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Quarterly Loan Transaction Network Update

Speakers



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Agenda

- Market Color & Trends
- Balance Sheet Strategies
- Impact on Loan Pricing & Analytics

Where We See Trends

Treasury yields were sharply higher in Q1

- 2yr and 3yr Treasury yields were up more than 90 bps in March alone
- Multiple curve slope metrics inverted in recent weeks, including the 2yr/10yr spread

March was another tough month for mortgages

- Through the first quarter of the year, both 15-year and 30-year MBS have underperformed duration matched Treasuries by at least 100 bps
- Primary mortgage rates are sitting at their highest level since late 2018 and after the refi wave 2020-2021, most of the mortgage universe is no longer in the money.

Fintech Trends

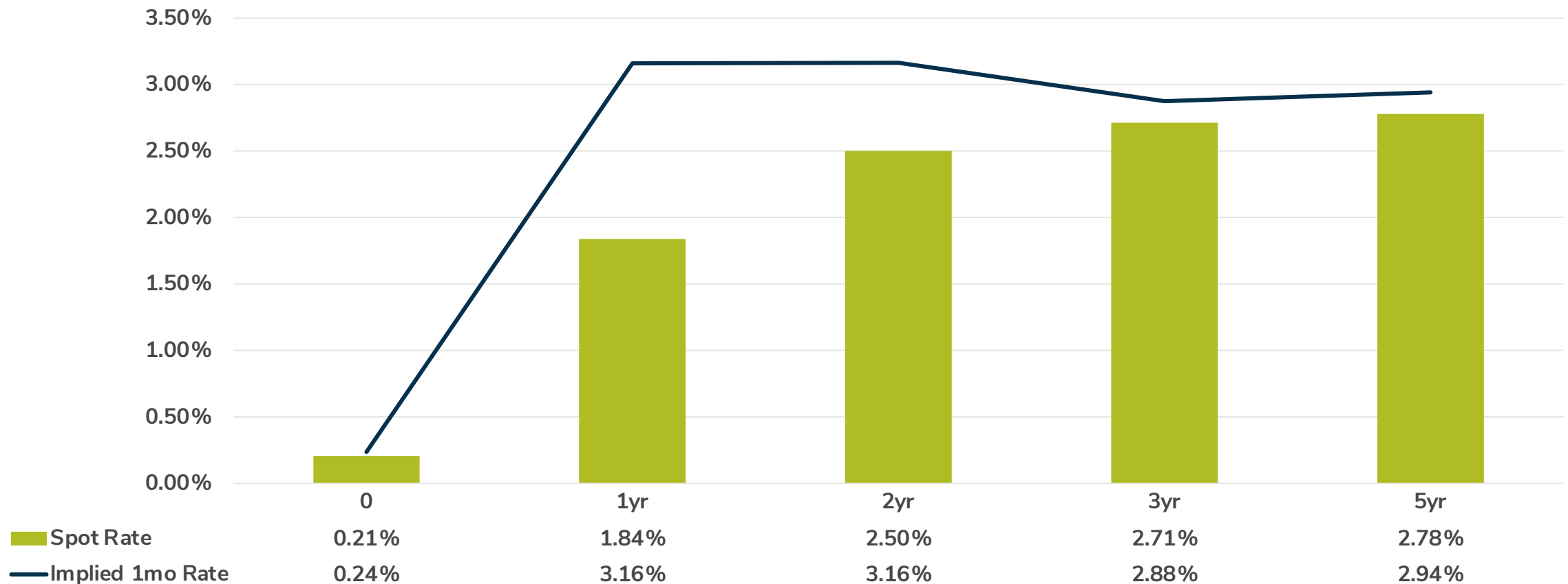
- Fintech platforms more involved in loan originations and participations process

