RAYMOND JAMES

WHOLE LOAN MARKET UPDATE
COMMUNITY DEPOSITORY LENDING

November 2018

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FIXED INCOME WHOLE LOAN TRADING

RAYMOND JAMES

INTRODUCTION

FIXED INCOME WHOLE LOAN TRADING

WHO IS RAYMOND JAMES?

- **High Quality Analytics.** Our day to day business is the analysis of loan portfolios. **In 2017, we analyzed over 1,100 portfolios**. We have found that many depositories will spend countless hours reviewing their investment portfolios but will largely ignore their lending portfolios, despite the fact that the loan portfolio is often several times larger than their securities portfolio. We focus on the following items (but not limited to) when analyzing portfolios in an effort to summarize your portfolio with a concise management report:
  - Interest rate risk
  - Property value analysis
  - Credit risk
  - Refinance / Prepayment risk
  - Pricing and rate shock analysis
  - Servicing values
- **Experience.** On average, the tenure of our trading desk is 18 years of experience in loans. Similarly, the average tenure of our dedicated loan sales team has over a decade of experience. Collectively, our team has over 275 yrs in the business.
- **A Buyer of Loans.** We are a principal purchaser of residential, 1-4 family assets. We are an active purchaser of pools of fixed or adjustable rate, newly originated or seasoned, fully documented and performing loans. We have provided our clients with a source of liquidity for their loans, even throughout the mortgage / economic crisis, and are a constant presence in the secondary market.
- **We Source Deals.** Through the calling effort of our sales force and the analytics provided above, we come across packages of loans that our clients want to trade in the secondary market. We strive to offer packages of loans that we feel have value and have a high likelihood of trading. **From 2015-2017 we've completed over 700 trades for roughly $15bn in loans sold.**
- **Service and Underwriting.** We believe in providing a high level of customer service and offer our extensive expertise in underwriting loans. Our desk can underwrite a potential portfolio for you to purchase and provide loan level underwriting feedback. This helps all parties completely understand the portfolio being marketed for sale.
- **Contracts and Legal.** Due to the large volume of deals Raymond James has facilitated over the years, we have developed comprehensive legal documents to help simplify the transaction process. This provides our clients with a starting point to work closely with their own legal counsel to come to a successful set of agreements that both parties can mutually agree upon.
- **Funding / Closing.** We maintain a mortgage funding and closing department. We assist our clients in the accounting for closing balances, accrued interest, and post-closing documents, as well as scheduling servicing transfer calls when necessary.
- **Products We Cover.** We cover a vast array of products to service our customers. Please contact your sales representative if there is interest in analyzing your portfolio or if you have interest in purchasing or selling pools of loans. The following product types are commonly analyzed (but not limited to).

- Residential – 1st lien mortgages (jumbo & conforming balances)
- Residential – 2nd liens (open or closed end)
- FNMA/FHLMC servicing packages
- Commercial / MBLs
- Consumer – Automobile, RV, Boat, ATV
- Solar / Home Improvement
- Taxi Medallions
- Credit Cards
- Merchant Processing
- Non performing assets

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TALKING POINTS

FIXED INCOME WHOLE LOAN TRADING

MORTGAGE RATE SUMMARY – RATES ON THE RISE

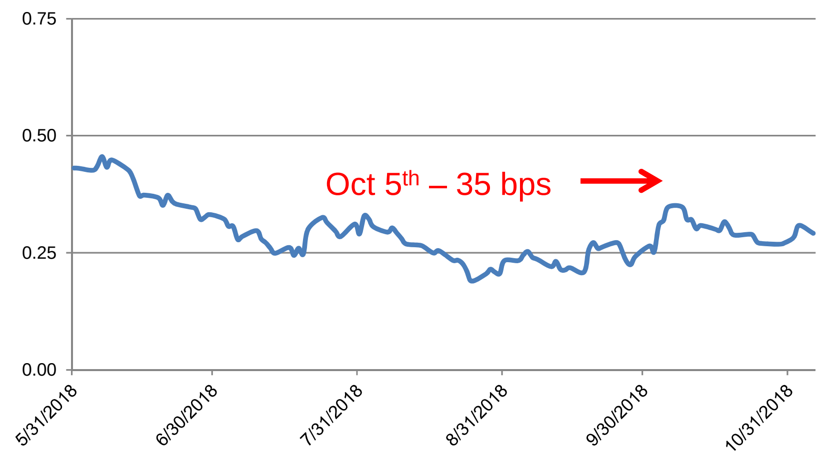
- The Wall Street Journal sums it up mildly with the headline "Tough Times Ahead for Housing". Rising rates, rising costs, shrinking inventory, mortgage rates near 7 year highs, all spell headwinds in the resi world.

https://www.wsj.com/articles/tough-times-ahead-for-housing-1537371393

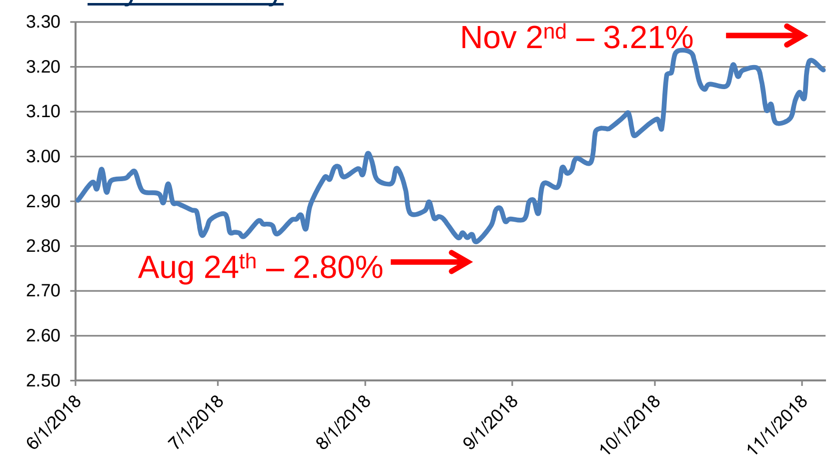
- Originators find themselves in a moment of truth. Continue to see volumes shrink by making FNMA/FHLMC loans or widen out credit to tap into the underserved, possibly more risky, borrower.
- Per the MBA: "The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($453,100 or less) remained unchanged at 5.11 percent"
- "The average contract interest rate for 5/1 ARMs decreased to 4.33 percent from 4.47 percent"
- "The average contract interest rate for 15-year fixed-rate mortgages increased to 4.55 percent from 4.50 percent".

https://www.mba.org/2018-press-releases/september/mortgage-applications-increase-in-latest-mba-weekly-survey

