



January 19, 2022

# Quarterly Loan Transaction Network Update

1

## Speakers



**Kevin Shaner**  
Managing Director



**Daniel Norwood**  
Director



2

2

## CPE January Webinar

**WEBINAR**

**What to Expect from the 2022 Mortgage Market**

January 26, 2022  
11:00 am - 12:00 pm CST

**Ajita Atreya, Ph.D.**  
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Freddie Mac

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Managing Director,  
ALM Strategy Group,  
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ALM Strategy Group,  
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**FreddieMac** | **ALM FIRST**

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## Agenda

- 2021 Year in Review
- Market Color & Trends
- New Year Strategies
- Recent Clearing Levels

## Loan Transaction Network – 2021 Year in Review

- Over **\$1B** in loans traded through the **Loan Transaction Network**
- Analyzed **\$4+ billion** potential loan pools for sellers and **\$5+ billion** for buyers
  - includes clients sending loan tapes for review from sellers outside the Network (i.e., Brokers)
- More than **30 new institutions** added to the network
- Successful advisory on the second ever, and **largest, auto securitization** in credit union history

**\$30 million**  
Average Transaction Size



**300+** Depository Clients  
across the U.S.



**100+** Sellers and Buyers  
in Network



**\$2.0 billion**  
Average Asset Size of Clients



5

## Market Updates

COVID and economic data show improved trend.  
Treasury curve steepens sharply.  
Interest rate volatility rises to the highest levels.

Jobs report much better than expected.  
Money markets remain flush with record liquidity.

Inflation remains the predominant economic theme to begin 2022.  
COVID has once again proven to be a difficult risk to remove from growth and inflation forecasts.



6

## Where We See Trends

### Loan Participation Trends

- More participations on a flow basis vs. one-time large pool sale

### ROE Trends

- Still tight in the current market – tightest on one-time, small block deals

### Fintech Trends

- Fintech platforms more involved in loan originations and participations process

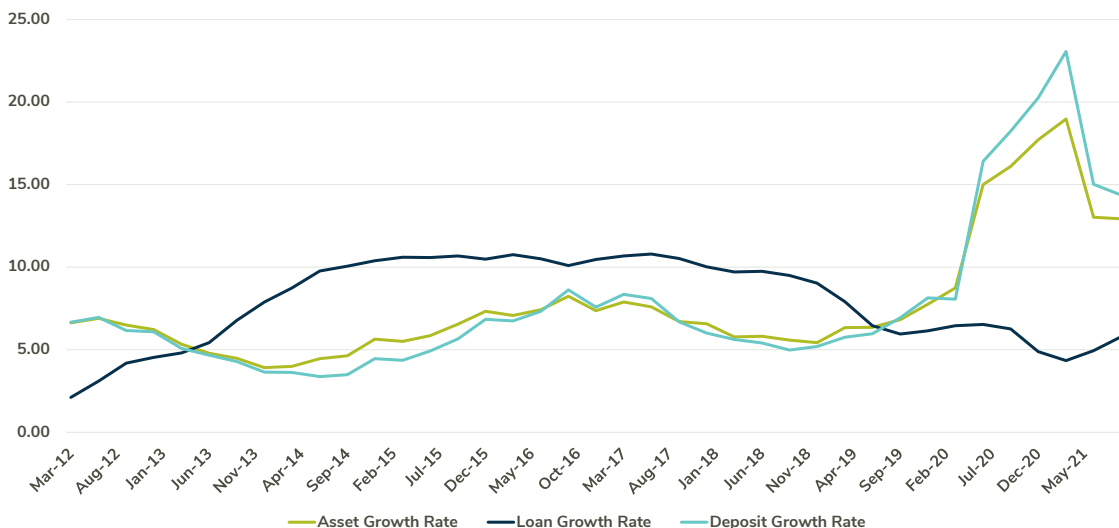
### Securitization Trends

- Growing acceptance of CU securitization (2 deals completed; largest in 2021)