Securitization Trends

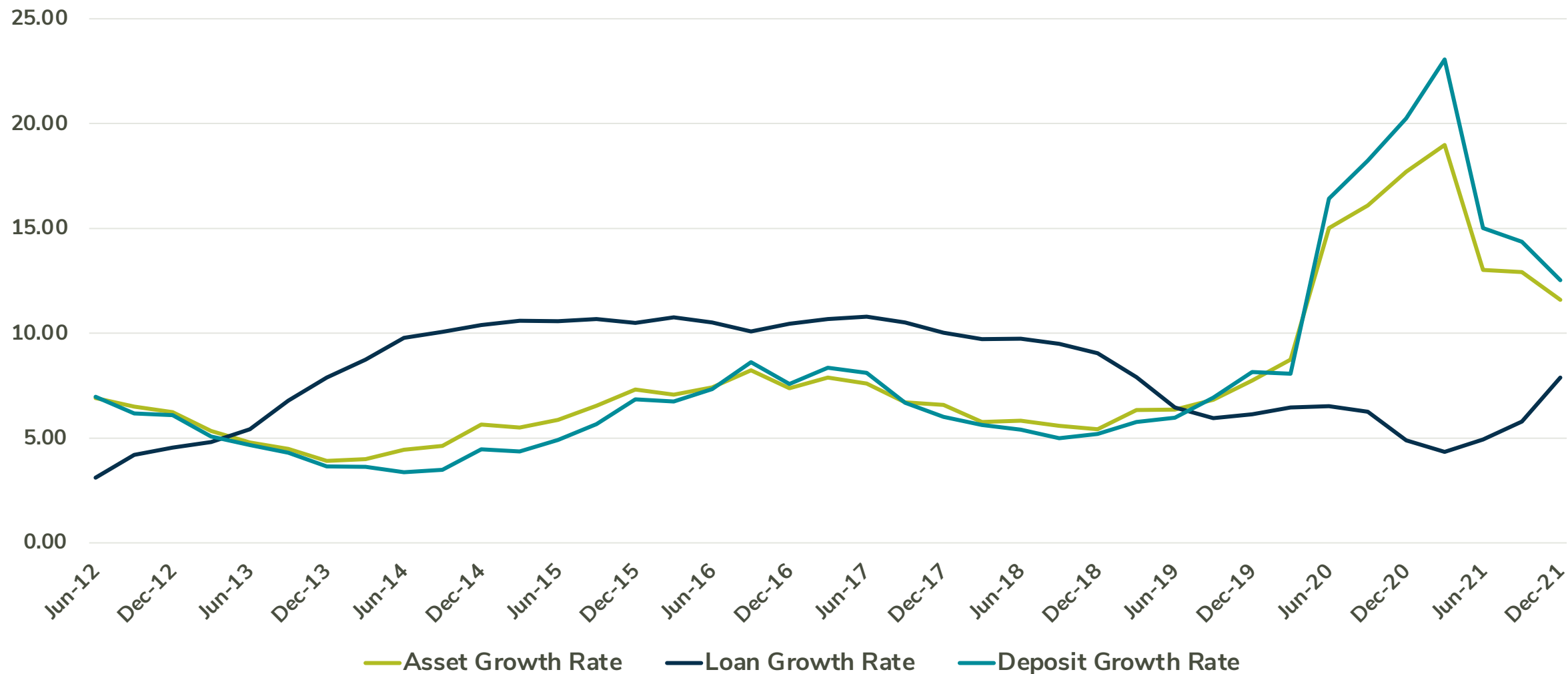
- Growing acceptance of CU securitization (2 deals completed; largest in 2021)