2yr Treasury / 10yr Treasury – Spread

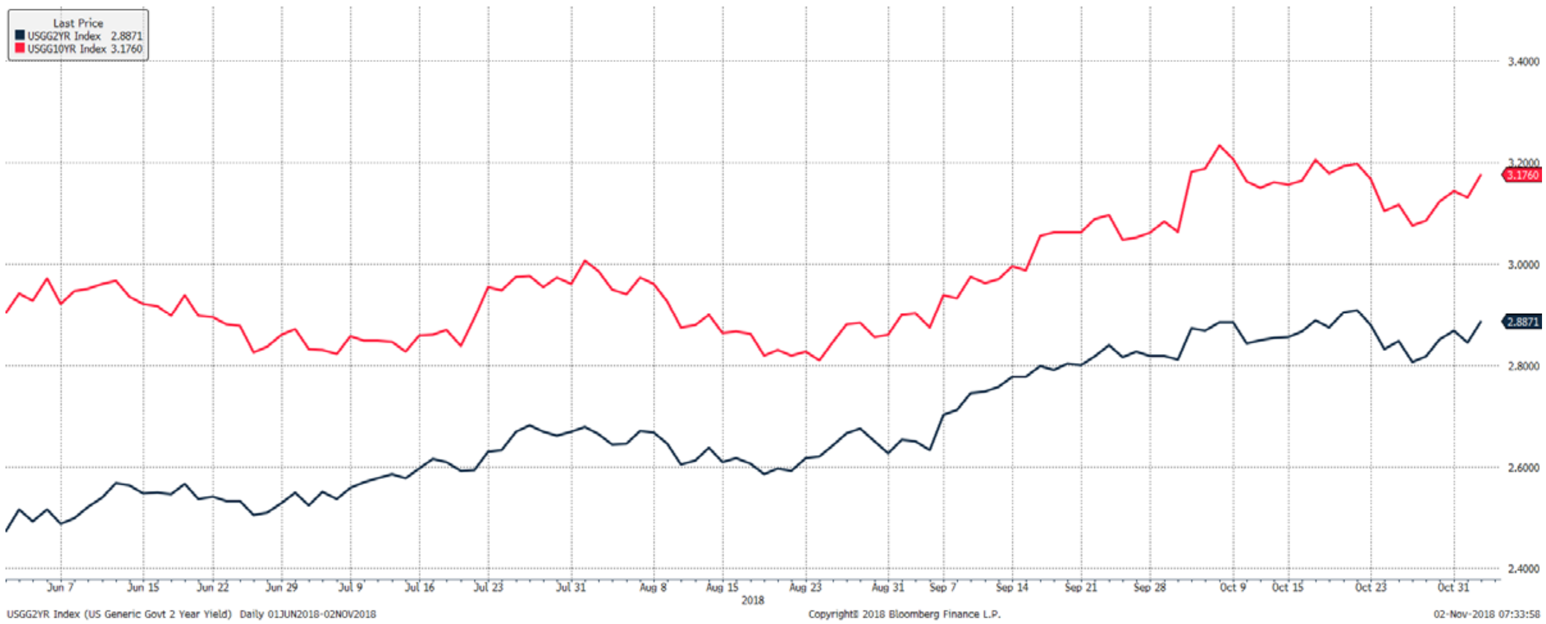


10yr Treasury



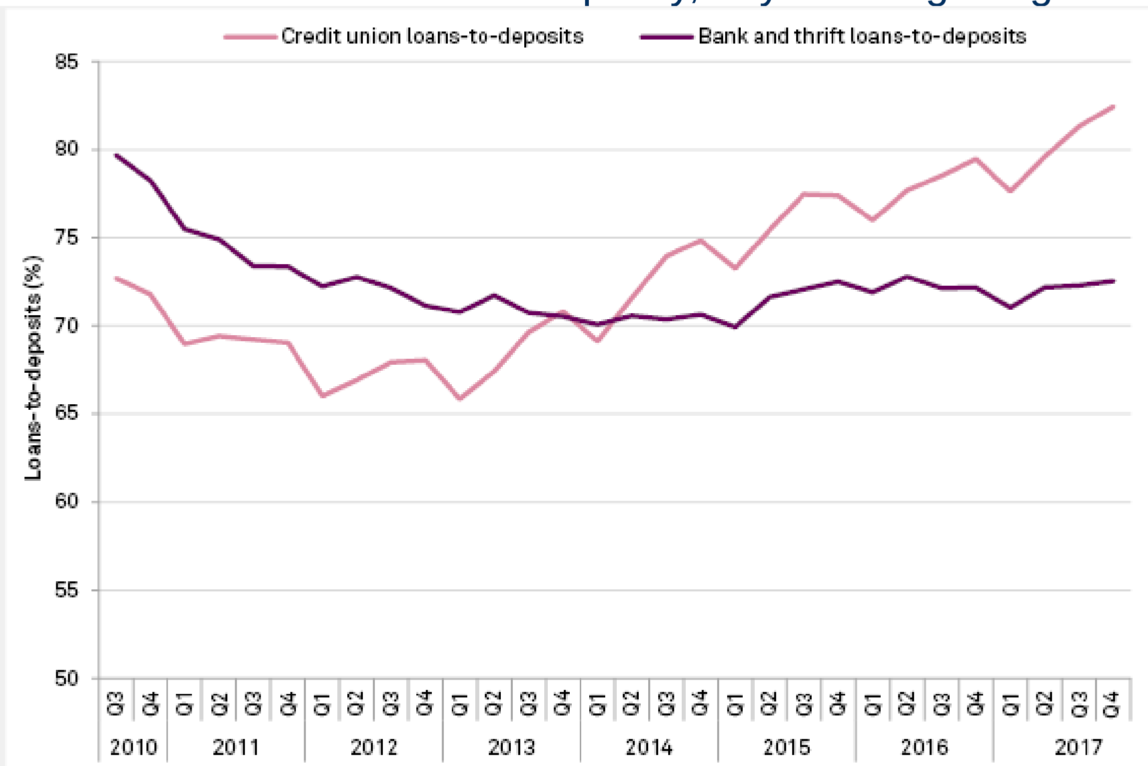
TALKING POINT – RATES NOT HELPING LIQUIDITY

- Rates continue to move against us. THIS DIRECTLY IMPACTS PRICING ON POOLS. Consider since June 1st we have had a hike on June 14th and Sept 27th
  - 2yr treasury up 42bps (was 2.47% – now 2.89%)
  - 10yr treasury up 28bps (was 2.90% – now 3.18%)
- The Fed has been fairly transparent in its rate forecast. Most economists are calling for a hike in December, another in March and another in June.
- Where do you think rates will be 6 months from now?

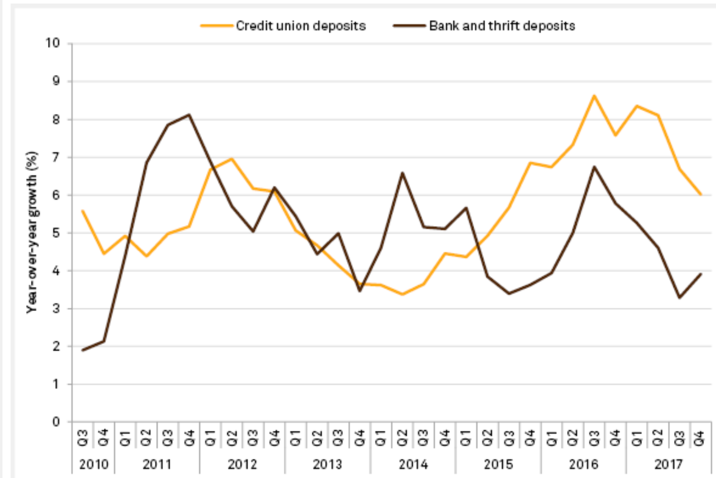


TALKING POINT – HOW DO YOU CONTINUE TO GROW?

- Loan to Share / Loan to Deposit ratios are climbing
- And this couldn’t come at a worse time
- Deposit costs are skyrocketing. Next dollar of marginal deposit? 2.00%? Higher?
- Just as sellers need the liquidity, buyers are getting full



Data compiled March 15, 2018.
Based on regulatory filings by U.S. commercial banks, savings banks, savings and loan associations, and credit unions.
Source: S&P Global Market Intelligence



TALKING POINT – COST OF DEPOSITS?

Online Savings

Our interest works in your best interest.

1.90% Annual Percentage Yield

On all balance tiers

Open Account

SPECIAL RATE 15-MONTH CD

2.75% APY*

$2,000 minimum opening deposit

savings	2.12%
6m CD	2.05%
12m CD	2.50%
18m CD	2.60%
2yr CD	2.75%
3yr CD	3.00%
4yr CD	3.05%
5yr CD	3.10%

Minimum to earn APY:

$1

Annual Percentage Yield:

1.95%

Monthly Service Fees:

None

4% Premium Checking

Earn up to $1,200 a year in interest, just for regularly using your checking account. Now that's what we call redefining banking.

Find Out More

0.01% interest rate making your savings slow? **Change to 2.15% APY [1] and watch it grow.**

Get 2.15% APY[1] on balances of at least $25,000 OR monthly deposits of $100 or more.

CDs

Get yourself a raise.

2-Year Raise Your Rate CD

2.50% Annual Percentage Yield

If our rates go up, yours can, too.

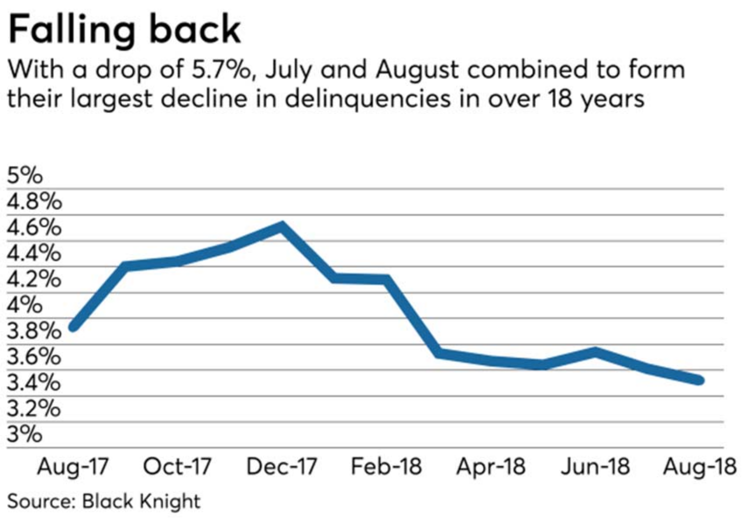
TALKING POINT – CREDIT ISN'T THE PROBLEM

- The economy is humming.
- Per Bloomberg: "Consumer confidence is at its loftiest level in 17 years, unemployment is near a 50-year low and household wealth—fueled largely by those who own stocks or property—rose by $2.19 trillion to hit a record $106.9 trillion in the second quarter."
- Credit scores highest ever! New record is 704.

https://www.bloomberg.com/news/articles/2018-09-24/american-credit-scores-hit-a-new-high

- DQs 12 year low, between July and August saw largest decline in 18 years.

https://www.nationalmortgagenews.com/news/delinquent-mortgages-fall-to-12-year-low-but-hurricane-florences-impact-looms



TALKING POINT – THE RESIDENTIAL CREDIT BOX

- We aren't back to 06' but we are moving in that direction slowly
- Some of those legacy sins are coming back – and that's not ALL bad.
  - Lesser doc loans (stated income / bank statement / asset depletion)
  - Low equity loans (low down payment, high mortgage insurance)
  - Recent credit event loans (missed mortgage payment, BK, FC)
- Presently there is a bill working through congress with bipartisan support to help self employed or "gig" economy works and small business owners get a mortgage

https://www.washingtonpost.com/realestate/bill-would-aid-mortgage-applicants-who-rely-on-the-gig-economy-for-earnings/2018/09/04/fc0d663e-b061-11e8-a20b-5f4f8

- Non banks are reducing credit guides for super jumbos. "Caliber Home Loans rolled out Elite Access, with a $3 million limit that allows for a 95% LTV with no mortgage insurance and 700 credit score. The Dallas-based lender cited rising home values as one reason for creating the product."

