

# Weekly Comments by Andrew Marino

## BUYER'S MARKET FOR LOANS

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*For institutions looking to add yield, right now is the time to look at purchasing whole loan pools. High-grade whole loans are trading at the best buy-side yields we have seen in years, in many cases generating net yields higher than you can originate the same loan product type. The liquidity crunch for depositories has caused an influx of sellers resulting in a supply/demand imbalance that favors the buy side of the equation. We currently have seven whole loan pools in inventory for sale ranging in product types from super prime Adjustable and short WAM fixed mortgages to CRE and auto loans – each priced with attractive yields over comparable securities. With support from FTN Financial Capital Assets Corporation (“Capital Assets”) expert team there is still time to acquire pools before year-end.*

### **Why Institutions Are Selling**

From 2016 until Q1 of 2018, the primary reason institutions sold loans was to manage their Interest Rate Risk and/or to take a gain. Throughout the course of 2018, there has been a dramatic shift to liquidity issues being the primary driver for loan sales. As the liquidity crunch has worsened, institutions have become more inclined to execute trades, including many at a discount, on a more frequent basis. The proceeds from loan sales are being redeployed into new loans or other initiatives.

### **Typical Loan Offering**

Most pools we offer are ‘A’ grade loans with strong FICO scores, low LTV’s, and clean pay histories. We price our pools to a yield over comparable securities. The “liquidity/credit spread” over securities is roughly 100 bps better in yield pick-up.

Each deal is different, but Capital Assets offers loan pools on both a servicing released and retained basis. On servicing retained transactions, the current servicer, who is typically also the originator, will continue to service the loans and submit a monthly remittance to you. On servicing released transactions, the servicing function is transferred to the new buyer of the loans.

## Pricing (Offer vs Bid)

Loan pools are typically distributed to FTN customers via a “loan offering” which summarizes the characteristics of a particular pool of loans. An offering is a pool available at a pre-set price. As such, there are no gymnastics of trying to figure out what to bid. You can clearly see how we established fair market value and can quickly make a decision if that pool offers an adequate return. If investors like the risk characteristics and the pricing of a specific pool, they can “circle” the pool, at which time, we take that pool off the market. Your agreement to purchase the loan pool is subject to your due diligence of the loan files and a satisfactory Purchase, Sale and Servicing Agreement. From the time a pool is circled until the time funding occurs is generally around 45 days.

## Due Diligence

In most situations, Capital Assets has already completed our due diligence on the loans, and you will find the results of our due diligence in the offering summary. This helps to give our customers a sense of ease knowing that a second set of eyes is assisting them in the loan review process. Each buyer is encouraged to conduct their own due diligence prior to funding. As much as anything, this process is validating what we have already disclosed making due diligence somewhat easier. Loan files are typically available in an electronic format for your review.

## Contracts

The main contract surrounding the transaction is the Purchase, Sale and Servicing Agreement. This agreement contains warrants and representations for the buyers benefit, such as:

- All the loans have first liens on the collateral properties,
- There is no fraud or misrepresentation, and
- The loans have been serviced according to state and federal guidelines.

## Current Offerings

With over 30 years of experience, Capital Assets is one of the nation’s largest and most experienced volume dealers in loan portfolio transactions. As a result, we have developed an extremely efficient method of conducting whole loan sales. Whether you are a first-time or experienced buyer, we would love the opportunity to work with you. Below you will find our loan pools currently available for sale. Please call your account representative or Capital Assets direct at 901-435-8748.

**\$62.6MM Residential 1st Mortgage ARM Portfolio- Servicing Retained**

Highlights	
Principal Balance	<b>\$62,599,260</b>
Loan Count	<b>406</b>
Avg Loan Balance	<b>\$154,185</b>
Gross WAC	<b>4.19%</b>
Servicing Fee	<b>0.25%</b>
Net WAC	<b>3.94%</b>
Updated WA FICO	<b>780</b>
Contractual WAM	<b>260 Months</b>
12 Month Pay History	
0x30 Days	<b>100%</b>
Pricing	
Price	<b>100.49%</b>
BEY	<b>4.70%</b>
CPR	<b>15%</b>

Adjustable Rate Information	
Gross Margin	<b>2.72%</b>
Gross Ceiling	<b>10.12%</b>
Months to Roll	<b>21 Months</b>
Loan Type	
Post Reset ARMs	<b>31.02%</b>
5x1 CTM ARMs	<b>9.64%</b>
7x1 CMT ARMs	<b>15.58%</b>
3x3 CMT ARMs	<b>15.39%</b>
5x5 CMT ARMs	<b>28.36%</b>
Collateral Distribution	
Ohio	<b>100%</b>
Seasoning / LTV	
Seasoning	<b>94 Months</b>
Original LTV	<b>79.28%</b>
Amortized LTV	<b>63.14%</b>
Case Shiller® Updated LTV	<b>53.53%</b>