Sharp Repricing in Treasuries

Front-End Treasury Yields: What's Currently Priced In?
As of 4/11/22



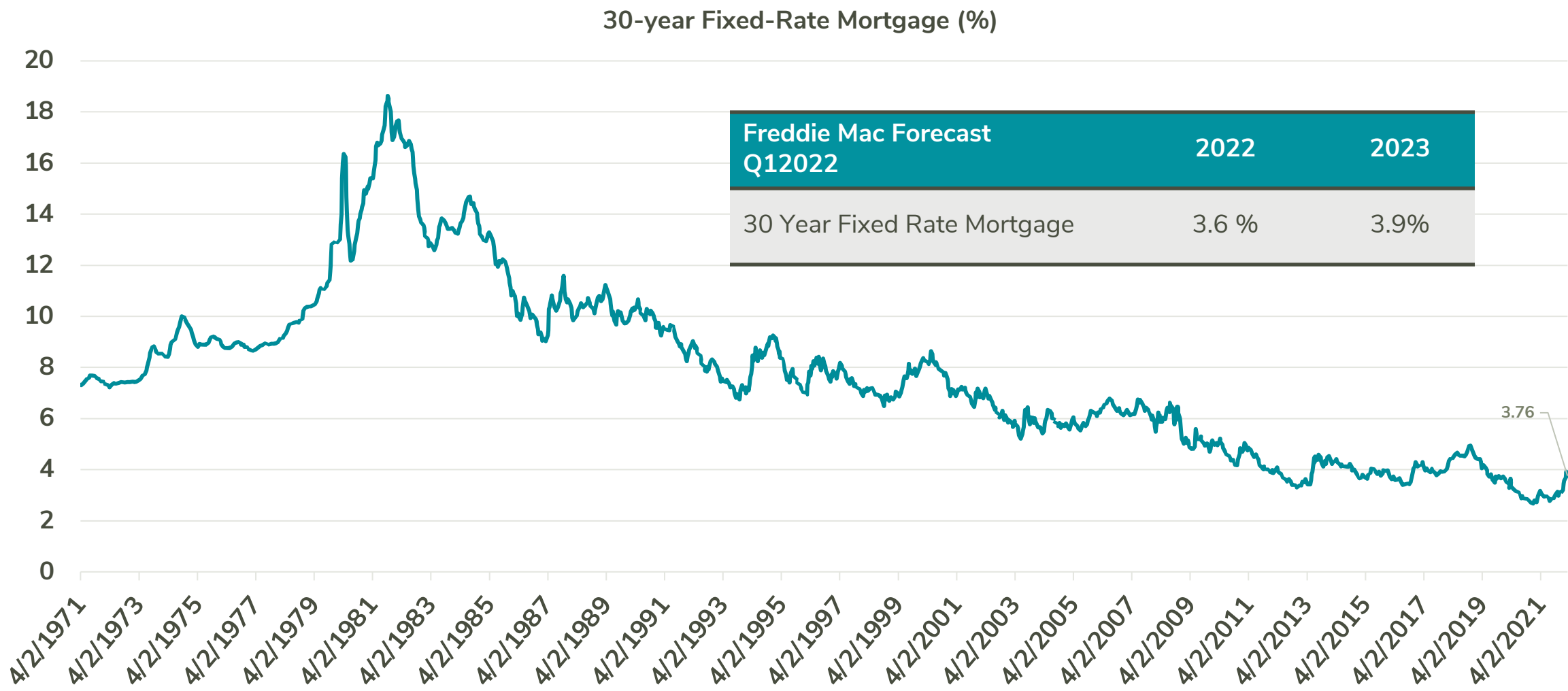
Annualized Growth Rates (%) LTM - Credit Unions