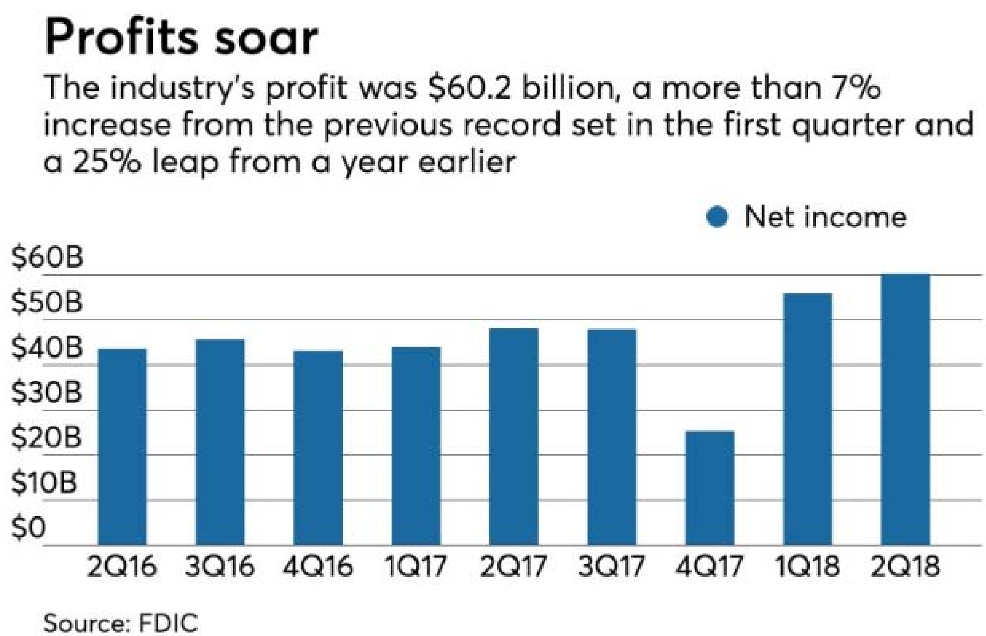
https://www.cujournal.com/news/nonbank-mortgage-lenders-ease-credit-standards-for-super-jumbo-loans

- From the Caliber CEO, Sanjiv Das: "With mortgage applications declining, executives have a choice to make: Should underwriting standards be lowered? When volume becomes the defining metric for how loan officers and mortgage companies get paid, then loan quality deteriorates — and we've seen how that movie ends. We in the industry should be mindful not to take shortcuts or return to suspect practices. Those who managed through the great financial crisis won't have to think twice about making the right decision."

https://www.housingwire.com/articles/46861-caliber-ceo-mortgage-lenders-may-lower-credit-standards-if-apps-keep-falling

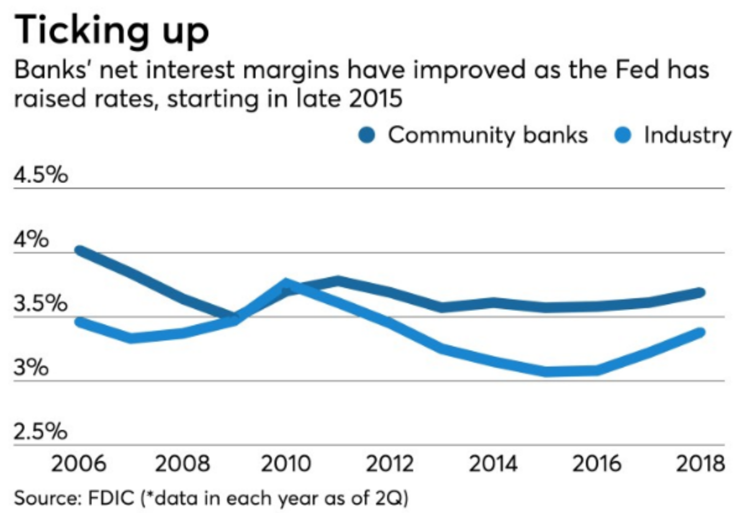
TALKING POINT – HELPING THE INCOME STATEMENT

- We are coming out of a period of time of historically low interest rates.
- Those legacy coupons, coupled with today's market have become a drag on margin.
- One of the benefits for our bank customers is a reduced income tax from 35% to 21%
- Net interest income for 80% of all banks rose YoY by $10.7bn, ***the largest increase ever reported***.
- That's resulted in record earnings for banks
- This presents a unique opportunity for banks to earn their way out of lower coupon, seasoned loans



TALKING POINT – INCREASE MARGIN

- Margins have been relatively flat, but community banks are lagging some of their larger peers
- Most forecasts point to more of the same next year. Strong earnings and rising capital levels
- With this forecast, why not take advantage and jettison lower rate loans and give future NIM a boost



Margins rose overall, but community banks are losing their edge over bigger rivals

The industry's average quarterly net interest margin rose 16 basis points from a year earlier to 3.38%. More than two out of three banks reported better margins. Community banks' margins were even stronger, totaling an average of 3.69%, but McWilliams noted that that "gap has been narrowing" as bigger banks benefit more from rising interest rates.

https://www.fdic.gov/news/news/speeches/spaug2318.html

https://www.americanbanker.com/list/6-takeaways-as-fdic-reports-another-record-earnings-quarter

TALKING POINT – MORTGAGES – BANK VS NONBANK

- "In the fourth quarter of 2017, Detroit-based Quicken made $25 billion worth of mortgages, overtaking Wells Fargo as the largest of the nation's 30,000 home lenders, with a roughly 6% market share. The San Francisco-based bank made $23 billion in loans over the same period. Number three Bank of America came in at $13 billion."

https://www.forbes.com/sites/samanthasharf/2018/02/05/quicken-loans-overtakes-wells-fargo-as-americas-largest-mortgage-lender/#2c907ace264f

- **2017 top 10:**
  1. Wells Fargo – $94bn
  2. Quicken – $86bn
  3. BofA – $50.6bn
  4. Chase – $50.3bn
  5. loanDepot – $35bn
  6. Caliber – $32bn
  7. United Wholesale Mortgage – $29.5bn
  8. PHH – $21bn
  9. US Bank – $20.2bn
  10. Fairway Independent Mortgage – $20bn

https://www.housingwire.com/articles/42600-top-mortgage-lenders-see-originations-drop-in-2017

This is a snapshot of the top 10 lenders in 2011 and in 2016. Overall, the top three big banks (JPMorgan Chase, Bank of America and Wells Fargo) went from providing nearly 50 percent of all new loans in 2011 to about 21 percent of all new loans in 2016. Also in 2016, six of the top 10 lenders were non-banks. The share of non-bank loans among the top 10 lenders went from 10.9 percent in 2011 to 17.11 percent in 2016.

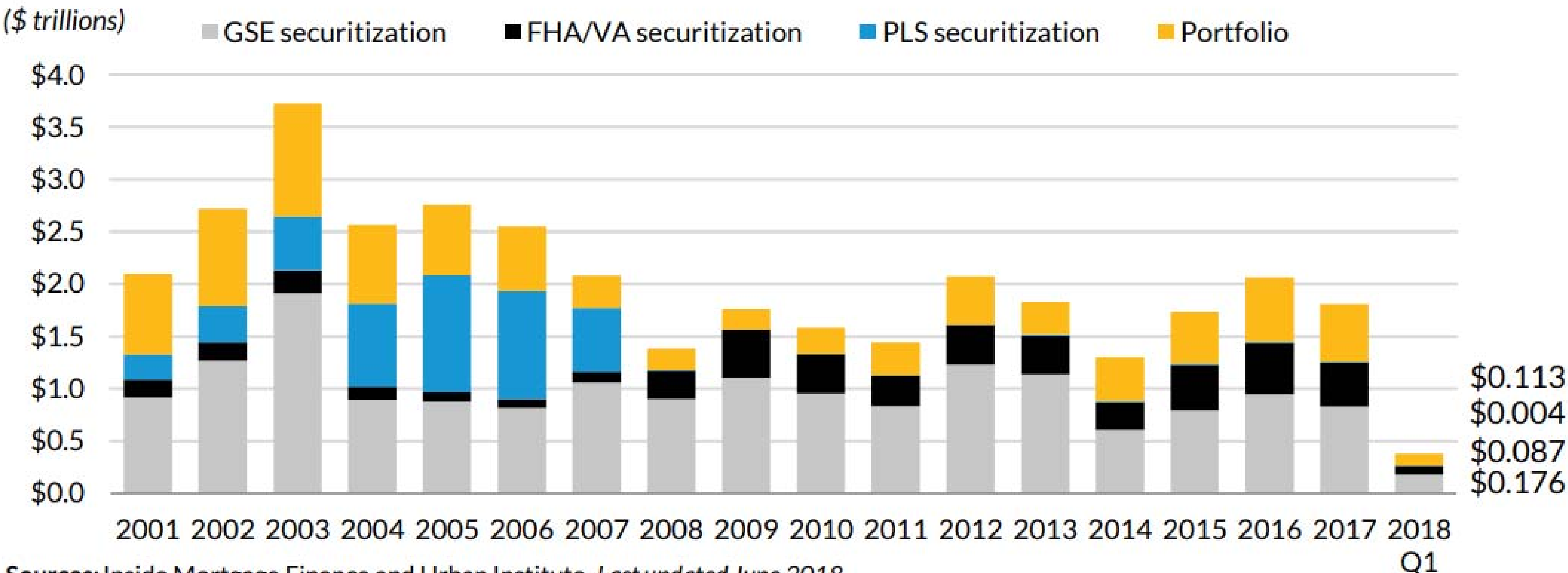
2011 market share		2016 market share	
Wells Fargo	24.20%	Wells Fargo	12.55%
Bank of America	10.58%	JPMorgan Chase	5.95%
JPMorgan Chase	9.95%	**Quicken Loans**	**4.90%**
U.S. Bank Home Mortgage	4.38%	U.S. Bank Home Mortgage	4.12%
Citigroup	4.29%	Bank of America	4.07%
Ally-GMAC	**3.81%**	**PennyMac Financial Services**	**3.37%**
PHH Mortgage	**3.51%**	**Freedom Mortgage**	**2.90%**
Quicken Loans	**2.03%**	**PHH Mortgage**	**2.01%**
Flagstar Bancorp	1.80%	**Caliber Home Loans**	**2.00%**
MetLife	**1.60%**	**loanDepot**	**1.89%**

