



Mortgage Backed Securities

**MAMA ALWAYS SAID: "SNIFF
THE CHOCOLATE FIRST"**

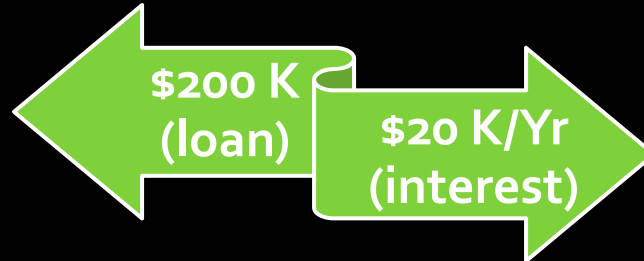




HOMEOWNER



MORTGAGE ORIGINATOR



Term of the Loan:

- Amount - \$ 200 K
- Maturity - 30 years
- Interest – 10%



HOMEOWNERS



MORTGAGE ORIGINATOR





HOMEOWNERS



MORTGAGE ORIGINATOR



INVESTMENT BANK



\$200 M
(Cash)

\$200 M
(Loans)



HOMEOWNERS



INVESTMENT
BANK



SPECIAL PURPOSE
ENTITY

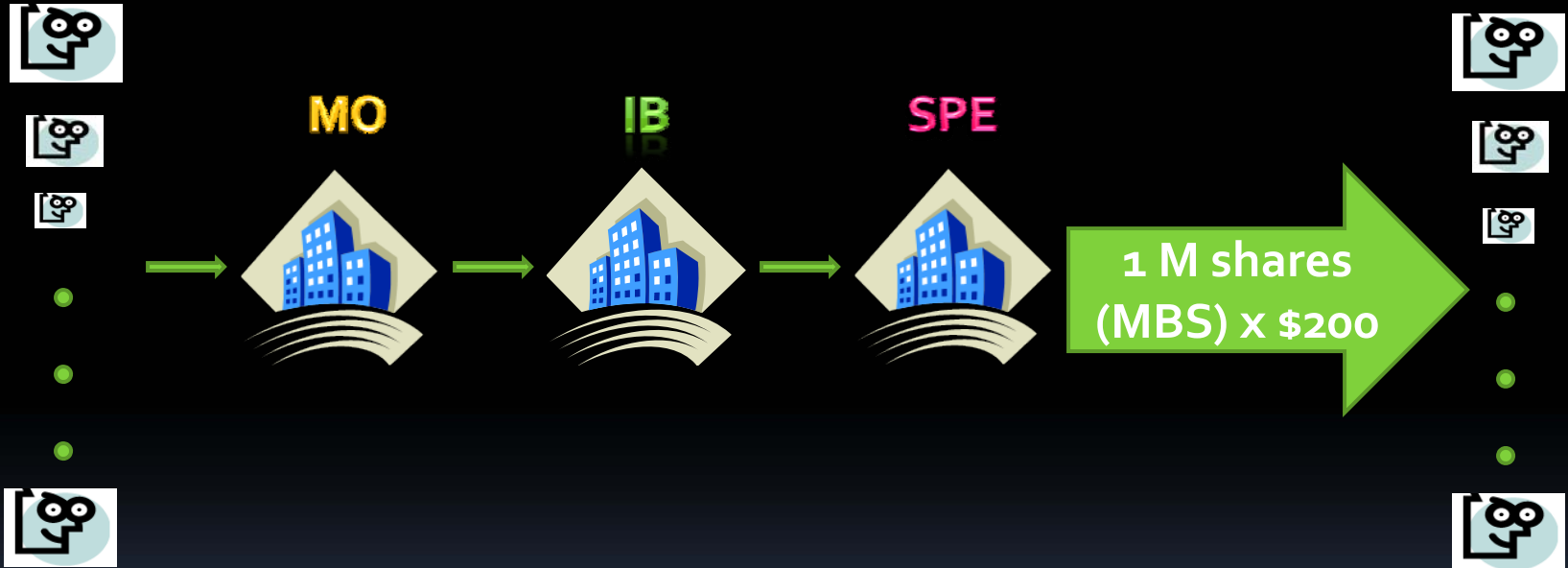




MBS origination recap

HOMEOWNERS

INVESTORS

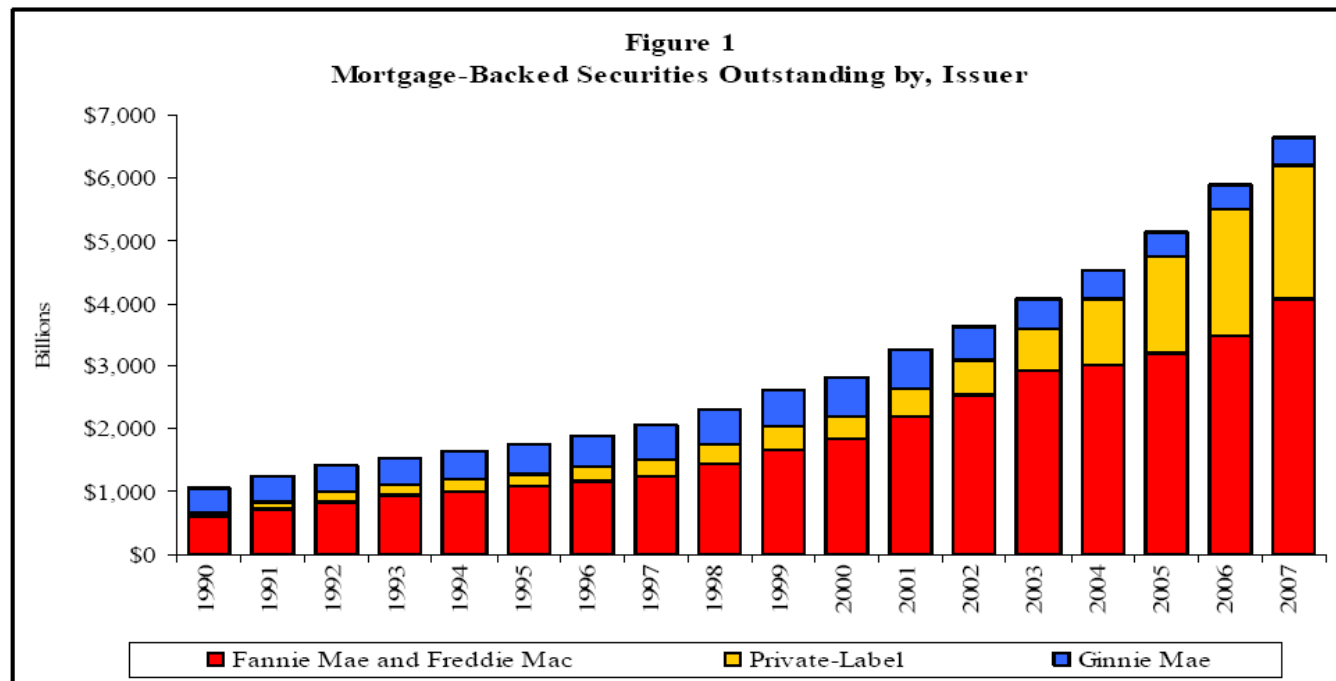




- The market for MBS issued or guaranteed by Fannie Mae and Freddie Mac (GSE)
- The market for MBS guaranteed by the Government National Association (Ginnie Mae) (Federal government agency)
- The market for private-label MBS



- At the end of 2007, outstanding MBS backed by single-family mortgages totaled \$6.6 trillion.



Source: Fannie Mae, Freddie Mac, Inside Mortgage Finance Publications



Questions?