7

## Annualized Growth Rates (%) LTM - Credit Unions

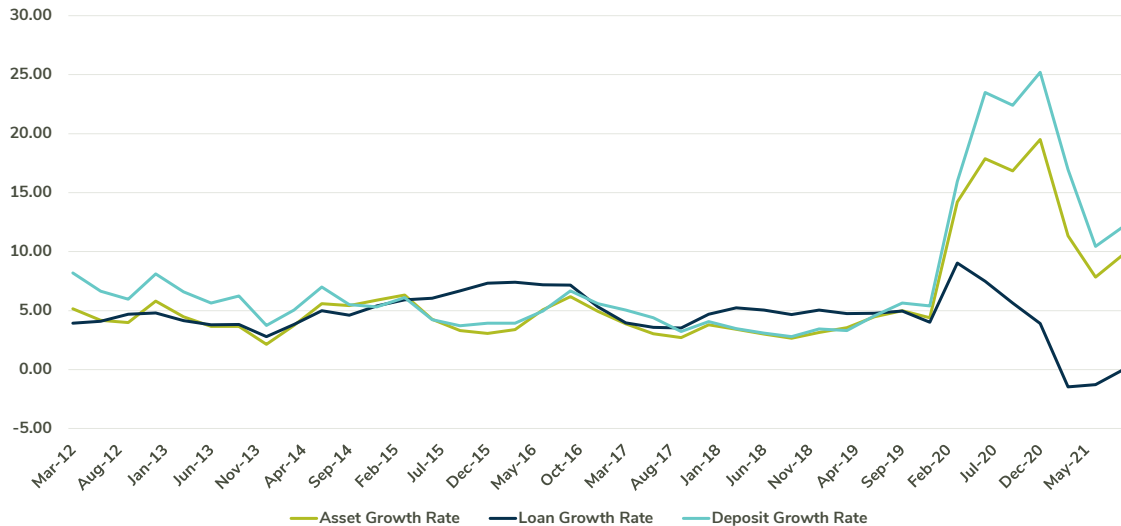


Source: SNL Financial



8

## Annualized Growth Rates (%) LTM - Commercial Banks

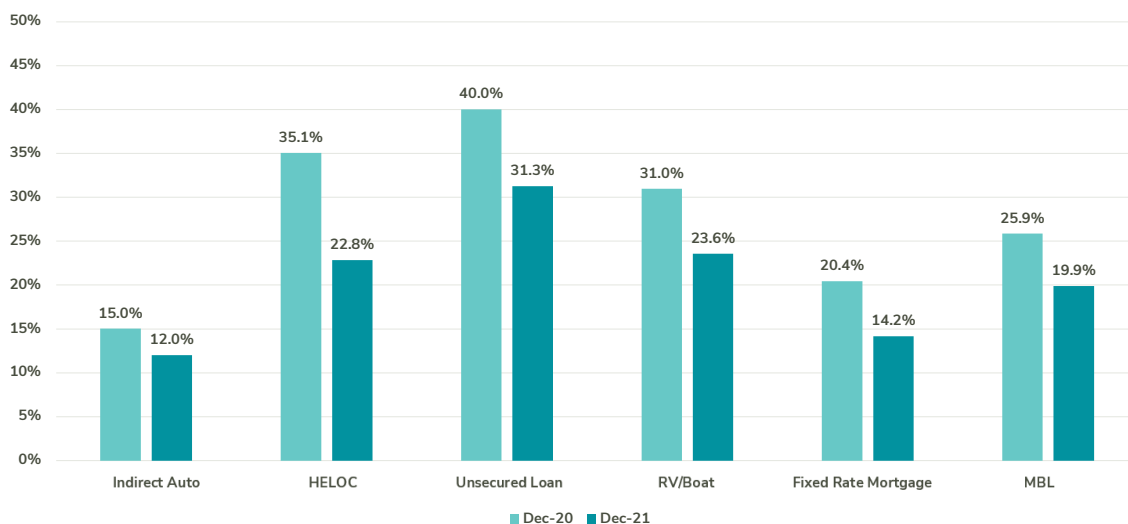


Source: SNL Financial



9

## Year-Over-Year ROE Comparisons



The illustration represents a hypothetical situation and it not intended to be representative of any particular client or situation.