Source: Mortgage Daily

iStockphoto

https://www.washingtonpost.com/realestate/the-mortgage-market-is-now-dominated-by-nonbank-lenders/2017/02/22/9c6bf5fc-d1f5-11e6-a783-cd3fa950f2fd_story.html?utm_term=.8ba0371bbf54

TALKING POINT – WHERE ARE THE LOANS GOING?



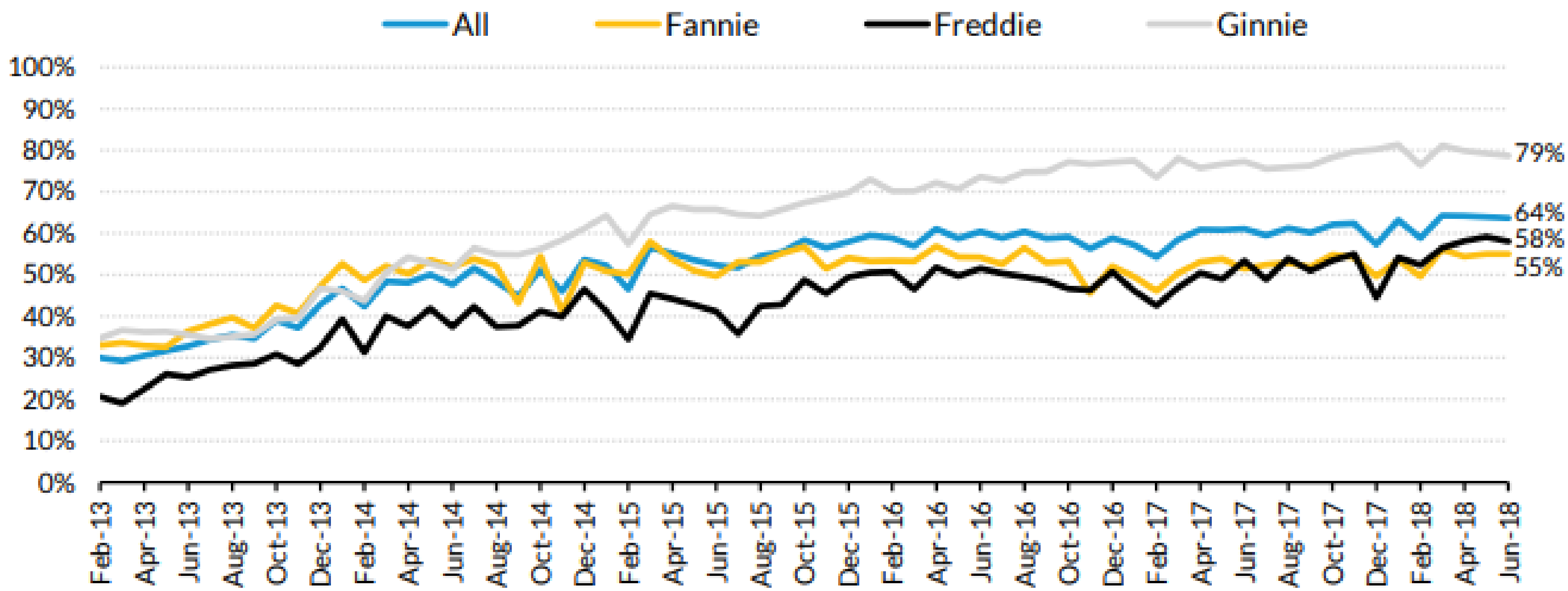
Sources: Inside Mortgage Finance and Urban Institute. *Last updated June 2018.*

https://www.urban.org/sites/default/files/publication/98817/july_2018_chartbook.pdf

TALKING POINT – NONBANKS RISING

- But it's a battle, every day, in a shrinking world
- 64% of mortgages now go to the non banks

Nonbank Origination Share: All Loans



Sources: *eMBS and Urban Institute.*

https://www.urban.org/sites/default/files/publication/98817/july_2018_chartbook.pdf

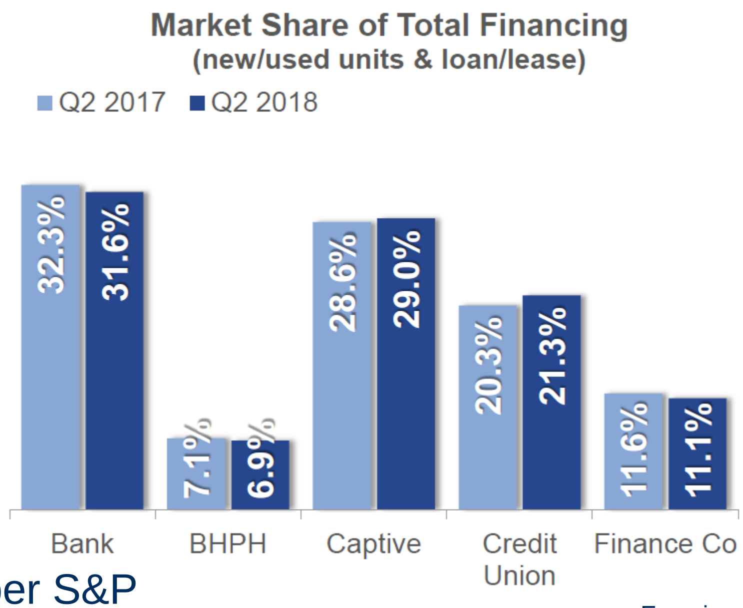
TALKING POINT – SOME AUTO COMMENTS

- Why are credit union avg rates @ 3.24% vs bank avg rates @ 4.91?
  - Might explain why credit unions continue to grow and banks continue to concede
  - We continue to strongly suggest CUs raise rates and lower dealer premiums

Largest auto lenders in Q1'18

Company	City, state	Auto loans Q1'18 ($B)	Auto loans YOY change (%)	Average 60-month new auto loan rates (%) Current	Average 60-month new auto loan rates (%) Year-ago
Banks & thrifts					
Ally Financial Inc.	Detroit, MI	61.85	5.1	NA	NA
Capital One Financial Corp.	McLean, VA	54.81	10.1	4.14	3.49
Wells Fargo & Co.	San Francisco, CA	51.06	-15.5	4.01	3.82
JPMorgan Chase & Co.	New York, NY	48.76	-1.5	2.99	2.98
Bank of America Corp.	Charlotte, NC	39.90	0.9	3.66	2.79
Industry average				**4.91**	**4.73**
Credit unions					
Navy FCU	Vienna, VA	12.99	7.7	3.29	2.39
Security Service FCU	San Antonio, TX	5.08	-5.1	3.91	3.35
Golden 1 CU	Sacramento, CA	4.55	14.9	3.24	2.99
Alaska USA FCU	Anchorage, AK	4.38	8.1	4.20	3.10
America First FCU	Riverdale, UT	3.98	23.6	4.24	3.24
Industry average				**3.24**	**2.84**

Data compiled July 24, 2018.
Analysis limited to operating top-tier consolidated commercial banks, savings banks, savings and loan associations, and credit unions by highest auto loans as of March 31, 2018.
Data based on regulatory filings.
Current rates data is as of July 20, 2018.
NA = not available
Source: S&P Global Market Intelligence



Experian

- The economy is humming and losses are "stable" per S&P
- Though we are seeing longer terms, higher LTVs and stretched credits

Net Loss Rate Composite(i)

	Jul-11	Jul-12	Jul-13	Jul-14	Jul-15	Jul-16	Jul-17	Jun-18	Jul-18
Prime (%)	0.54	0.33	0.36	0.48	0.50	0.64	0.72	0.57	0.56
Subprime (%)	4.84	4.92	5.62	6.39	6.70	8.01	8.44	6.86	7.81
Subprime modified (%)	-	4.75	5.26	5.70	5.87	6.44	6.83	5.45	6.18

(i)Represents monthly annualized losses.

https://www.experian.com/content/dam/marketing/na/automotive/quarterly-webinars/q2-2018-state-auto-finance-markets.pdf

https://platform.mi.spglobal.com/web/client?auth=inherit#news/article?id=45602316&KeyProductLinkType=4

TALKING POINT – RAISE RATES AND LOWER DEALER RESERVES

We continue our theme on autos.

