

# **Mortgage Risk Analysis & Strategy:**

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**Chairman**

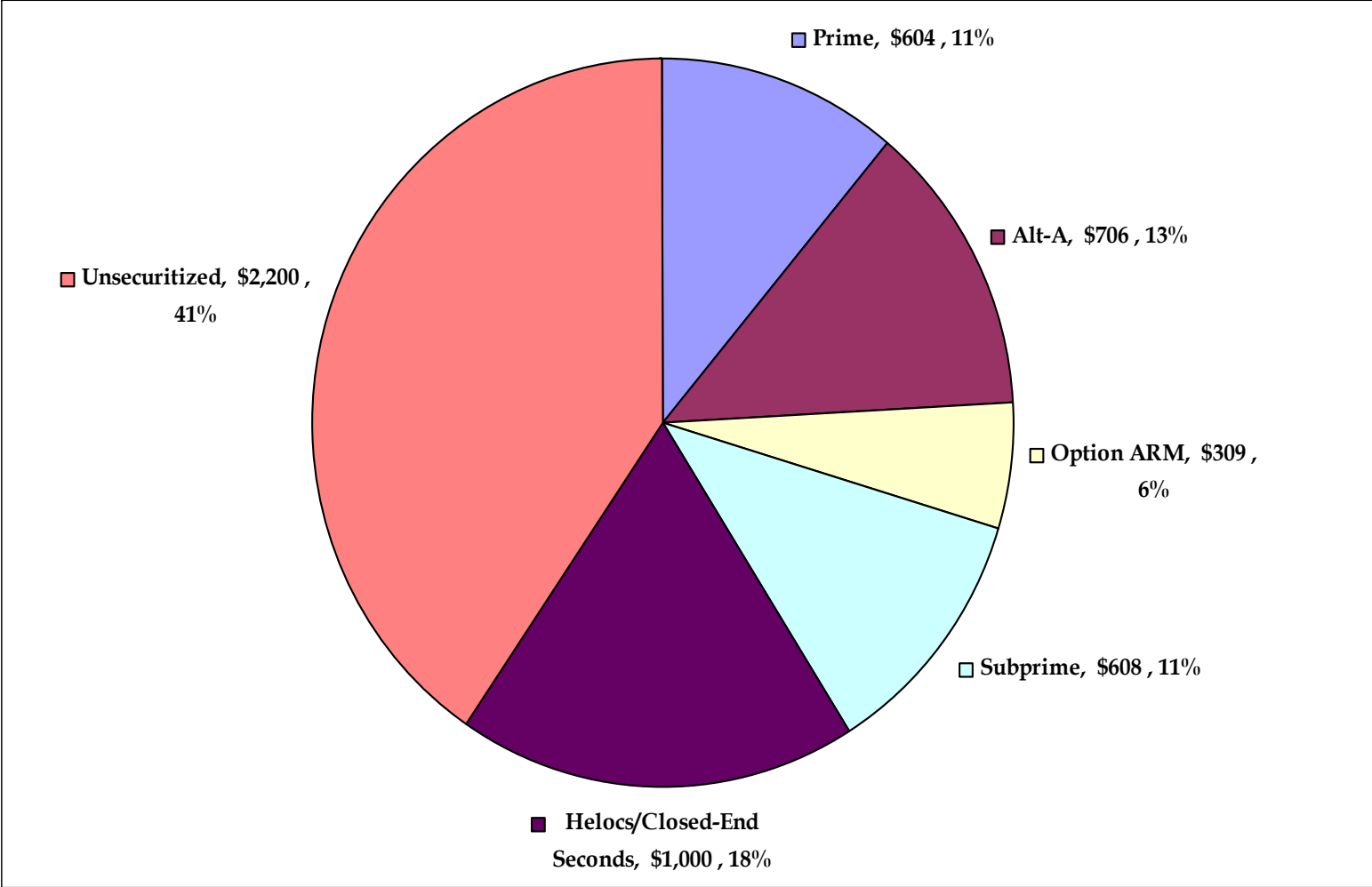
**Jefferson National Financial**

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# Size of the Residential Mortgage Market