10

## Evolving Lending Facilities



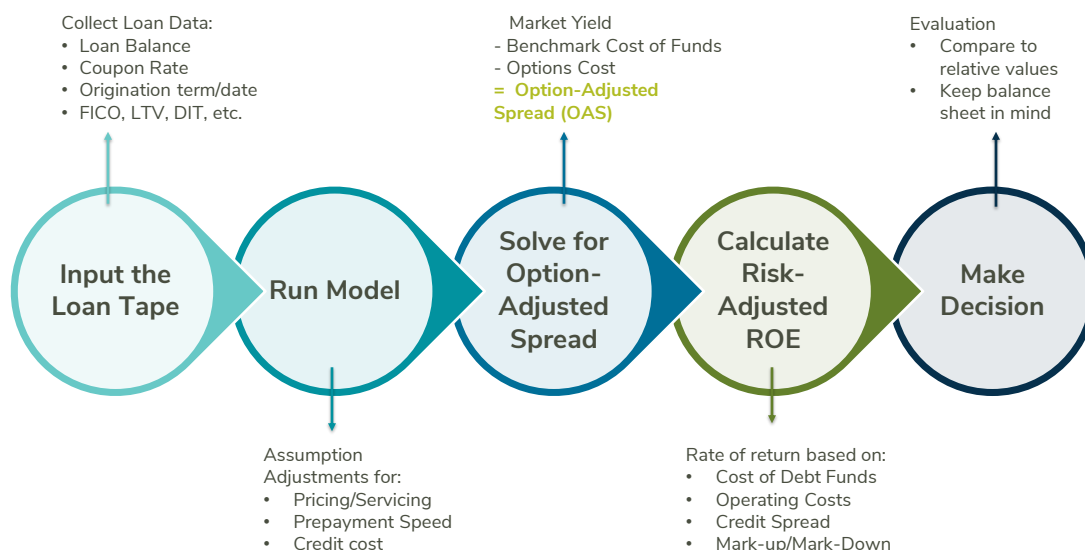
11

## Strategic Lending Facilities



12

## How to Evaluate Different Asset Classes



13

## 2021 Q3/Q4 Clearing Levels

		Pool Analytics				
		Auto	FRM	MBL	HELOC	Personal Loan
Summary	Principal Balance	\$56mm	\$10mm	\$100mm	\$11mm	\$20mm
	Number of Loans	2,000	22	68	128	300
	Servicing Fee	0.50%	0.25%	0.50%	0.50%	0.50%
	Net WAC	4.20%	2.49%	3.25%	3.47%	12.00%
Pricing	Price	103.55	101.00	100.00	108.00	105.00
	Yield	2.31%	2.38%	3.25%	2.41%	8.25%
	OAS	1.43%	0.87%	2.24%	1.28%	7.26%
	Avg Life	1.95	6.64	4.34	4.00	1.45
Assumptions	Prepay	1.4 ABS	ZMUTP	CRE Ramp	Constant	Constant
	CPR Life	23.30%	5.49%	3.65%	20.00%	30.00%
Profitability	Credit Cost	0.65%	0.15%	0.20%	0.10%	3.00%
	ROA	0.92%	0.72%	1.99%	2.28%	4.56%
	ROE	12.20%	14.41%	19.89%	22.84%	45.50%

14

## Clearing Level Considerations



## Key Takeaways

- **Inflation** remains the predominant economic theme to begin 2022.
- Increased deposit inflows & slowing loan growth results in the **lowest loan-to-deposit ratio** since 2013.
- Renting a balance sheet provides **short term income** and allows for buyers and sellers to more **actively manage the balance sheet** to boost performance and manage risk.
- Develop a **disciplined loan evaluation process** to gain better transparency into true economic value and balance sheet fit.



## Q&A

17

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18

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