Whole Loan Investment Report

September, 2016

Whole Loan Investments - Environment

Today in Residential Lending...

You're either "Banked" or "*UnBanked*"

- Banked borrowers get money at 3%
- *UnBanked* get 7% plus
- There's no direct relationship between loan rate and risk
- Regulators have taken over, perverting lending

Macro - Housing is on solid footing:

- ✓ Home inventories are low
- ✓ Mortgage rates are low
- ✓ Credit guidelines are tight

The Fed has your back on Housing

Whole Loan Investments – Examples / Returns

Examples of residential loans for the *Unbanked*

- Non-owner occupied (properties bought for investment)
- Non-QM*
- Rehab (existing properties needing new kitchen, baths, cosmetics)
- Construction (builder owns land, needs to put up home)

	Note rates**	LTVs	Ficos	Loan Term
Non-Owner	6 - 7%	62	718	60 - 120 months
Non-QM	7 – 9%	65	695	60 – 360 months
Rehab	8 - 10%	65 (1)	720	12 months
Construction	10%	70 (2)	700	12 months

* This variety - Owner occupied borrowers with less than perfect credit

** Excludes cost of servicing, includes credit risk

(1) On after-repaired value (ARV)

(2) On completed value

Securitization can bolster returns on longer duration products

Whole Loan Investments – Strategies / Skills

Three Loan Investment Strategies:

- Buy & Hold – Purchase the loans in the name of the investor
- Partner (Co-Invest) – Stand beside the originator/servicer
- Finance – “Repo” assets for the originator to capture economics

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Summary of Skills Required (beyond core asset management):

- Familiarity with loan pricing, financing, securitization & credit
- Capability to source loans and build relationships
- Understanding the lending industry and possible pitfalls
  - ➢ Full analysis of skills / infrastructure required upon request

⟹ **Experience**

Considerations: control, commitment and risk

About the Author / Notice

David Akre Work Experience Summary:

- Buy Side PM – 15 years experience purchasing & managing loans
- Capital Markets – 30 years total experience in capital markets
- Outstanding Credit History – One of industry best (next page)
- Deep knowledge / experience with lending & servicing operations
- Vast industry contacts

Contact Information

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David Akre Credit Performance at New York Mortgage Trust ("NYMT")

Timeline

- Was responsible for the loan securitization program and credit guidelines at NYMT
- Increased borrower reserve requirements in October 2005, counter to industry trends
- Ceased securitization program in March 2006 to address worsening credit

Performance (NYMT 2005 Securitizations – 3 prime hybrid ARM deals totaling $884mm)

- NYMT losses are <u>31% of industry</u>

How NYMT compares with well known issuers:

2005 Vintage Prime Hybrid ARMS

Issuer	Shelf	Cumulative Loss (bp)	NYMT Losses Lower By
New York Mortgage Trust	NYMT	135	-
Wells Fargo	WFMBS	180	25%
JP Morgan	JPMMT	200	33%
Thornburg Mortgage	TMST	210	36%
Goldman Sachs	GSR	280	52%
Merrill Lynch	MLMI	280	52%
Washington Mutual	WAMU	320	58%
Citigroup	CMLTI	320	58%
Bear Sterns	BSARM	390	65%
Bank of America	BOAMS	430	69%
Chase Mortgage	CHASE	510	74%

Data as of July 25, 2016 per J.P. Morgan Securities LLC, and Loan Performance.