Total Outstanding Residential Mortgage Universe: \$10.6 Trillion

- ◆ Agency: \$5.2 Trillion
- ◆ Non-Agency: \$5.4 Trillion



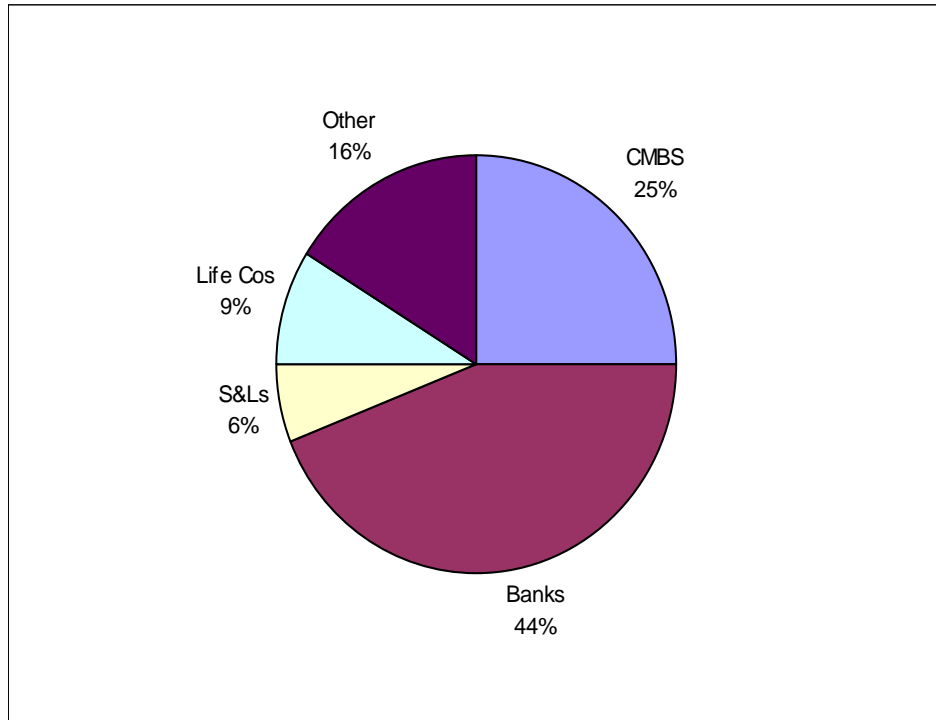
Source: Credit Suisse, LoanPerformance

## Size of the Commercial Mortgage Market

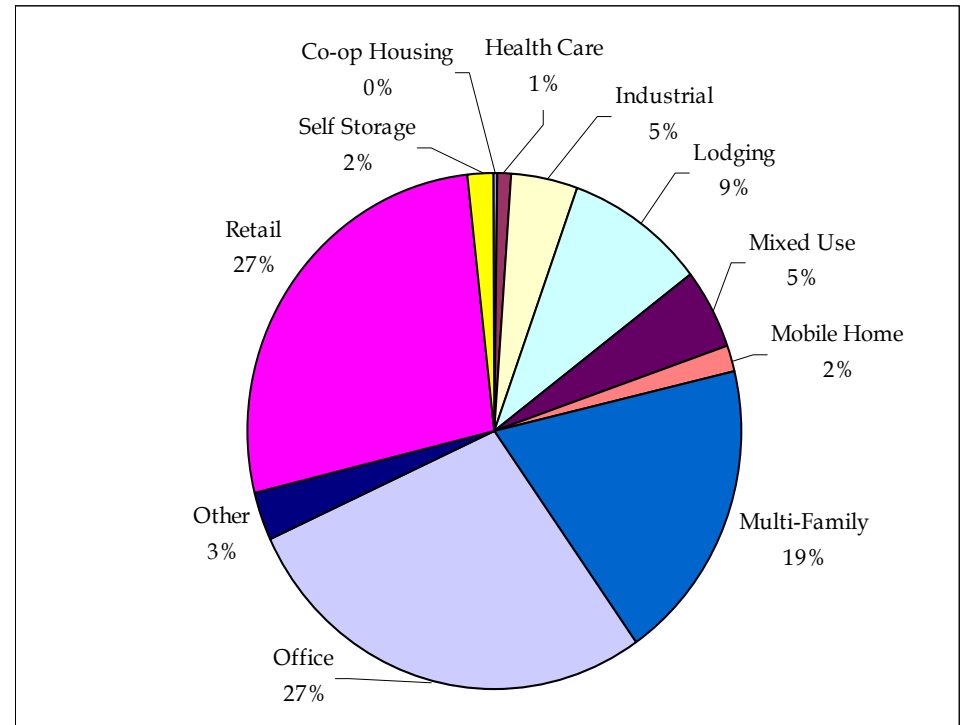
Total Outstanding Commercial Mortgage Universe (CMBS and CRE): \$3.5 Trillion