Annualized Growth Rates (%) LTM - Commercial Banks

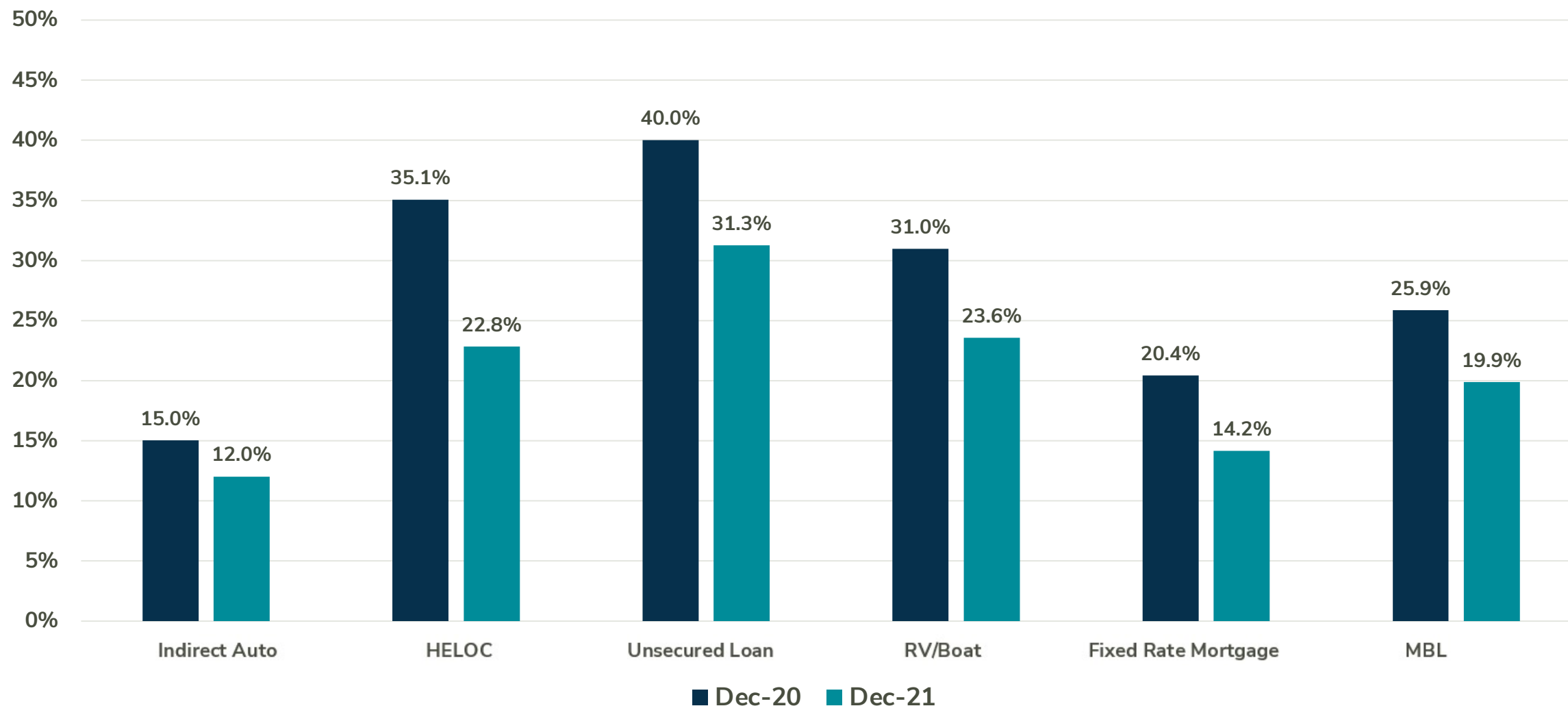


Rates Are Increasing but Still Low Compared to History

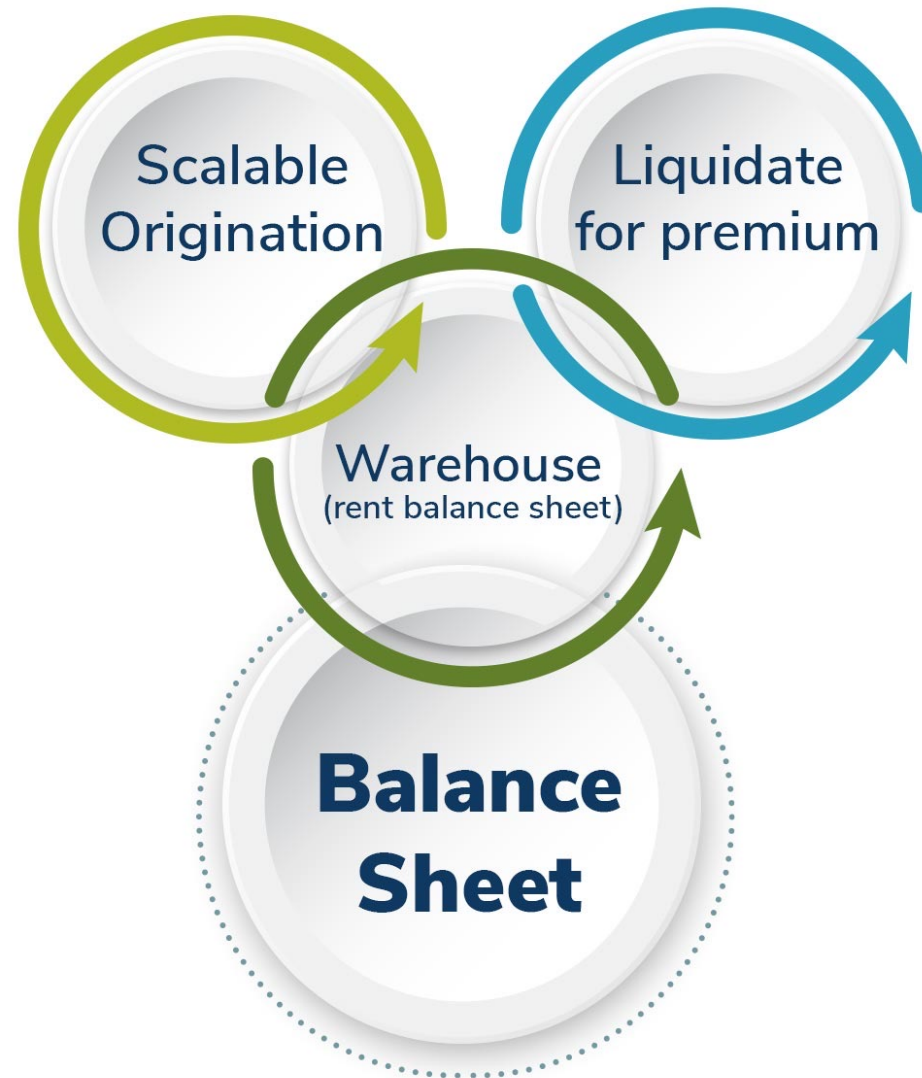


Source: Freddie Mac, MBA

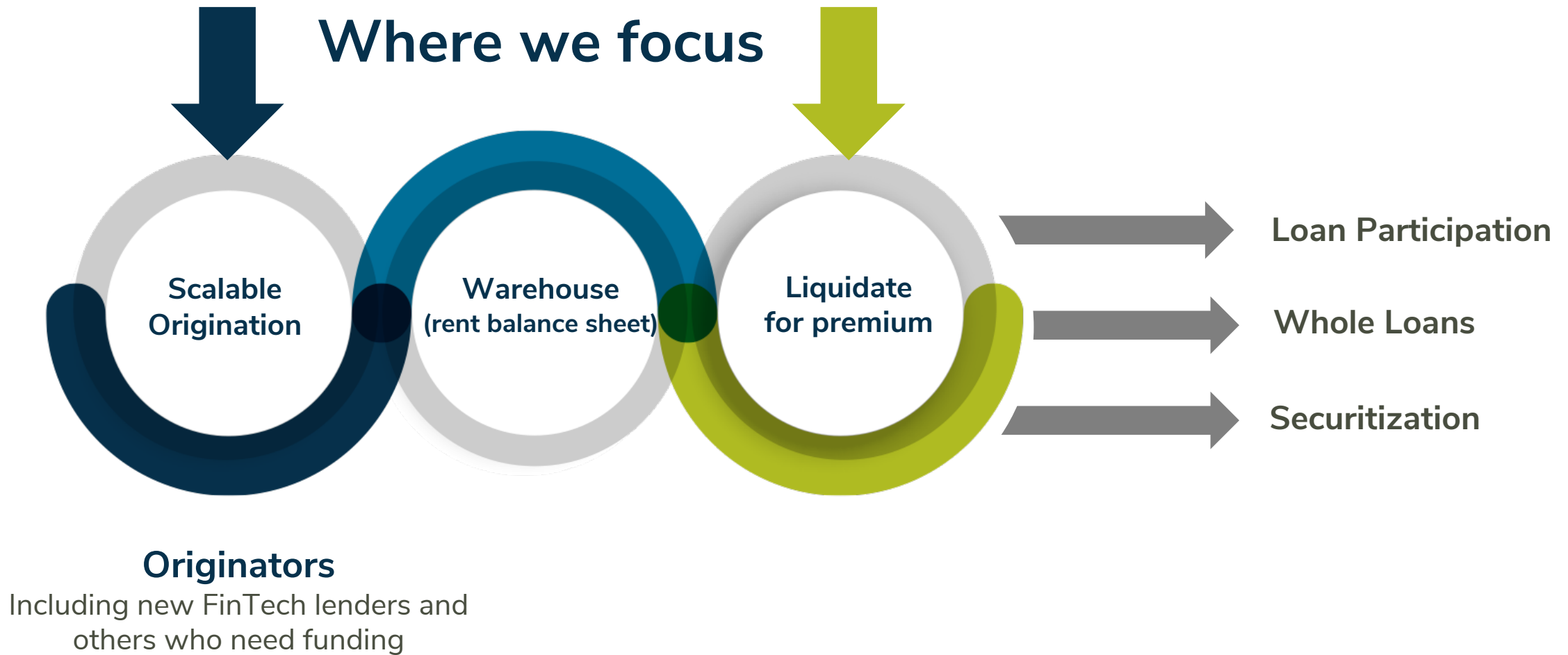
Year-Over-Year ROE Comparisons



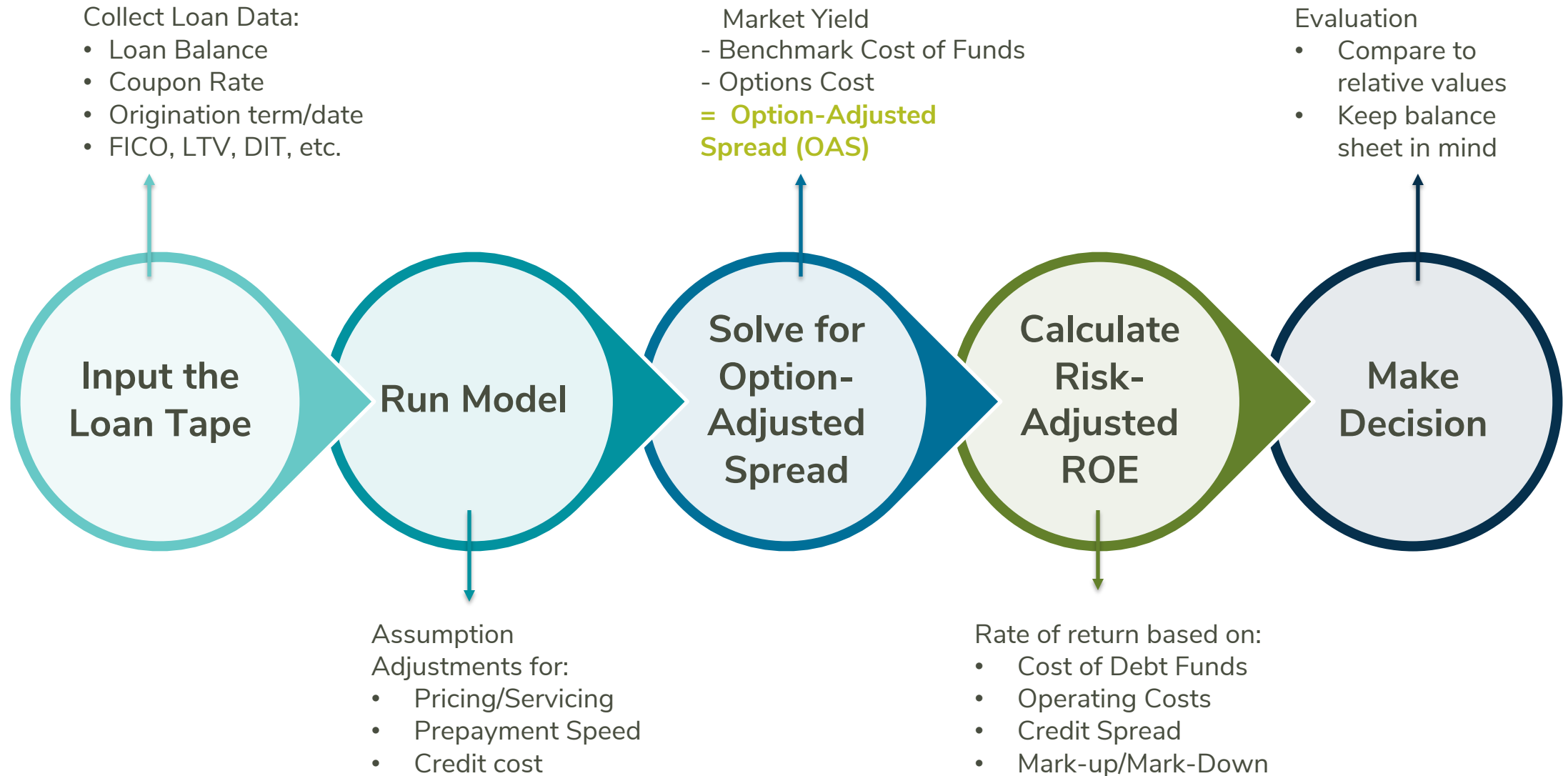
Evolving Lending Facilities



Strategic Lending Facilities



How to Evaluate Different Asset Classes



Auto Loan Analytics – Impact of Increasing Treasury Yields

