

Weekly Comments by Tom McLemore

WHOLE LOAN SECONDARY MARKET STATUS AND AVAILABLE PORTFOLIOS

The whole loan secondary market continues to be very active as institutions utilize loan sale and purchase transactions as part of an overall balance-sheet management strategy. For sellers, loan sales can be a very effective way to generate liquidity, reduce interest rate risk, address concentration issues, and increase earnings. Loan purchases provide an excellent opportunity for institutions with excess liquidity and low loan demand to supplement originations, enhance returns over comparable mortgage-backed securities, and rebalance portfolios that have become concentrated. We have included details at the end of this article about three loan portfolios currently available for purchase from FTN Financial Capital Assets Corporation (“Capital Assets”).

Low Rate Environment Provides Sale Opportunity

Considering the current low interest rate environment and the increasing investor demand to acquire loans, now is an excellent time to develop and implement sales strategies as part of an overall balance-sheet management strategy. Year to date, Capital Assets has assisted over 100 institutions with loan sale strategies that were designed to increase liquidity, reduce interest rate risk, address concentration issues, and/or rebalance the portfolio. The current low-rate environment has made it possible to conduct sale transactions at break-even or better. Capital Assets has over 30 years of experience in the secondary market, and we have implemented literally thousands of loan sale transactions for our customers in a safe and efficient manner designed to meet specific balance-sheet management objectives.

Available Portfolios Provide Solutions to Low Loan Demand and Re-Balancing Needs

The increasing number of institutions who are implementing strategies to sell loans presents an excellent opportunity for those that need to purchase loans in order to enhance returns and supplement organic originations. The chemistry of the market is reaching an ideal balance between portfolio sellers and buyers. As the need to sell loans to positively affect the balance sheet has grown, loan origination volume has begun to plateau as well. Purchasing loans allows investors to acquire loans with a low-risk credit and collateral profile at yields above current market for new originations. The key to safely and effectively investing in whole loan portfolios is to take an analytical and measured approach. Capital Assets views portfolio purchases as transactions in which management’s goal is to quantify and minimize risk — and ultimately, improve the future of the balance-sheet.

PORTFOLIOS AVAILABLE NOW

Portfolio 1 - \$75.8MM Resi 1st Mortgage LIBOR ARM Loan Portfolio Servicing Released

FTN Financial Capital Assets Corporation ("Capital Assets") is the exclusive marketing agent for the sale of a \$75.8MM LIBOR Hybrid ARM Residential First Mortgage loan portfolio. The loans are being offered servicing released on a competitive bid basis. The seller is a well-capitalized, nationally-chartered commercial bank. The loans are collateralized with residential properties located in Texas (57%), Nevada (13%), Utah (12%), California (11%) and three other states (7%). Based on the high FICO scores, modest LTVs and conservative Debt-to-Income ratios, the portfolio appears to have a low risk profile.

Bid Process

The Portfolio is being offered on a competitive bid basis. The bid date is scheduled for September 10, 2019, at 2:00 PM, CDT. The seller reserves the right to reject any or all bids in its sole discretion. All bids must be submitted in writing to Capital Assets.

Flow Opportunity

The seller desires to establish a flow relationship to deliver \$25-50MM of similar product on a monthly basis. Preference will be given to bidders who will agree to purchase loans on a flow basis. Please submit your proposal for flow purchases along with your bid for this loan package.

Highlights		Loan Type	
Principal Balance	\$75,768,088	7x1 Libor ARMs	21.73%
Loan Count	94	10x1 Libor ARMs	78.27%
Avg Loan Balance	\$806,043	Collateral Distribution	
Gross WAC	3.483%	Texas	57.41%
Servicing Fee	0.000%	6 Other States	42.59%
Net WAC	3.483%	Adjustable Rate Information	
WA FICO	765	Margin	2.250%
Contractual WAM	358 Months	Ceiling	9.483%
WA DTI	31.34	Months to Roll	110
Seasoning / LTV		Purpose	
Seasoning	1 Month	Purchase	76.17%
Original LTV	72.64%	Refi-Limited Cash Out	16.93%
Amortized LTV ¹	72.38%	Refi-Cash Out	6.90%
Life of Loan DQ		Owner Occupancy	
0x30 Days	100%	Owner Occupied	93.62%
Property Type		Second Home	4.34%
Single Family	95.48%	Investor	2.04%
Condo	4.52%		

1. Amortized LTV is calculated as the current balance/original appraised value

Portfolio 1 Highlights

- Very high FICO (765)
- Modest LTVs
- Low DTIs
- Offered on a Servicing Released Basis
- Loans fully documented
- \$25MM-\$50MM Monthly Flow Opportunity