- ◆ CMBS: \$818 Billion
- ◆ Unsecuritized CRE loans: \$2.7 Trillion

Total Commercial Real Estate Loans (\$3.5 Trillion)

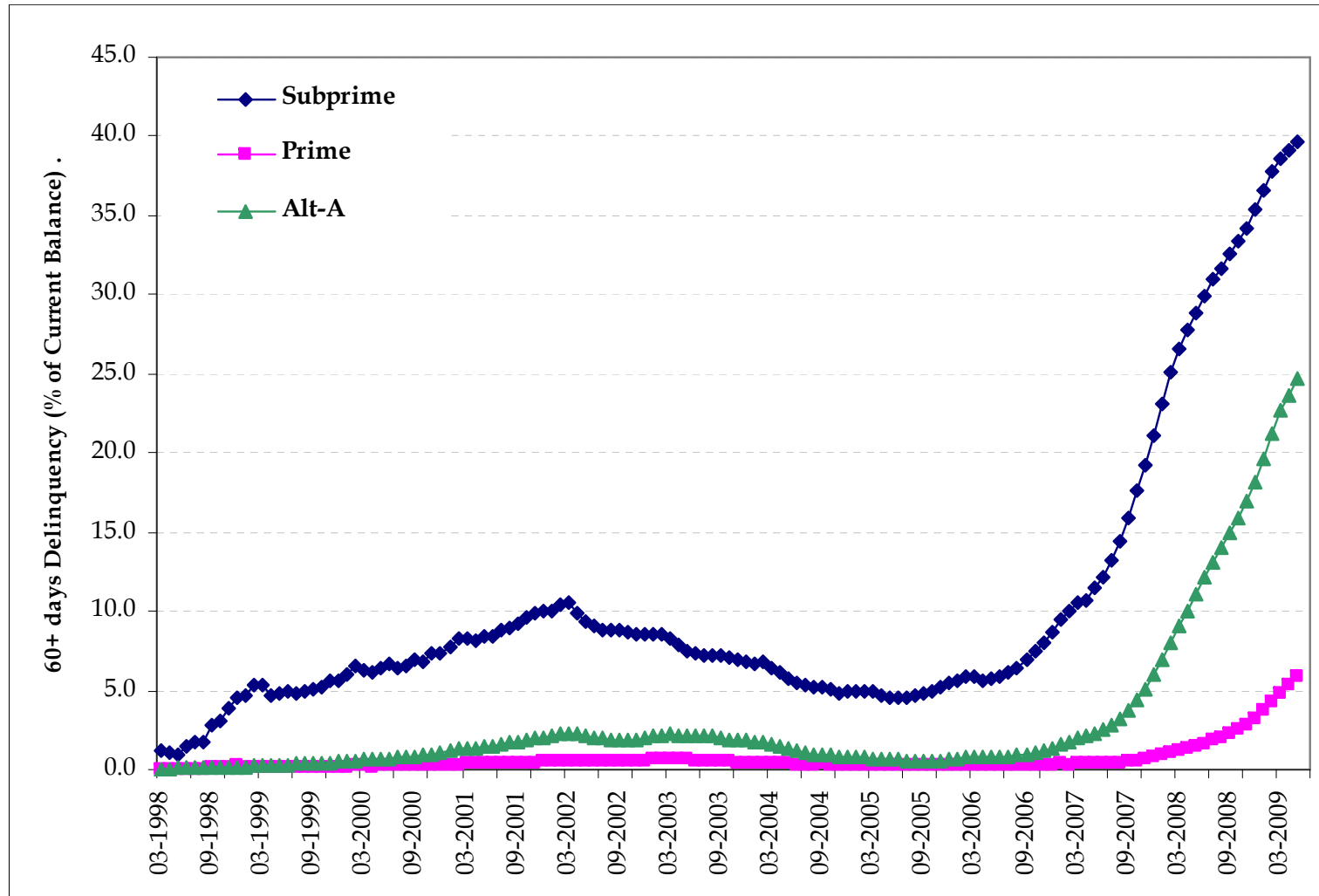


