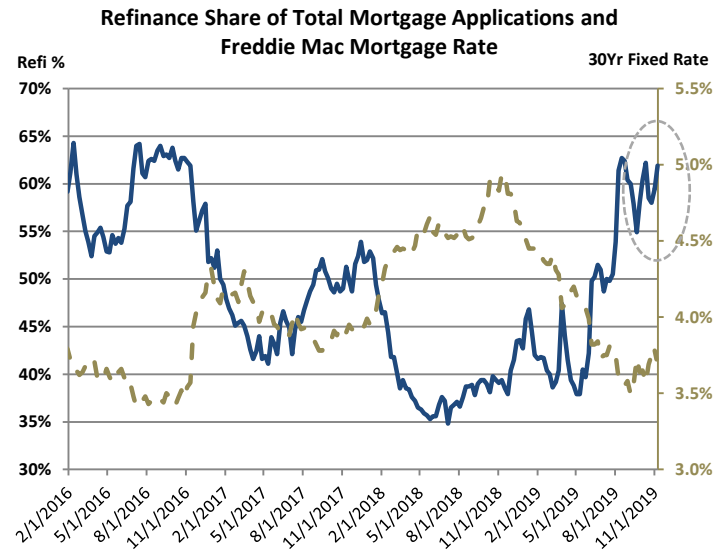


2020 CRT Credit Profile Improvement

The decline in mortgage rates this year should significantly change the type of mortgage products that are risk transferred in 2020 vintage. The higher share of refinance applications should be **credit positive to CRT deals** that will be issued in the coming 3 to 12 months.

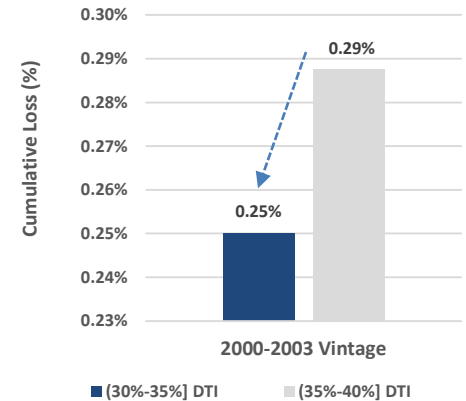
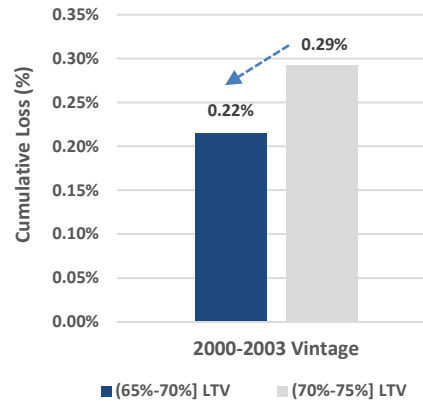
Refinanced loans tend to have slightly better FICO scores as a result of continuous mortgage payments (at least 6 months) prior to refinancing, improved LTVs due to loan amortization and minimal home price appreciation, and improved DTIs due to lower mortgage rates (assuming no changes to borrower(s) income and other debts). Example*: For a refinanced loan, the LTV and DTI would be lower by 3.0% to 5.0%.



Note: * Credit Profile Improvement based on the following scenario: Original Loan of \$250,000 originated in Q4 of 2018 at a 30yr fixed rate of 4.75% with a LTV of 70% & DTI of 38%. Assuming the borrower makes 12 months of payments before the refinance, home price appreciation (HPA) of 3% and new refinanced interest rate @ 4.00%.

Source: Mortgage Bankers Association, Freddie Mac, Bloomberg, FBC

Empirical data suggests that a 5 point improvement in LTV or DTI may cut cumulative losses by 15% - 25%.



Note: Cumulative Loss (%) for 2000-2003 Vintage collateral represents an average of cumulative losses experienced by 2000-2003 origination in these LTV and DTI Cohorts.

Source: Fannie Mae, FBC

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11.2019