Proprietary Product Innovations and Opportunities

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Proprietary Loan History

$5+ billion of proprietary loans originated life-to-date

7 securitizations for $3 billion

- Additional $2-3 billion of proprietary loans never securitized
- $765 million current outstanding balance
- $56 billion of HMBS outstanding – for comparison

Trust	Original Balance	Current Balance
SASCO 1999-RM1	$317,000,000	Paid off 6/14
SASCO 2002-RM1	$291,000,000	Paid off 1/14
SASCO 2005-RM1	$504,000,000	Paid off 5/16
SASCO 2006-RM1	$599,000,000	$ 75,000,000
SASCO 2007-RM1	$701,000,000	$298,000,000
SHAP 2013-RM1	$193,000,000	$119,000,000
TMFT 2017-RJ1	$275,000,000	$273,000,000 est.

Proprietary Loan Investor Performance

Proprietary loans are paying at 13% CPR

- This remains below the 18% historical average

Many of the SASCO bonds were downgraded but…

- The securities have all withstood the original stress test of 30%+ immediate drop in home prices
- The downgrades occurred primarily as a result of the rating agencies recalibrating their home price assumptions *down another 30%*

There have been *no realized losses or writedowns* of bonds

Proprietary Product Current State

Product development driven by investor requirements, not borrower demand

- Early HECMs had Fannie Mae to thank
- Ginnie Mae created new investor demand with HMBS

Risk/return analysis is key to success

- Proprietary product is self-insured
- Structure must withstand losses yet still provide meaningful returns
- Long gestation period another factor

With bond pricing validation comes product improvement

Proprietary Becomes Competitive

- **As HECM Principal Limits are reduced, the home value at which self-insured proprietary products become competitive drops**
- **A reduction in MCA would lower indifference points further**

Borrower Age	MCA	Mid 2000s Indiff Point	2014 HECM Indiff Point	2017 HECM Indiff Point
62 – 90+	$679,650	--	$1.5mm-$0.9mm	$1mm-$0.6mm
62 – 90+	$417,000	--	$1mm-$0.6mm	$0.7mm-$0.4mm
62 – 90+	$217,000	$0.5mm-$0.3mm	--	--

Questions?