CMBS by Property Type



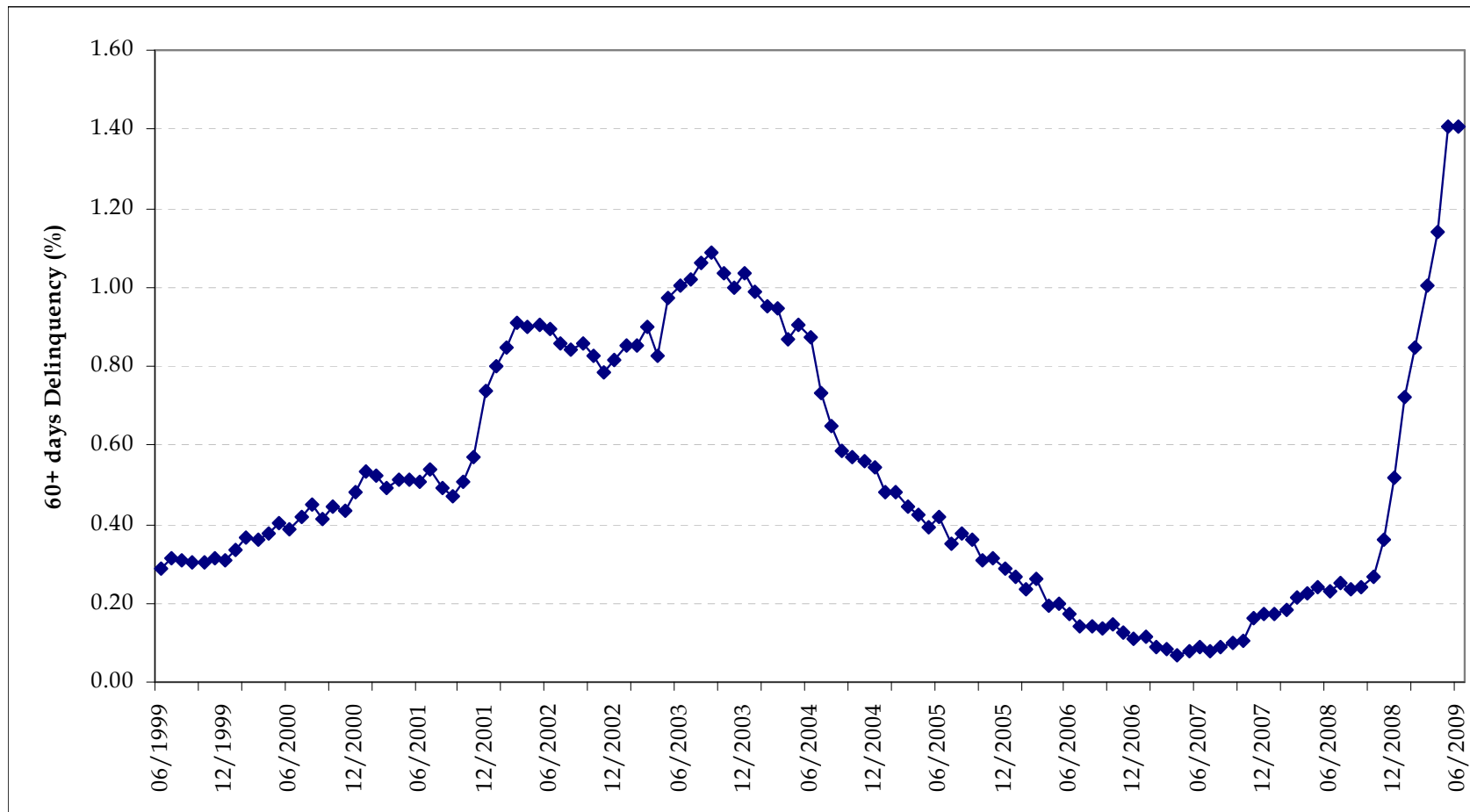
Source: Fed Data, Bank of America, CMSA

# Residential Mortgage Delinquency