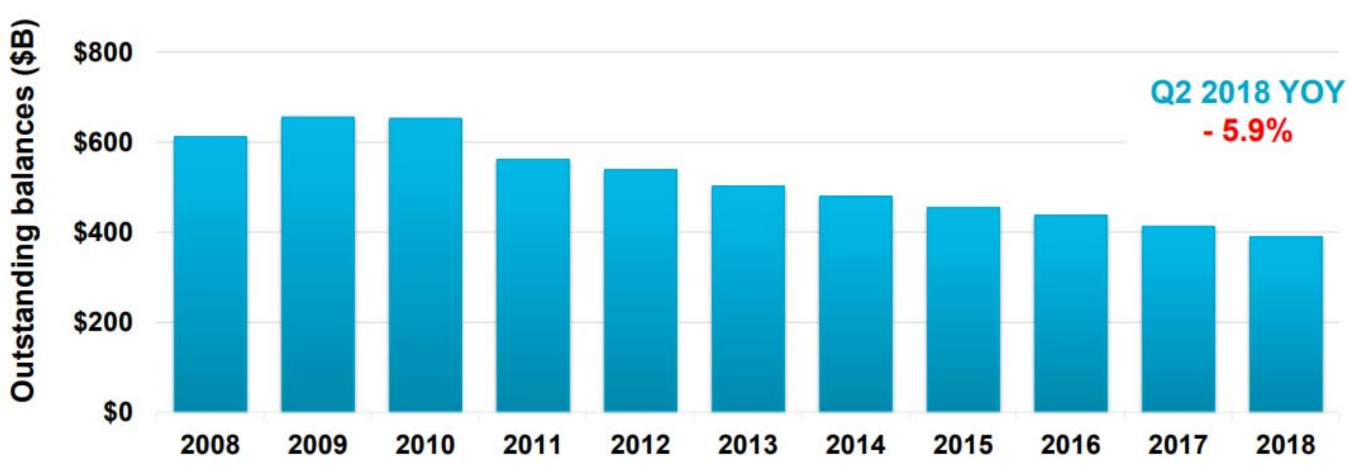
- Current market rates today appear to be at / near 5.50% though we still see many customers in the low 4%s
- The question revolves around where do you own it?
- We continue to see great feedback that as originators hike their rates AND lower their payouts volumes not only hold but often increase.
- This particular customer shared with us that they finally are starting to see rates cause their portfolio to slow down as they get into the mid 5% context. Still coupons have risen nearly 100bps.

Origination Date	# Loans	Current Balance	Percent	WAC	Orig Term	Remain Term	LTV	DTI Ratio	FICO	Basis	Yield
Older	9,342	112,434,180	26.31%	4.301	76	41	107	9	725	100.05	4.299
Aug-2016	608	10,069,017	2.36%	4.271	74	50	111	8	720	100.30	4.093
Sep-2016	579	10,152,411	2.38%	4.408	77	54	110	8	717	100.39	4.180
Oct-2016	491	8,322,261	1.95%	4.270	75	52	109	8	729	100.42	4.013
Nov-2016	519	8,947,359	2.09%	4.262	74	52	110	8	721	100.48	3.970
Dec-2016	508	8,457,459	1.98%	4.434	73	52	106	8	717	100.50	4.137
Jan-2017	549	9,183,096	2.15%	4.245	73	54	109	31	730	100.59	3.890
Feb-2017	548	9,641,674	2.26%	4.374	73	54	109	32	725	100.63	3.998
Mar-2017	668	12,424,335	2.91%	4.418	77	59	108	32	733	100.69	4.016
Apr-2017	616	11,137,964	2.61%	4.594	76	59	106	30	723	100.77	4.155
May-2017	671	13,014,669	3.05%	4.444	76	60	106	31	730	100.83	3.978
Jun-2017	710	13,328,666	3.12%	4.576	73	59	108	31	721	100.86	4.093
Jul-2017	636	12,074,488	2.83%	4.451	74	61	107	31	730	100.91	3.943
Aug-2017	719	13,882,029	3.25%	4.461	72	60	106	31	726	100.96	3.929
Sep-2017	623	12,263,216	2.87%	4.591	73	62	106	30	728	100.98	4.056
Oct-2017	625	11,953,666	2.80%	4.609	71	61	103	31	725	101.07	4.021
Nov-2017	533	10,996,250	2.57%	4.608	74	65	107	31	729	101.12	4.011
Dec-2017	444	9,397,955	2.20%	4.540	72	63	106	31	731	101.17	3.928
Jan-2018	620	13,066,299	3.06%	4.557	74	66	105	30	729	101.25	3.915
Feb-2018	560	11,430,780	2.67%	4.636	73	66	104	30	734	101.23	4.003
Mar-2018	695	15,024,640	3.52%	4.574	74	68	103	31	732	101.30	3.923
Apr-2018	809	18,881,739	4.42%	4.714	75	71	104	32	733	101.43	4.010
May-2018	755	17,881,492	4.18%	4.885	76	72	104	31	728	101.48	4.170
Jun-2018	760	17,736,786	4.15%	4.903	75	72	104	30	732	101.47	4.194
Jul-2018	783	18,816,014	4.40%	4.942	74	73	108	32	735	101.60	4.183
Aug-2018	694	16,877,390	3.95%	5.150	74	73	106	32	733	101.54	4.436
	25,065	427,395,836	100.00%	4.524	75	57	107	23	728	100.78	4.124

TALKING POINT – GOOD TIME FOR HELOCS

- Typically a monthly or quarterly floater as a product. Great offset to rising rates.
  - 10 year IO draw / 20 year amortizing repay is the most common structure
- A space many still aren't quite comfortable with. Translation – lack of competition.
- Also a space many have seen fill the hole left by a lack of mortgage refi business
- Per TransUnion balances are actually FALLING overall

Outstanding Q2 HELOC balances

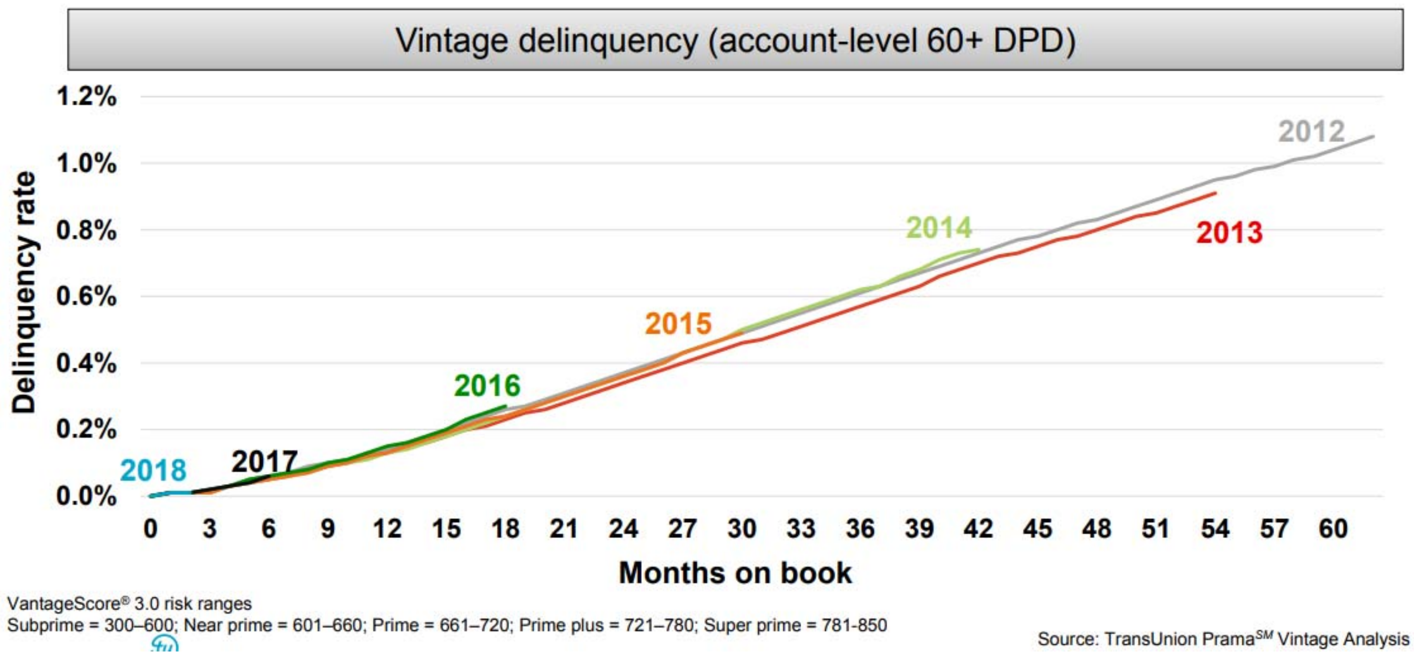


TALKING POINT – GOOD TIME FOR HELOCS

- Per HousingWire: “The amount of home equity accessible to America’s 44 million homeowners has surpassed $6 trillion – the highest level in history.”

