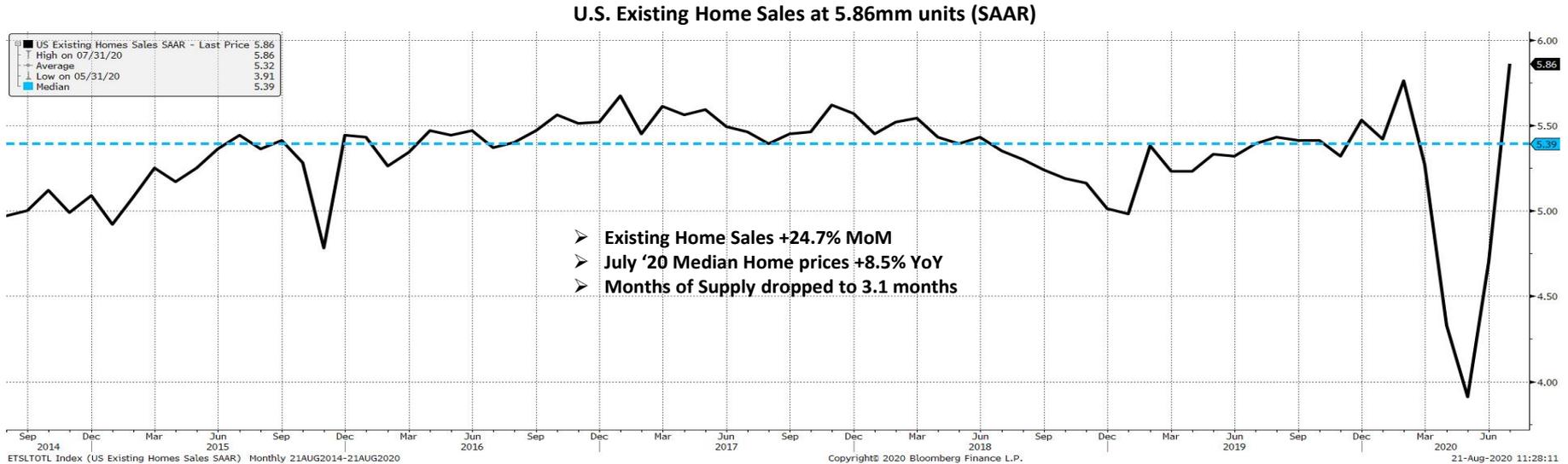


# Housing Strength Positive for Borrowers in Forbearance Making CRT Sector Outlook Attractive

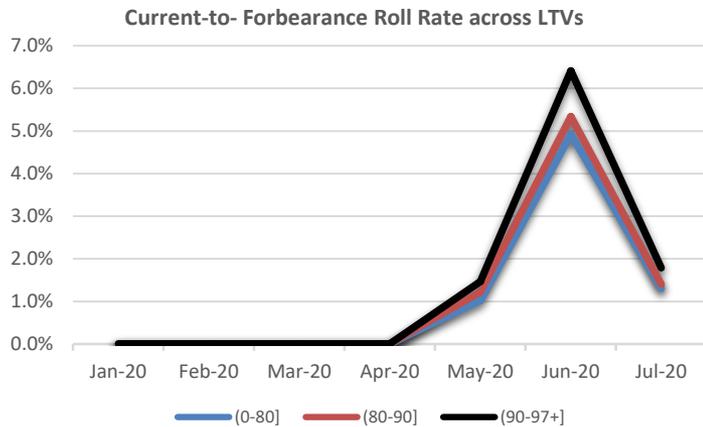
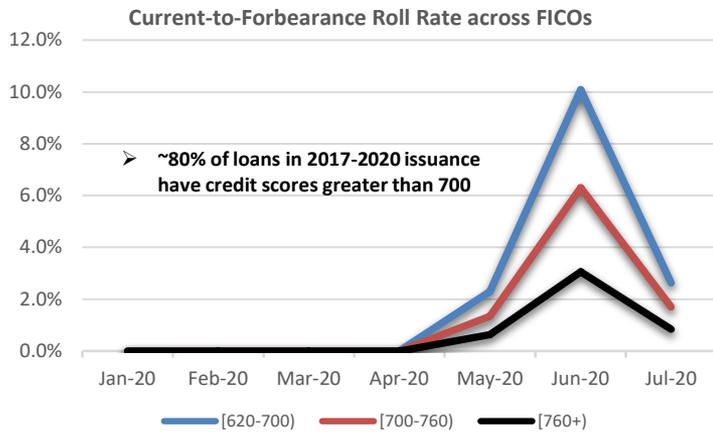
- **Strong demand, low mortgage rates and housing inventory shortages continue to support housing valuations. Borrowers who are unable to stay in their homes despite many programs focused on foreclosure prevention are in a good position to sell their properties and monetize potential equity and/or avoid losses associated with liquidations.**