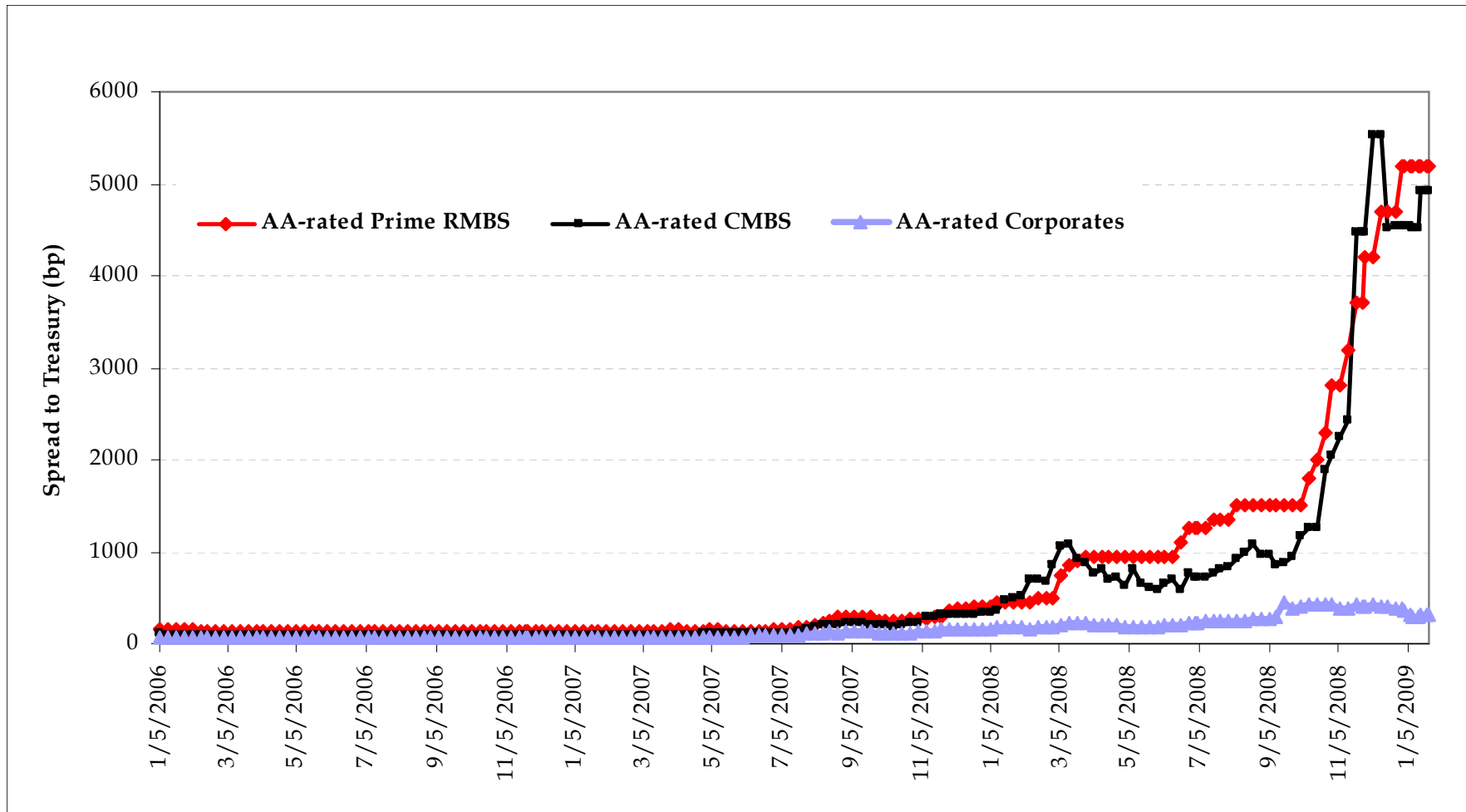
Includes Foreclosure and REO; Source: LoanPerformance

# Commercial Mortgage Delinquency



Source: Intex, Stifel, Nicolaus & Co)