https://www.housingwire.com/articles/46773-americans-have-the-highest-amount-of-tappable-equity-in-history

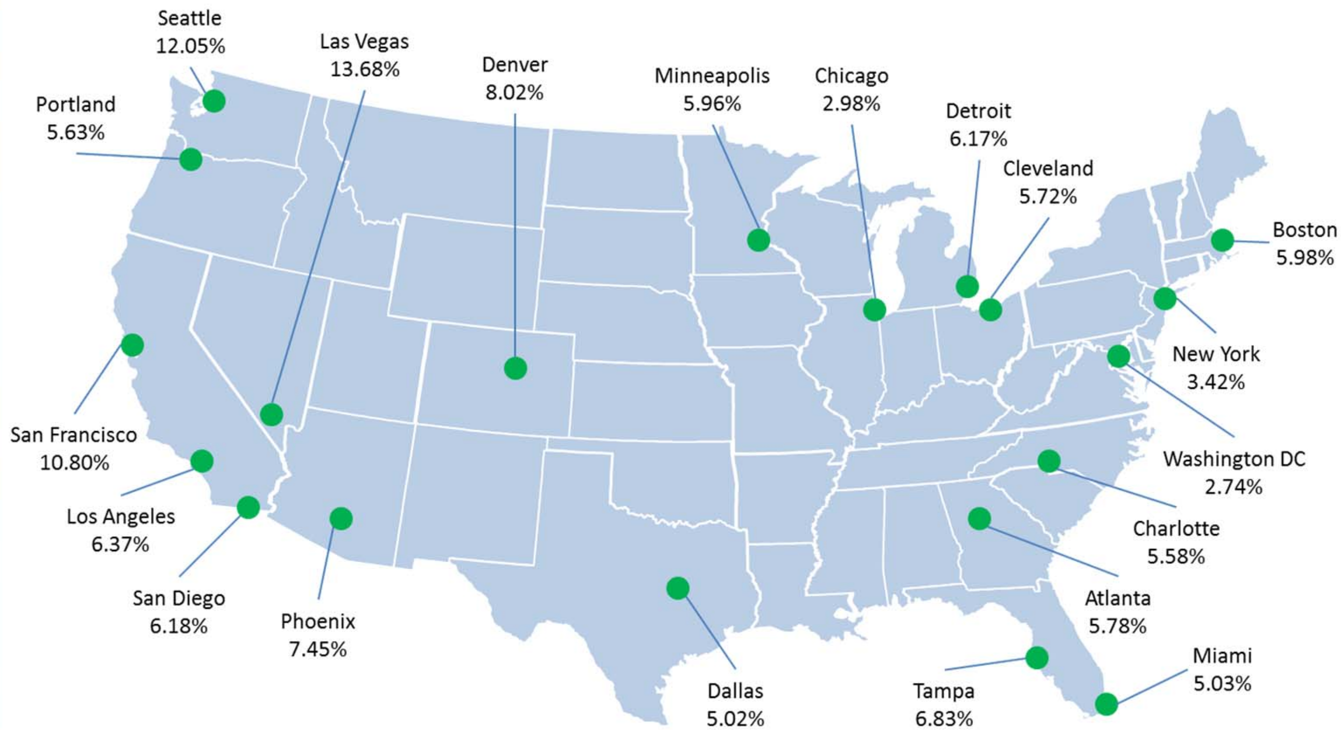
- And these aren’t the 2008 vintage loans with rampant losses. Per TransUnion below, DQs are very stable in this space with sub 1% 60 day + vintages dating from 12’- 17’.



THE HOUSING MARKET CONTINUES TO GROW

- The Case Shiller 20 City composite continues to grow as all cities in the index show year over year growth, however the growth has slowed slightly from the <6% growth seen every month year to date.

	July 2018	
	YoY	MoM
NV-Las Vegas	13.68%	1.39%
WA-Seattle	12.05%	-0.01%
CA-San Francisco	10.80%	0.64%
CO-Denver	8.02%	0.33%
AZ-Phoenix	7.45%	0.74%
FL-Tampa	6.83%	0.61%
CA-Los Angeles	6.37%	0.13%
CA-San Diego	6.18%	0.01%
MI-Detroit	6.17%	0.41%
MA-Boston	5.98%	0.13%
MN-Minneapolis	5.96%	0.39%
GA-Atlanta	5.78%	0.54%
OH-Cleveland	5.72%	1.35%
OR-Portland	5.63%	0.47%
NC-Charlotte	5.58%	0.15%
FL-Miami	5.03%	0.44%
TX-Dallas	5.02%	0.18%
NY-New York	3.42%	0.09%
IL-Chicago	2.98%	0.33%
DC-Washington	2.74%	0.16%
Composite-20	5.92%	0.28%



Source – Standard and Poor's – Case Shiller Index

TALKING POINT – CECL – CURRENT EXPECTED CREDIT LOSSES

- It's coming. And soon. 2020 or 2021. Early implementation in 2018.

- Per FASB: For public business entities that are U.S. Securities and Exchange Commission (SEC) filers, the new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Thus, for a calendar-year company, it would be effective January 1, 2020. For public business entities that are not SEC filers, the new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For all other organizations, the new guidance is effective for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018.
- "The Financial Accounting Standards Board, or FASB, classifies credit unions and some banks as nonpublic business entities, which have a later implementation date for the new credit loss approach…The board voted during a July 25 meeting to amend the transition guidance to make it clear that the effective CECL date for non-PBEs would begin in the fiscal year after Dec. 15, 2021."
- https://www.fdic.gov/regulations/accounting/cecl.html
- https://www.fdic.gov/news/news/financial/2017/fil17041.html
- https://www.fdic.gov/regulations/accounting/cecl-faqs.html
- https://www.fasb.org/jsp/FASB/Page/LandingPage&cid=1176168063992
- https://www.fdic.gov/news/news/financial/2017/fil17041a.pdf

RAYMOND JAMES

PRODUCTS

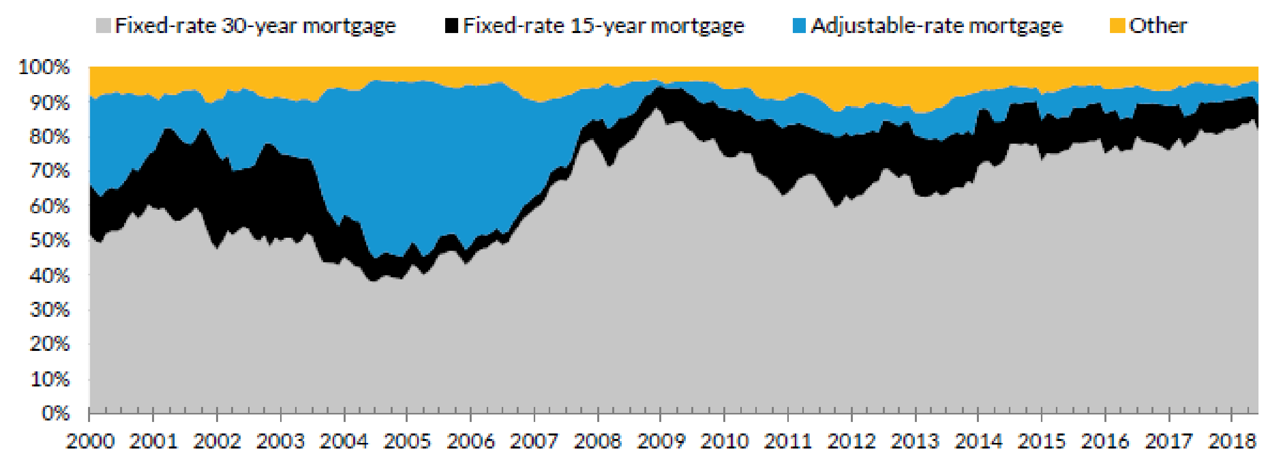
FIXED INCOME WHOLE LOAN TRADING

RESIDENTIAL 1-4 FAMILY MORTGAGES – WHAT'S WORKING

- Falling origination volumes in residential 1-4 family loans remains a problem in the 3rd quarter.
- Mortgage rates are inching higher and are near 7 year high water marks. Many don't see relief in sight. One more possible rate hikes this year (Dec) and economists calling for 2 additional hikes in 19' (March and June). Coupled with a strong economy, low unemployment, short supply, housing affordability continues to run away from us.

https://www.wsj.com/articles/tough-times-ahead-for-housing-1537371393

- We continue to monitor widening credit guidelines
- The consumer right now is focused on purchase money, 30yr fixed rate loans. Per the Urban Institute, 15yr are only 4% of originations and ARMs are only 6%.