**\$49.7MM Residential 1st Mortgage Fixed & CMT ARM Portfolio- Servicing Released**

Highlights	
Principal Balance (10/15/18)	<b>\$49,740,760</b>
Loan Count	<b>267</b>
Avg Loan Balance	<b>\$186,295</b>
WAC	<b>4.54%</b>
Updated WA FICO	<b>755</b>
Contractual WAM	<b>270 Months</b>
12 Month Pay History	
0x30 Days	<b>100%</b>
Seasoning / LTV	
Seasoning	<b>44 Months</b>
Original LTV	<b>70.93%</b>
Amortized LTV	<b>62.59%</b>
Case Shiller® Updated LTV	<b>53.03%</b>
Pricing	
Price	<b>100.85%</b>
BEY	<b>4.56%</b>
CPR	<b>14%</b>

Adjustable Rate Information	
Margin	<b>3.00%</b>
Ceiling	<b>9.53%</b>
Months to Roll	<b>68 Months</b>
Loan Type	
Fixed 10/15 Year	<b>20.33%</b>
Fixed 20/30 Year	<b>7.42%</b>
Balloon Fixed	<b>19.61%</b>
10x1 CMT ARMs	<b>19.40%</b>
3x3 CMT ARMs	<b>6.33%</b>
5x5 CMT ARMs	<b>18.89%</b>
10x10 CMT ARMs	<b>8.02%</b>
Collateral Distribution	
Texas	<b>97.64%</b>
Colorado	<b>1.79%</b>
Oklahoma	<b>0.38%</b>
New Mexico	<b>0.19%</b>
Collateral	
Single Family	<b>100%</b>

**\$25MM Residential 1st Mortgage ARM Portfolio- Servicing Retained**

Highlights	
Principal Balance	<b>\$25,016,593</b>
Loan Count	<b>56</b>
Avg Loan Balance	<b>\$446,724</b>
Gross WAC	<b>4.72%</b>
Servicing Fee	<b>0.25%</b>
Net WAC	<b>4.47%</b>
WA FICO	<b>745</b>
Contractual WAM	<b>345 Months</b>
12 Month Pay History	
0x30 Days	<b>100%</b>
Seasoning / LTV	
Seasoning	<b>12 Months</b>
Original LTV	<b>71.17%</b>
Amortized LTV	<b>69.56%</b>
Case Shiller® Updated LTV	<b>63.83%</b>
Pricing	
Price	<b>100.83%</b>
BEY	<b>4.73%</b>
CPR	<b>15%</b>

Adjustable Rate Information	
Gross Margin	<b>2.82%</b>
Gross Ceiling	<b>9.72%</b>
Months to Roll	<b>52 Months</b>
Loan Type	
1x1 CMT ARMs	<b>4.37%</b>
3x1 CMT ARMs	<b>8.69%</b>
5x1 CMT ARMs	<b>60.90%</b>
7x1 CMT ARMs	<b>24.17%</b>
10x1 CMT ARMs	<b>1.86%</b>
Original Term	
360 Months	<b>100%</b>
Occupancy	
Single Family	<b>100%</b>
Collateral Distribution	
Washington	<b>97.78%</b>
California	<b>1.42%</b>
Idaho	<b>0.81%</b>

**\$17.5MM Residential 1st Mortgage ARM Portfolio- Servicing Retained**

Highlights	
Principal Balance	<b>\$17,491,065</b>
Loan Count	<b>104</b>
Avg Loan Balance	<b>\$168,183</b>
Gross WAC	<b>4.381%</b>
Servicing Fee	<b>0.250%</b>
Net WAC	<b>4.131%</b>
Updated WA FICO	<b>760</b>
Contractual WAM	<b>303 Months</b>
Pricing	
Price	<b>101.9106%</b>
BEY	<b>4.810%</b>
CPR	<b>15%</b>
Seasoning / LTV	
Seasoning	<b>49 Months</b>
Original LTV	<b>83.30%</b>
Amortized LTV	<b>74.65%</b>
Case Shiller® Updated LTV	<b>62.37%</b>