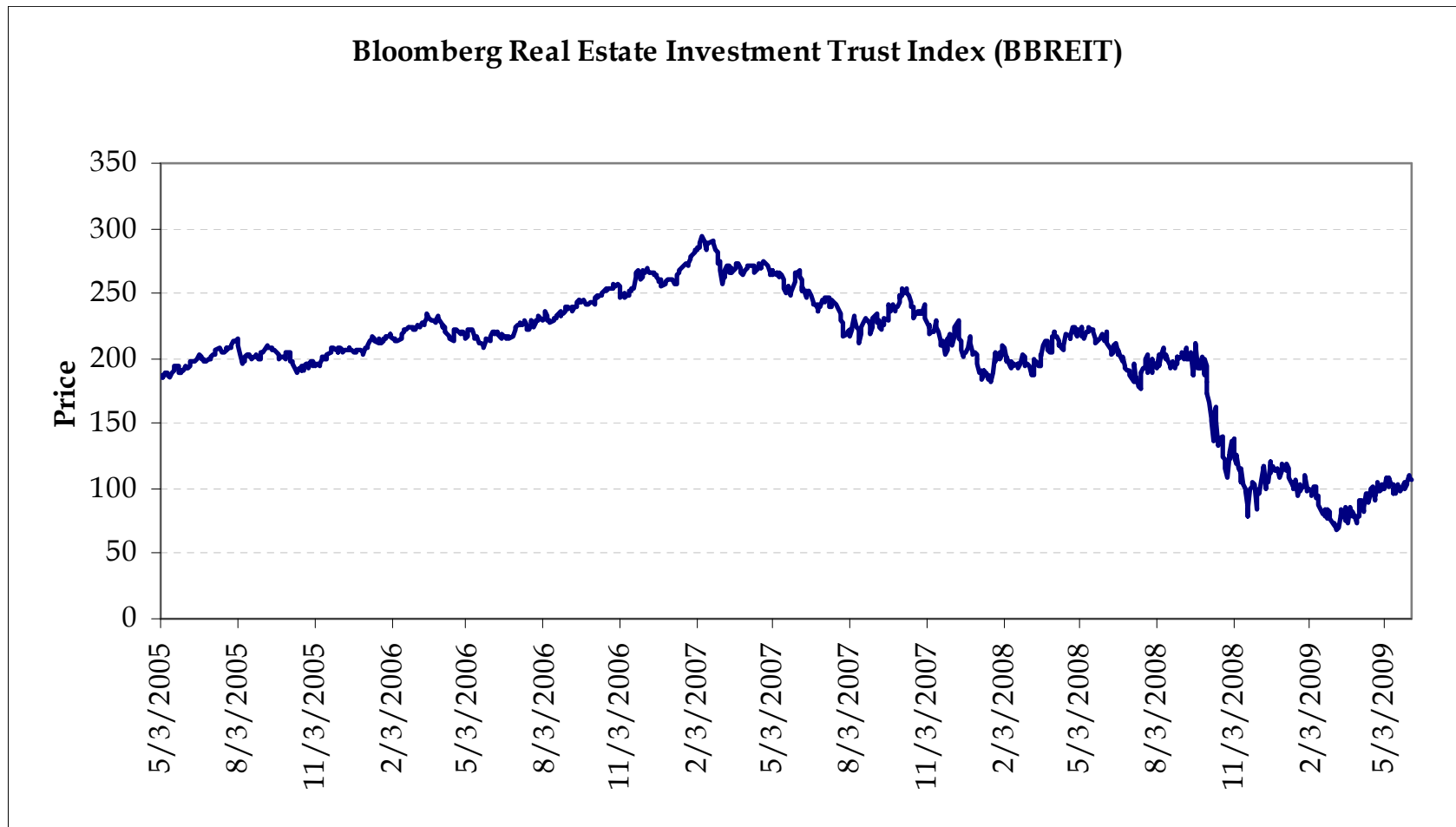
## Fixed Income spreads are at historic levels