UST	2/7/2022	3/7/2022	4/11/2022
2-Year	1.30%	1.55%	2.50%
Price	101.25	101.25	101.25
Net WAC	3.54%	3.54%	3.54%
Yield	2.49%	2.44%	2.36%
OAS	1.26%	1.11%	0.12%
Avg Life	1.48	1.45	1.41
Prepay	1.4 ABS	1.4 ABS	1.4 ABS
CPR Life	27.68%	28.18%	28.49%
Credit Cost	0.15%	0.15%	0.15%
ROA	1.37%	1.11%	0.32%
ROE	18.29%	14.85%	4.26%

Fixed Rate Mortgages - Significant repricing over the past three months

UST	Dec-21	Feb-22	Mar-22	YTD Yld Change
5-Year	1.26	1.72	2.46	1.20
10-Year	1.51	1.83	2.34	0.83

30-Year	Dec-21	Feb-22	Mar-22	YTD Px Change
1.5	96.70	92.69	89.12	-7.58
2	99.73	95.90	92.77	-6.95
2.5	102.10	98.65	95.40	-6.70
3	103.62	101.00	97.80	-5.82
3.5	105.33	102.99	100.15	-5.18
4	106.41	104.40	102.04	-4.36

15-Year	Dec-21	Feb-22	Mar-22	YTD Px Change
1.5	100.35	97.31	94.71	-5.63
2	102.46	99.26	97.10	-5.36
2.5	103.47	101.20	98.82	-4.65
3	104.58	102.48	100.68	-3.90
3.5	105.33	103.20	102.02	-3.32

Key Pricing Drivers

**Supply &
Demand**

Size

Geographics

Seasonality

Seasoning

**Flow vs.
One-Time**

Key Takeaways

- It was a historically bad quarter for fixed income as the **market repriced** for a much more aggressive Federal Reserve to combat the highest inflation readings since the early 1980s.
- There are multiple sources of uncertainty weighing on financial markets, and all tie back to an **uncertain course of inflation**.
- 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

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