Sources: Black Knight, eMBS, HMDA, SIFMA and Urban Institute. June 2018

https://www.urban.org/research/publication/housing-finance-glance-monthly-chartbook-august-2018/view/full_report

RESIDENTIAL 1-4 FAMILY MORTGAGES – WHAT'S WORKING

Example Trade # 1 ~ ARM Pool

- Credit Union Seller – 90% Participation – Retained
- Owner occupied (100%)
- 75% WA; 13% CA; 9% OR
- 78% SFR/PUD, 22% Condo
- 100% Full Doc
- 91% Purchase, 5% Cash out Refi

Product Type	# Loans	Current Balance	Percent	WAC	Orig Term	Remain Term	Calc Remain Term	Original LTV	Amortize LTV	Original Combined LTV	DTI Ratio	FICO	Margin	Mths to Roll
7/1 LIBOR	45	26,019,782.73	66.1%	4.223	360	359	359	73.4	73.9	80.7	35.2	748	2.590	83
7/1 LIBOR JUMBO	20	13,368,310.62	33.9%	4.279	360	360	360	77.1	75.9	80.6	33.0	740	2.654	84
	65	**39,388,093.35**	**100.0%**	**4.242**	**360**	**360**	**360**	**74.7**	**74.6**	**80.7**	**34.4**	**745**	**2.612**	**84**

Example Trade # 2 ~ Fixed / ARM Pool

- Bank Seller– 100% Sale – Retained
- Owner occupied (99%), 1 investor loan
- 100% OH
- 94% SFR/PUD, 6% condo
- 100% Full Doc
- 80% purchase, 8% Cash out Refi

Product Type	# Loans	Current Balance	Percent	WAC	Orig Term	Remain Term	Calc Remain Term	Original LTV	Amortize LTV	Original Combined LTV	DTI Ratio	FICO	Margin	Mths to Roll
(3) - 30YR FIXED JUMBO	10	5,771,050.77	43.8%	4.287	361	358	357	84.0	84.0	95.4	30.4	765	0.000	0
(71) - 7/1 ARMS	9	2,124,212.13	16.1%	3.927	361	358	358	84.8	84.8	95.6	32.2	730	3.697	83
(1) - 15YR FIXED JUMBO	3	1,600,521.97	12.2%	3.898	181	177	177	80.0	79.3	100.0	28.5	710	0.000	0
(81) - 10/1 ARMS	5	1,117,687.96	8.5%	3.662	361	355	355	84.4	84.4	100.0	34.7	768	3.433	116
(81) - 10/1 ARMS JUMBO	2	1,078,311.43	8.2%	4.172	361	359	359	75.3	75.4	88.1	25.8	710	3.875	120
(51) - 5/1 ARMS JUMBO	2	1,066,235.93	8.1%	3.694	361	358	358	78.5	78.6	100.0	27.7	792	3.875	59
(1) - 15YR FIXED	1	410,244.58	3.1%	3.625	181	179	179	80.0	80.0	90.0	24.9	768	0.000	0
	32	**13,168,264.77**	**100.0%**	**4.051**	**334**	**330**	**330**	**82.4**	**82.3**	**96.0**	**30.1**	**751**	**3.713**	**93**

RESIDENTIAL 1-4 FAMILY MTGES – NON QM – WHAT'S WORKING

Example Trade # 1 ~ Fixed Pool

- Bank Seller – 100% Sale – Retained
- 100% Investor
- 95% MA, 3% RI and 2 others
- Investor loans

Product Type	# Loans	Current Balance	Percent	WAC	Orig Term	Remain Term	Calc Remain Term	Original LTV	Amortize LTV	FICO
(1) - 15YR FIXED	13	1,436,384.72	7.2%	5.272	180	138	136	67.9	55.4	734
(2) - 25YR FIXED	9	1,236,593.64	6.2%	5.142	240	212	212	76.0	70.0	740
(3) - 30YR FIXED	83	17,215,988.87	86.0%	5.508	359	311	310	72.9	68.2	731
(7) - SHORT TERM FIXED	1	120,646.71	0.6%	5.550	60	3	123	80.0	61.9	641
	106	20,009,613.94	100.0%	5.469	337	291	290	72.7	67.4	731

Example Trade # 2 ~ Fixed / ARM Pool

- Bank Seller – 100% Sale – Released
- 95% owner occupied, 5% investor
- 100% FL
- 65% 1-4 Family, 14% Condo
- Non-QM-Mixture of Non-resident aliens, foreign assets, income qualification

Product Type	# Loans	Current Balance	Percent	WAC	Orig Term	Remain Term	Calc Remain Term	Original LTV	Amortize LTV	DTI Ratio	FICO	Margin	Mths to Roll
5/1 ARMS JUMBO	5	5,870,715.17	19.6%	4.349	361	337	300	54.9	55.4	30.1	666	3.000	37
7/1 ARMS JUMBO	9	7,136,737.46	23.8%	3.543	361	330	331	60.3	60.7	34.7	693	3.000	54
7/1 ARMS	20	4,208,995.95	14.0%	4.306	361	324	312	56.0	56.5	33.0	704	3.000	48
5/1 ARMS	14	3,619,691.16	12.1%	4.105	362	333	321	55.5	55.9	28.2	744	3.000	33
10/1 ARMS JUMBO	3	4,781,318.83	15.9%	3.575	361	335	336	54.3	55.0	34.1	726	3.000	95
10/1 ARMS	10	2,645,920.56	8.8%	4.628	361	318	316	56.0	56.4	27.1	671	3.000	78
30YR FIXED JUMBO	3	939,133.74	3.1%	5.955	361	297	208	50.1	50.5	20.6	728	0.000	0
30YR FIXED	3	643,631.27	2.1%	5.875	361	302	298	53.8	54.3	31.3	724	0.000	0
15YR FIXED	1	141,955.43	0.5%	5.375	181	147	148	59.7	60.0	20.7	0	0.000	0
	68	29,988,099.57	100.0%	4.111	360	328	315	56.3	56.7	31.4	701	3.000	56

RESIDENTIAL 2ND LIENS – WHAT'S WORKING

- As shown on the earlier slides, Raymond James sees this as an underserved market
- If your residential market is crowded, look to 2nd liens as a possible offset to lost volume
- Most frequently we see the following characteristics of a pool
  - FICOs north of 680 – blended LTV in the 750 context
  - Max combined / fully utilized LTVs of 95% - with a blended LTV in the 90% context
  - Do NOT often see mortgage insurance
  - 10/20 structures
  - More value in piggy back loans vs true home improvement
  - Often Prime plus 2% type coupons

Product Type	# Loans	Current Commitment	Current Balance	Percent	WAC	Orig Term	Remain Term	Remain Draw Term	Utilization Ratio	Combined LTV	DTI Ratio	FICO	Margin
15/30 HELOC	185	15,079,547.94	14,545,167.32	100.0%	5.040	360	346	165	96.5	92.3	28.4	745	0.040
	185	**15,079,547.94**	**14,545,167.32**	**100.0%**	**5.040**	**360**	**346**	**165**	**96.5**	**92.3**	**28.4**	**745**	**0.040**

Example Trade # 1 ~ HELOCs

- Credit Union Seller. 90% Participation - Retained 15yr Draw, 15yr repayment-fully amortizing

- 100% owner occupied
- 100% Full Doc
- 100% SFR

AUTO LOANS – WHAT'S WORKING

- Demand for autos remains strong but yields are rapidly adjusting to current market rates
- We are in an interest rate environment that is challenging for portfolio auto lenders
- Increasingly this is becoming a buyer's market
- We are seeing concentration issues in the auto portfolio from certain credit union sellers
- Current coupons in the 5.50% context, it's not uncommon you can purchase auto loans at yields (risk adjusted) better than your current originations

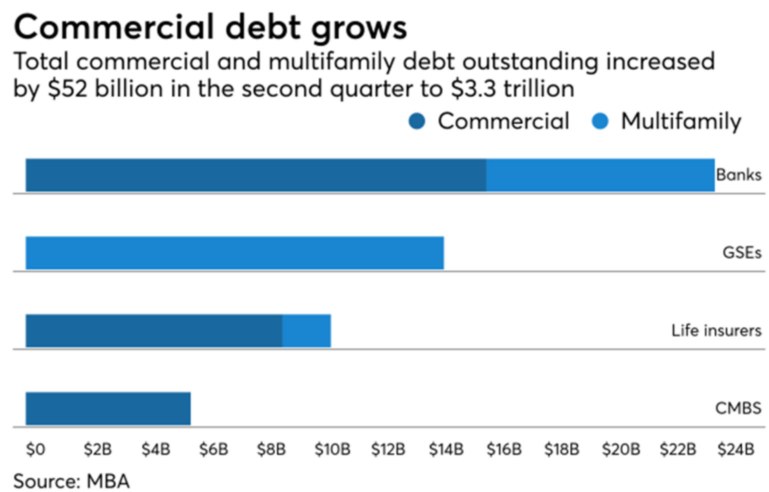
Example Trade # 1

- Credit Union Seller – 90/10 Participation – Retained
- Minimum FICO of 640
- Max term of 84 months

Credit Score	# Loans	Current Balance	Percent	WAC	Orig Term	Remain Term	LTV	DTI Ratio	FICO
640 - 659	46	680,365	3.93%	7.509	74	71	108	31	653
660 - 679	141	2,296,291	13.26%	5.899	76	72	106	29	670
680 - 699	176	3,371,767	19.48%	5.344	79	75	114	30	688
700 - 719	124	2,448,219	14.14%	5.281	78	75	114	33	709
720 - 739	114	2,199,473	12.70%	4.503	79	76	109	31	730
740 - 759	104	1,826,526	10.55%	4.317	77	72	107	33	752
760 - 779	61	1,151,399	6.65%	4.422	76	73	113	34	770
780 - 799	46	924,334	5.34%	4.399	77	75	113	31	790
800 - 819	60	1,243,546	7.18%	4.123	77	74	107	31	809
820 - 839	35	571,976	3.30%	4.193	73	71	104	31	830
840 - 849	13	230,955	1.33%	3.982	79	78	95	34	845
850 - High	21	368,084	2.13%	3.879	69	65	100	33	859
	941	**17,312,935**	**100.00%**	**4.992**	**77**	**74**	**110**	**31**	**729**

