
From: Barrett, Paul S <[REDACTED]>
Sent: Wednesday, February 6, 2013 2:24 PM
To: Jeffrey Epstein
Cc: Ens, Amanda; Weissend, Renee E
Subject: FW: HY PRIME RMBS #1 - \$5.70mm of SEMT 11 B1 @ \$74-16 (6.51% yield/ 6.20 durn)

Let me know on this

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From: Barrett, Paul S
Sent: Tuesday, February 05, 2013 4:15 PM
To: 'Jeffrey Epstein'
Cc: Ens, Amanda; Weissend, Renee E
Subject: HY PRIME RMBS #1 - \$5.70mm of SEMT 11 B1 @ \$74-16 (6.51% yield/ 6.20 durn)

Jeffrey

The mortgage from this morning traded away at a higher price. I think this is also interesting.

Spend \$750K.

Let me know.

Paul

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THE BOND:

The SEMT 11 B1 is a Prime subordinate floater (1ML + 145.5bps) backed by 125 month seasoned vanilla ARM mortgages. This bond has 4.03% credit enhancement vs 12.03% 60+ delinquencies, for a 0.33x coverage ratio.

THE COLLATERAL:

The pool consists of 165 loans that are 125 months seasoned with an average updated LTV of 53%. The average balance of the loans is \$238 – this coupled with the low updated LTV should result in both low CDRs and Severities.

THE STORY:

For investors looking for a housing recovery play backed by seasoned Prime collateral, this bond offers a great convexity story levered to prepayments and overall homeowner performance.

Please call the desk with all bids/inquiries related to this bond. X32124

HIGHLIGHTS

- HPI Updated LTV = 53%
- 78% of the borrowers have not missed a payment in the past 2 years
- 125 months seasoned
- 723 FICO
- \$238k average balance

**Source: Bloomberg

SEMT 11 B1 Offered @ 74-16

BOND DESCRIPTION

Prepay Rate

5 CPR

8 CPR

12 CPR

Cusip:

81744AAB4

Default Rate

1 ramp 20 3 3 ramp 12 2 CDR

1 ramp 20 3 3 ramp 12 2 CDR

1 ramp 20 3 3 ramp 12 2 CDR

Original Face:

5,700,000

Default Severity

45 ramp 36 40

40 ramp 24 35

35 ramp 18 30

Current Face:

1,060,043

Delinq Rate

12 Percent

12 Percent

12 Percent

Bond Type:

Prime Sub Floaters (1ML +145.5 bps)

Delinq Advance (% of P&I)

100

100

100

Ratings (S&P/Moodys/Fitch):

B-/Caa1/B

Current Coupon:

1.660%

Yield @ Base Case

6.510%

Price @ 74-16

Stress Case

Base Case

Recovery Case

WAL @ Base Case

8.19

Yield

3.520

6.510

7.639

Principal Window @ Base Case

Feb13 to Nov32

Spread over Tsy

191

473

584

Writedown %

10.89%

Duration

5.80

6.20

6.28

Current Credit Enhancement:

4.03%

WAL

7.32

8.19

8.25

60+ Delinquencies

12.03

Principal Window

Feb13 to Nov32

Feb13 to Nov32

Feb13 to Nov32

60+ Delinquency Coverage

0.33x

Principal Writedown

30.94%

10.89%

0.08%

Total Collat Loss

0.49%

0.43%

0.37%

UNDERLYING COLLATERAL DESCRIPTION

Total Liquidation

11.80%

10.54%

9.04%

Average Loan Balance (\$,000s)

238

Loan Count

165

HISTORICAL PERFORMANCE

Mortgage Type

Prime Vanilla ARMs

1 MOS

3 MOS

6 MOS

Wtd Avg Mortgage Coupon

2.176%

CPR

0.52

25.69

18.14

Wtd Avg FICO Score

723

CDR

0.00

0.00

0.00

Wtd Avg Orig Loan-to-Value

59.56%

SEV

NA

NA

NA

HPI Adj LTV

53.22%

Weighted Avg Loan Age

125

Owner Occupied

87.86

Top 1 Geo Concentration

FL 21%

Top 2 Geo Concentration

NY 10%

Top 3 Geo Concentration

GA 9%

Always Current (24 mos)

78.37%

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- All investments are subject to possible loss of principal
- Non-Agency bonds may have limited liquidity and clients should be aware that the secondary market for mortgage-backed securities has experienced periods of illiquidity and may do so in the future. Illiquidity means that there may not be any purchasers for your class of certificates. Although any class of certificates may experience illiquidity, it is more likely that classes that are lower in the capital structure and non-investment grade related may experience greater illiquidity than more senior, investment-grade rated classes.
- High Yield Non-Agency bonds are speculative non-investment grade bonds that have higher risk of default or other adverse credit events which are appropriate for high risk investors only

Non-Agency bonds are intended for clients with a minimum total net worth of \$50mm. Please make sure your client fulfills this requirement before soliciting this order.

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Kevin Lynn
Vice President | JPMorgan Securities

Fixed Income Trading



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