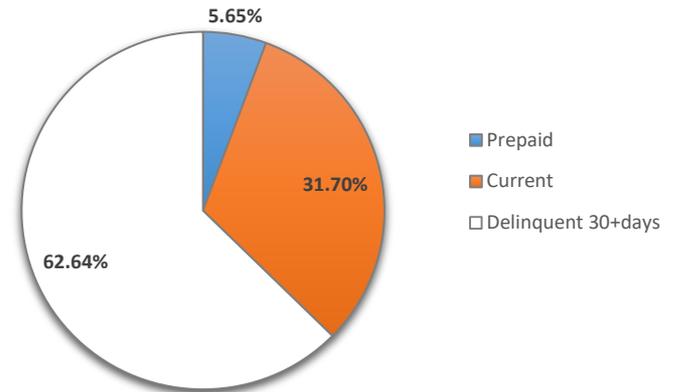
- **The vast majority of borrowers taking advantage of the COVID related payment forbearance are expected to cure with the help of many loss mitigation options:**
  - Borrowers who are able to resume making their scheduled payments in the future are likely to take advantage of the newly offered payment deferral option.
    - It keeps the mortgage payment unchanged and the missed payment amount is simply deferred to the end of the loan.
  - Borrowers who need additional help and lower monthly payment burden are expected to be offered term extensions and long-term forbearance on a portion of their balance. Some borrowers with high interest rates and balances may avail of interest rate reduction option.

# Performance of GSE Loans in Forbearance Improving

- The pace of new forbearances has slowed since the beginning of the pandemic.
- As expected, loans with lower credit scores and higher LTVs tend to experience greater levels of payment forbearance.

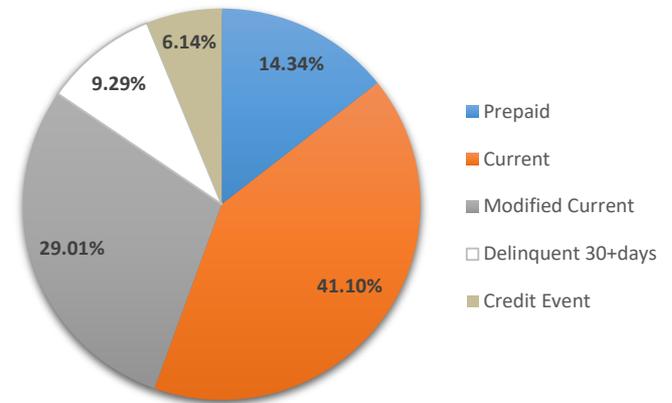


- 1/3<sup>rd</sup> of loans that requested COVID-19 related forbearances are already current.



Note: The above chart represents current status of loans that requested forbearance in response to the pandemic related business closures and employment disruptions.

- Historically, ~80% of loans using a forbearance option prepay, cure, or receive a modification and remain current without any credit event to bond holders.



Note: The above chart represents status of loans that have requested forbearance pre-Covid and shows how they have performed since. Forbearance requests typically indicate borrowers are motivated to stay in property and avoid foreclosure.

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