COMMERCIAL LOANS – WHAT'S WORKING

- Raymond James continues to see strong interest in commercial real estate lending with our community bank and credit union customers.
- Most are still very attracted to the higher yields associated with these assets though we are seeing some raised eyebrows on recent cap rates due to heavy competition for loans.
- Per the MBA: "The balance of mortgage debt on commercial and multifamily properties grew faster during the first half of 2018 than during any other first half since 2007,"
- We continue to rank commercial loans by liquidity we see in the market. Commercial tiers:
  - Tier 1 – Multifamily / Single tenant
  - Tier 2 – Mixed Use / Office / Warehouse / Industrial / Hotels (flags)
  - Tier 3 – Hotels (boutique) / Medical
  - Tier 4 – Retail / Gas Stations / Church Loans / Hospitality



https://www.nationalmortgagenews.com/news/commercial-mortgage-debt-up-on-higher-valuations-low-rates-mba

Example Trade #1 – Commercial

- Credit Union Seller – Retained
- Variable Rate Balloons
- Commercial, Multi-family, Single Tenant Commercial Loans

Product Type	# Loans	Current Balance	Percent	WAC	Orig Term	Remain Term	Calc Remain Term	Original LTV	Amortize LTV	DSCR	FICO	Margin	Mths to Roll
5YR HYBRID ARM	13	24,145,159.85	100.0%	4.636	119	116	116	52.5	48.9	1.5	734	2.498	58
	13	**24,145,159.85**	**100.0%**	**4.636**	**119**	**116**	**116**	**52.5**	**48.9**	**1.5**	**734**	**2.498**	**58**

SOLAR LOANS – WHAT'S WORKING

- Raymond James has seen a rise in demand for home improvement, specifically solar loan originations.
- Raymond James whole loan desk has approached this product cautiously. We strive to bring quality loans and originators to our customers and as this market emerges we are actively searching out best in class counter parties. As this market continues to grow and evolve we will continue to monitor its progress.
- We see growth in high energy cost states, particularly California and Massachusetts, as the cost benefits are significant to the borrower.
- Examples also deriving from new regulations, such as CA requiring solar panels on newly constructed residences.

https://asreport.americanbanker.com/news/how-californias-proposed-building-standards-will-boost-solar-abs

- We have several unique opportunities in this space. Not only ***individual pools for purchase*** but also in forming ***partnerships with originators*** of loans and depositories looking to balance sheet the product.
  - Don't currently originate or have a good understanding of solar?
  - Don't have the infrastructure or staff currently on board to generate loans?
  - No problem.
- Raymond James is working with several 3rd party originators that we can introduce to your firm. They have the ability to generate production while working closely with you on your credit guidelines.

Example Trade – Solar

- Credit Union Seller – Retained
- Terms ranging from 48 months to 240 months
- Fixed Rate
- Very strong credit quality
- UCC1 – Lien Filed

Product Type	# Loans	Current Balance	Percent	WAC	Orig Term	Remain Term	Calc Remain Term	DTI Ratio	FICO
SOLAR	470	11,083,902.47	100.0%	3.159	145	123	121	35.1	764
	470	**11,083,902.47**	**100.0%**	**3.159**	**145**	**123**	**121**	**35.1**	**764**

CREDIT CARDS – ARE YOU POSITIONED FOR RISING RATES?

Raymond James has advised and proposed strategies to over 100+ Financial Institutions (Banks, Thrifts & Credit Unions) on their credit card portfolios dating back to the early 1990's. The credit card space has changed dramatically over the last 15 years as highlighted by the timeline below.

CREDIT CARD TIMELINE

Prior to 2007

- A robust credit card investor base.
- Good Credit Quality Portfolios were trading at levels ranging from 115 -130. Determining factors were the interchange component (Spend), profitability & upside growth potential.

2007 – 2012

- The great recession has hit with the housing market crash.
- Credit Card Charge-off hit all-time highs.
- Prime portfolios of $50 million or more price from 100 to 105. Any taint on the portfolio dropped pricing dramatically or ended as a NO BID.
- Majority of large acquirers exited the market given the distress within their own portfolios.

2012 - 2017

- The credit quality of portfolios improved drastically with Charge-Offs trending down towards their all-time lows.
- Historically low interest rates provide for all-time low cost of funds.
- Financial institutions enjoy the profitability that has returned to the card business.

2017 - Onward

- An interest rate storm is brewing along side a loosening credit cycle.
- Increase in COF and a rise in historical losses will create margin compression in an upward rate environment.
- The credit card acquisition market is active for financial institutions looking to book gains and boost capital, establish partnerships to grow and service their card business.
- High Quality Prime Portfolios (Charge-Offs below 5%) are trading at levels closer to the 108-112 range.

The credit card industry remains a scale and technology driven business. Six of the country's largest issuers still hold approximately 90 percent of the market. Community financial institutions that have seen credit card accounts and balances grow have enjoyed a stable revenue stream with historically low charge-offs and cost of funds. **However, with an interest rate storm brewing financial institutions question whether they have the bandwidth to handle the margin compression with rising costs and credit deterioration.**

Continued demand from investors looking to partner with community financial institutions creates a competitive environment for those depositories looking to book gains, outsource risk and establish partnerships to grow and service their card business.
Let Raymond James analyze the profitability and growth potential of your portfolio as you plan ahead for 2018.

SCRATCH AND DENT / NON PERFORMING – WHAT'S WORKING

- **Scratch and Dent / Non Performing** – In a market historically dominated by funds, as a buyer, depositories continue to find this space more attractive for a number of reasons. Primarily the "hunt for yield". Scratch and dent presents them with an opportunity to buy loans at discount and pick up yields above current market levels. As a seller, depositories are finally trading loans now that pricing has improved dramatically.
- The challenge remains in suitability. Buying scratch and dent loans requires a more thorough understanding of the risk that comes along with this product and having a strong legal, collection and servicing team to support it. Not all depositories have the team in place to work out these assets.
- Not all "scratch and dent" deals are the same. There are various levels of distress in this space.
  - Agency miss – Typically newly originated loans for those regularly delivering into the FNMA or FHLMC or the conduits. These are documentation misses. Examples: FHA / VA certificate not perfected. Appraisal issues. Income documentation incorrect. TRID issues.
  - Slow pay / re-performing – The question here is how far back is the missed payment? Loans with only 6 month clean pay history price considerably worse than those with say 24 months clean pay history. The more recent the payment issue, the stronger the focus on property value as a factor to pricing the loan.
  - Non Performing – At the community depository level Raymond James sees this only on rare occasions. Typically this is due to pricing. True non performing loans are priced at deeper discounts and often the loans have not been properly marked to market. Pricing here can range from pennies on the dollar to a slight discount depending on a vast array of issues in the deal. Current LTV. Tax liens. Condemnation orders. FICO. Payment history. Title issues. All are factors that impact pricing.

Example Trade –Scratch and Dent

- Fund Seller
- Residential 1st Liens
- Modifications, FHA buybacks

MAJOR GROUPING	# Loans	Current Balance	Percent	WAC	Orig Term	Remain Term	Calc Remain Term	Original LTV	Amortize LTV	Original Combined LTV	FICO
MOD	91	17,510,330.25	84.5%	4.004	363	309	307	95.1	84.8	95.4	667
NON-MOD	20	2,164,272.97	10.4%	5.777	360	240	236	93.6	76.7	94.1	654
OTHER	3	1,059,567.79	5.1%	4.168	360	292	291	95.9	81.0	95.9	718
	114	20,734,171.01	100.0%	4.198	363	301	298	95.0	83.7	95.3	668

SAMPLE TOMBSTONES

July 2018 **Auto Loan Participation** $17mm Fixed Rate Prime Credit Servicing Retained **Credit Union in Washington**	July 2018 **Mortgage Loan Participation** $40mm 7/1 ARMs Prime Credit Servicing Retained **Credit Union in California**	July 2018 **Fixed 2^{nd} Loan Sale** $14mm Fixed Rate 2^{nd} Liens Servicing Released **Bank in Georgia**	August 2018 **Auto Loan Participation** $17mm Fixed Rate Prime Credit Servicing Retained **Credit Union in Oregon**
August 2018 **Mortgage Loan Sale** $28mm 7/1 ARMs Prime Credit Servicing Retained **Bank in Massachusetts**	September 2018 **Mortgage Loan Sale** $35mm 30yr Fixed Prime Credit Servicing Released **REIT**	September 2018 **HELOC Participation** $10mm 1^{st} Lien HELOCs Prime Credit Servicing Retained **Credit Union in Washington**	September 2018 **Solar Loan Participation** $11mm Fixed Loans Prime Credit Servicing Retained **Credit Union in California**

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