12 Month Pay History	
0x30 Days	<b>100%</b>
Adjustable Rate Information	
Gross Margin	<b>3.240%</b>
Gross Ceiling	<b>9.881%</b>
Months to Roll	<b>16 Months</b>
Loan Type	
Post Reset CMT ARMs	<b>36.38%</b>
3x1 CMT ARMs	<b>8.43%</b>
5x1 CMT ARMs	<b>55.19%</b>
Collateral Distribution	
Ohio	<b>89.01%</b>
Florida	<b>6.50%</b>
Michigan	<b>3.24%</b>
Indiana	<b>0.68%</b>
Arizona	<b>0.57%</b>

**\$17.5MM Residential 1st Mortgage Libor ARM Portfolio- Servicing Retained**

Highlights	
Principal Balance	<b>\$17,557,525</b>
Loan Count	<b>25</b>
Avg Loan Balance	<b>\$702,301</b>
Gross WAC	<b>3.985%</b>
Servicing Fee	<b>0.250%</b>
Net WAC	<b>3.735%</b>
WA FICO	<b>756</b>
Contractual WAM	<b>353 Months</b>
12 Month Pay History	
0x30 Days	<b>100%</b>
Pricing	
Price	<b>96.7500%</b>
BEY	<b>4.540%</b>
CPR	<b>15%</b>

Seasoning / LTV	
Seasoning	<b>6 Months</b>
Original LTV	<b>71.97%</b>
Amortized LTV	<b>71.22%</b>
Case Shiller® Updated LTV	<b>69.26%</b>
Loan Type	
15x1 Libor Hybrid ARMs	<b>100%</b>
Adjustable Rate Information	
Gross Margin	<b>2.250%</b>
Cap Structure	<b>5/2/5</b>
Gross Ceiling	<b>8.985%</b>
	<b>174</b>
Months to Roll	<b>Months</b>
Collateral Distribution	
Indiana	<b>93.65%</b>
Florida	<b>6.35%</b>

**\$9.6MM ARM & Fixed Rate Multi-Family & CRE Loan Portfolio Servicing Released**

Highlights	
Principal Balance	<b>\$9,642,797</b>
Loan Count	<b>40</b>
Avg Loan Balance	<b>\$241,070</b>
WAC	<b>4.956%</b>
Calculated WAM	<b>173 Months</b>
Contractual WAM	<b>65 Months</b>
Months to Maturity/Reprice	<b>45 Months</b>
Pricing	
Price	<b>100.3917%</b>
BEY	<b>5.00%</b>
CPR Speed	<b>8%</b>
12 Month Pay	
0x30 Days	<b>100%</b>

Seasoning / LTV	
	<b>109</b>
Seasoning	<b>Months</b>
Original LTV	<b>74.44%</b>
Amortized LTV	<b>56.17%</b>
Collateral Type	
Multi-Family	<b>46.88%</b>
CRE (Retail, Office, Mixed Use)	<b>53.12%</b>
First Lien	
Yes	<b>100%</b>
Occupancy	
Investor	<b>72.28%</b>
OO	<b>27.72%</b>
Collateral Distribution	
Wisconsin	<b>100%</b>

**\$11.1MM Indirect Auto Loan Portfolio 90/10 Participation Servicing Retained**

Highlights		Collateral Distribution	
Principal Balance	\$11,115,235	Michigan	100%
90% Participation Balance	\$10,003,712	<b>Pricing</b>	
Loan Count	499	Price	102.22%
Average Loan Balance	\$22,275	BEY	4.41%
Gross WAC	6.35%	Prepay Speed	1.3 ABS
Servicing Fee	0.25%		
Net WAC	6.10%		
WA FICO	690		
WAM	65 Months		

**FTN FINANCIAL  
CAPITAL ASSETS CORPORATION**

Jerry Hubbard, President  
901.435.8758 | jerry.hubbard@ftnfinancial.com

Lester Coleman, VP  
901.435.8219 | lester.coleman@ftnfinancial.com

Rachael Leamon, VP  
901.435.8864 | rachael.leamon@ftnfinancial.com

Mia Condon, VP  
901.435.4716 | mia.condon@ftnfinancial.com

Tom McLemore, SVP  
901.435.8222 | tom.mclemore@ftnfinancial.com

Mark Cary, CPA, CGMA  
901.435.8141 | mark.cary@ftnfinancial.com

David Cluck, SVP  
901.435.7917 | david.cluck@ftnfinancial.com

Pete Taglia, CPA, CGMA, CMB  
312.258.5000 | pete.taglia@ftnfinancial.com

Mitchell Redd, SVP  
901.435.8622 | mitchell.redd@ftnfinancial.com

**FTNFINANCIAL.COM**  
800.456.5460

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