Indicative spreads; Spread to Treasury; 7-10 Year Maturity

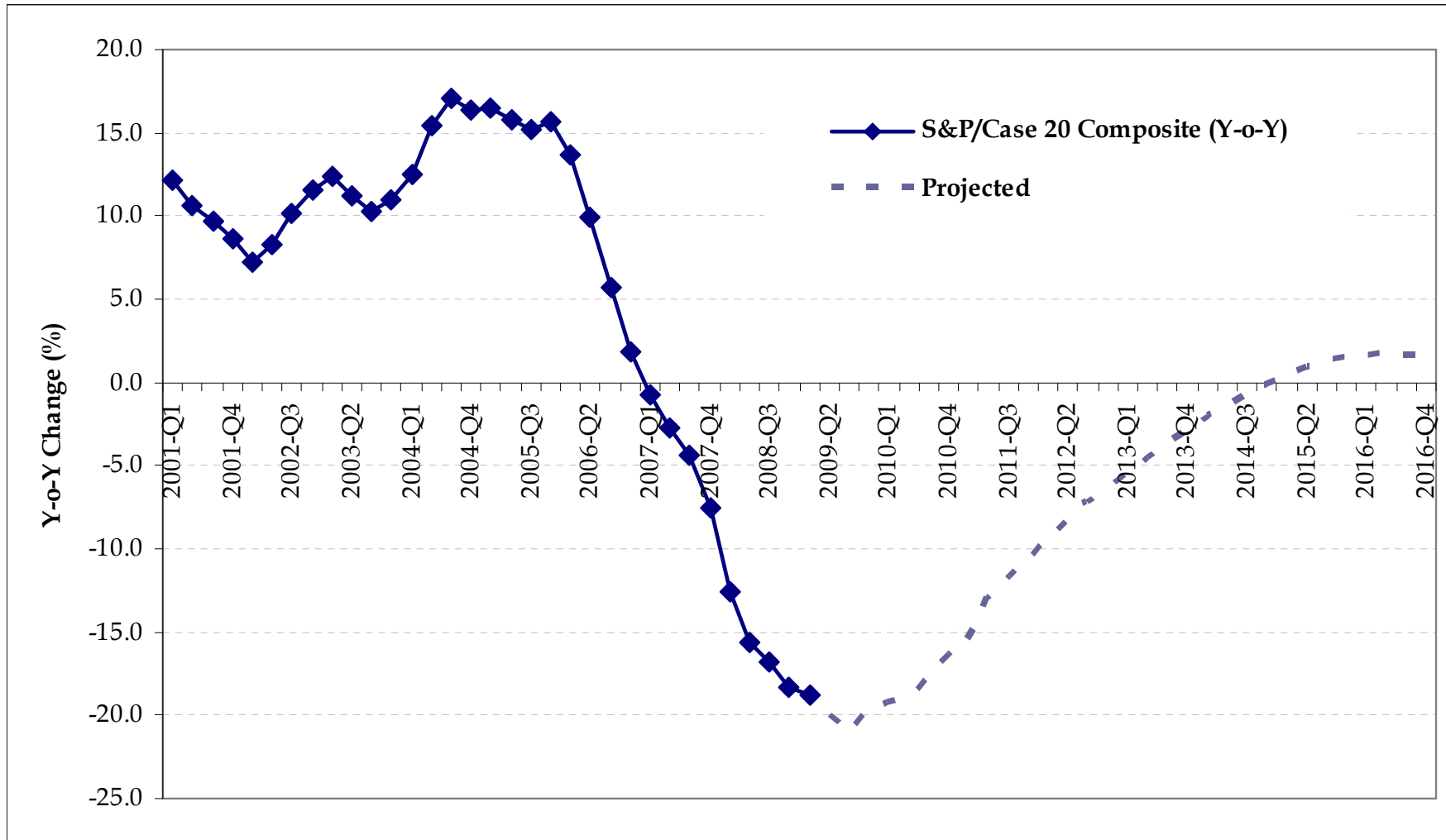
Source: Bloomberg, Credit Suisse

## REIT Performance



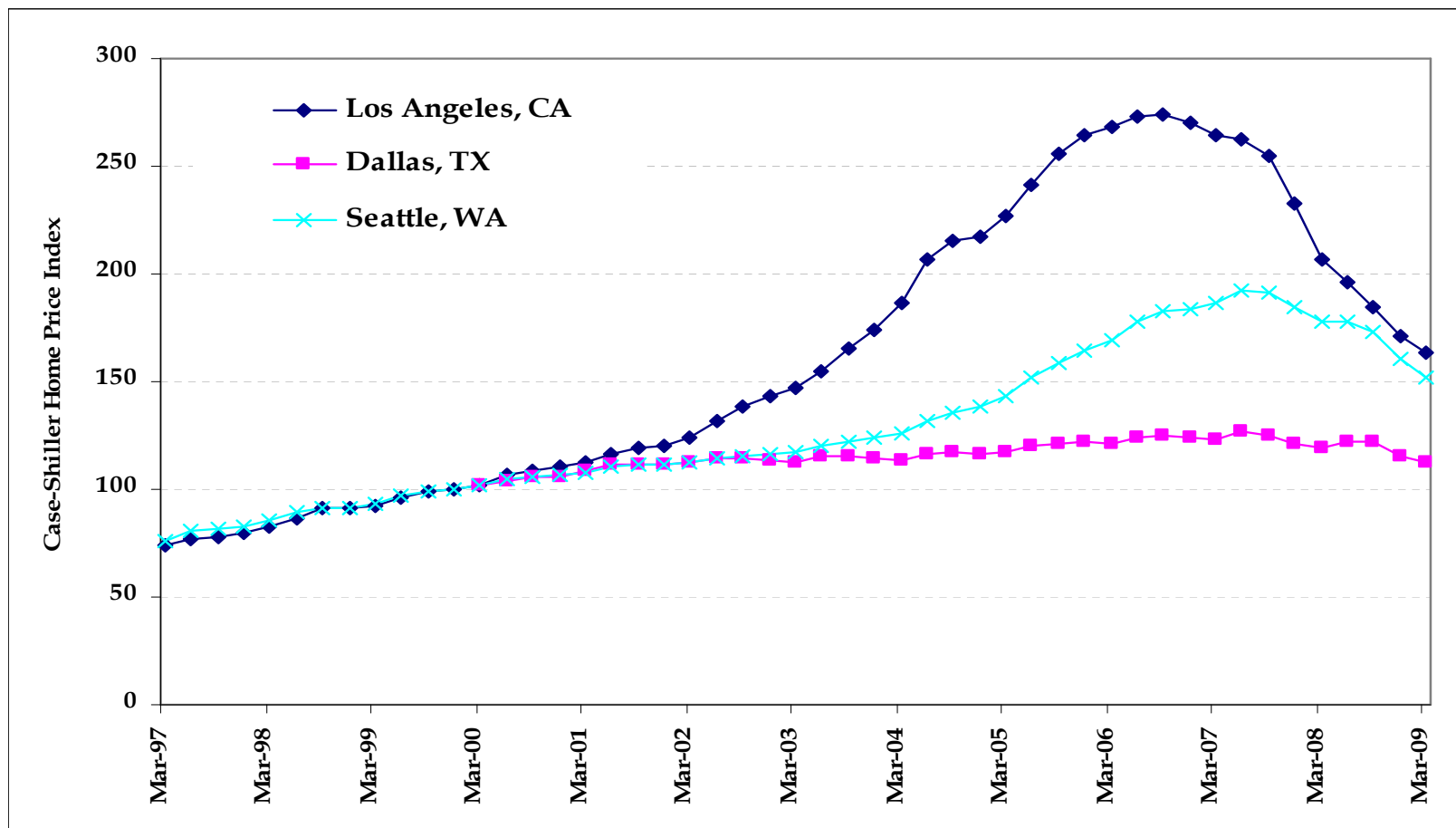
Source: Bloomberg

# Home Price Index



Source: Case-Shiller, JNF Asset Management

# Home Price Index



| MSA/ Year       | Median Home Price/Median Income Multiple |       |      | Home Price Index         |                                      |
|-----------------|--|-------|------|--------------------------|--------------------------------------|
|                 | 2006                                     | 2007  | 2008 | Peak-to-Trough (2009-Q1) | Estimated Further Home Price Decline |
| Dallas, TX      | 2.24                                     | 2.39  | 2.24 | -11.13%                  | -0.5% to -1.0%                       |
| Seattle, WA     | 4.86                                     | 5.12  | 4.39 | -20.74%                  | -2.0% to -4.5%                       |
| Los Angeles, CA | 12.62                                    | 12.56 | 8.92 | -40.44%                  | -15.0% to -20%                       |

Source: Case-Shiller, JNF Asset Management

## Government Programs

### ❑ **Term Asset-Back Loan Facility (TALF)**

- ❑ The Federal Reserve Bank of New York (FRBNY) has created the TALF program to improve market conditions by facilitating the issuance of asset-backed securities (ABS) to help consumers and small businesses meet their credit needs
- ❑ TALF will provide U.S. government non-recourse and non-mark-to-market financing for new issue AAA rated ABS backed by credit card receivables, auto loans and student loans
- ❑ Through June, \$37.85 billion of TALF-eligible deals have been brought to market

### ❑ **Public-Private Investment Program (PPIP)**

- ❑ The U.S. Treasury has created PPIP to help rid the balance sheets of banks and other financial institutions of legacy mortgage-backed securities and whole loans.
- ❑ The program encourages private investors to capitalize on the dislocation of the credit markets by providing government equity and attractive financing
- ❑ Initially at least 5 asset managers will be chosen to raise funds for PPIP. Each manager must raise \$500 million of private equity and the Treasury will match the private equity contribution dollar-for-dollar
- ❑ The Treasury will additionally provide up to 100% leverage on the total equity of the fund making the potential returns to private investors even more attractive