Source: FTN Financial Capital Assets Corporation

Portfolio 2 - \$101.3MM Hybrid LIBOR Arms Residential 1st Mortgage Servicing Released

FTN Financial Capital Assets Corporation ("Capital Assets") is the exclusive marketing agent for the sale of a \$101.3MM LIBOR Hybrid Arm Residential First Mortgage loan portfolio. The seller is a well-capitalized, nationally-chartered commercial bank. The loans are collateralized with residential properties located in California (95%) four other states (5%). Based on the high FICO scores, low LTVs, and payment histories, the portfolio appears to have a low risk profile. The portfolio is offered at a dollar price of 102.3397% on a servicing released basis with a BEY of 3.52% at a 15 CPR speed.

Highlights		Loan Type	
Principal Balance	\$101,318,981	7x1 Libor ARMs	33.24%
Loan Count	90	10x1 Libor ARMs	66.76%
Avg Loan Balance	\$1,125,766	Property Type	
Gross WAC	3.844%	Single Family	67.58%
Servicing Fee	0.000%	Condo	13.67%
Net WAC	3.844%	PUD-Detached	13.27%
WA FICO	752	PUD-Attached	1.46%
Contractual WAM	317 Months	2 Family	1.74%
DTI	34.19%	3 Family	2.04%
		4 Family	0.24%
Seasoning / LTV		Collateral Distribution	
Seasoning	43 Months	California	95.13%
Original LTV	66.75%	New York	3.67%
Amortized LTV ¹	63.41%	Nevada	0.88%
Case-Shiller® Updated LTV ²	53.15%	Oregon	0.24%
		Pennsylvania	0.09%
12 Month Pay History			
0x30 Days	100%		

1. Amortized LTV is calculated as the current balance/original appraised value.
2. Case-Shiller® Updated LTV is the current balance/% change based on Case Shiller data x original appraised value.

Portfolio 2 Highlights

- Very high FICO (752)
- Low LTVs
- Perfect 12 month pay history
- Seasoned for 43 months
- 64 months to roll

Source: FTN Financial Capital Assets Corporation

Portfolio 3 - \$42.9MM NY & NJ CRE & Multi-Family Loan Portfolio Servicing Retained

FTN Financial Capital Assets Corporation ("Capital Assets") is the exclusive marketing agent for the sale of a \$42.9MM CRE & Multi-Family loan portfolio. The portfolio is collateralized with properties located in New York (94.44%) and New Jersey (5.56%). The seller is a state-chartered bank located in New Jersey. Based on the low LTVs, seasoning, and clean pay history, the portfolio appears to have a low risk profile.

Highlights		Loan Type	
Principal Balance	\$42,948,783	8 Yr Maturity / 25 Yr Amort	5.56%
Loan Count	16	8 Yr Maturity / 30 Yr Amort	6.57%
Avg Loan Balance	\$2,684,299	10 Yr Maturity / 25 Yr Amort	45.27%
WAC	4.661%	10 Yr Maturity / 30 Yr Amort	37.00%
Servicing Fee	0.250%	20 Yr Maturity / 30 Yr Amort	5.59%
Net WAC	4.411%	Property Type	
Contractual WAM	102 Months	3 Family (3FAM)	8.01%
Debt Service Coverage	1.53	Comm Property - Nonresidential	14.07%
Seasoning / LTV		Comm. Mixed Use	25.61%
Seasoning	22 Months	Multifamily	46.74%
Original LTV	47.12%	Retail	5.56%
Amortized LTV ¹	45.24%		
Pricing			
Price	103.25%		
BEY	4.250%		
CPR ²	0		

1. Amortized LTV is calculated as the current balance/original appraised value.
2. Assumed Zero CPR due to Prepayment Penalty Structures.

Portfolio 3 Highlights

- Seasoned almost two years
- Low LTVs
- Perfect 12-month pay history
- Waterfall pre-payment penalty structures (basis for 0 CPR Speed)
- 1.53% DSCR

Source: FTN Financial Capital Assets Corporation

Summary

Capital Assets is one of the nation's largest and most experienced volume dealers in loan portfolio sales and purchase transactions. As a result, we have developed an extremely cost effective, turn-key method of conducting loan sale transactions while minimizing long-term contingent risks. If you are interested in one of the above portfolios or would like to explore how to utilize loan sales/purchases as part of a defined balance sheet management plan, please do not hesitate to contact your FTN Financial account representative or contact me directly at 1-866-561-5041.

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