



South Florida Bond Trader's Association Conference: MBS Sector Macro Trends and Securitized Products Actionable Opportunities in 2026

January 29th, 2026

Dan J. Dujmic, CFA, CMT, FRM
Managing Director, Securitized
Products Trading
Tel: + 1 414 831 6396
Email: dan.dujmic@psc.com

Table of Contents

Part 1 – *Key macro trends for 2026*

- Increasing demand for duration and prepayment protection
- Focusing on underlying collateral attributes to manage MBS convexity
- MBS Servicer behavior impact on MBS convexity

Part 3 – *Agency CMBS superior call protection and risk adjusted returns vs similar profile IG/near government credit alternatives*

Part 2 – *Improving liquidity and relative value in Agency CMO's vs similar profile agency MBS collateral*

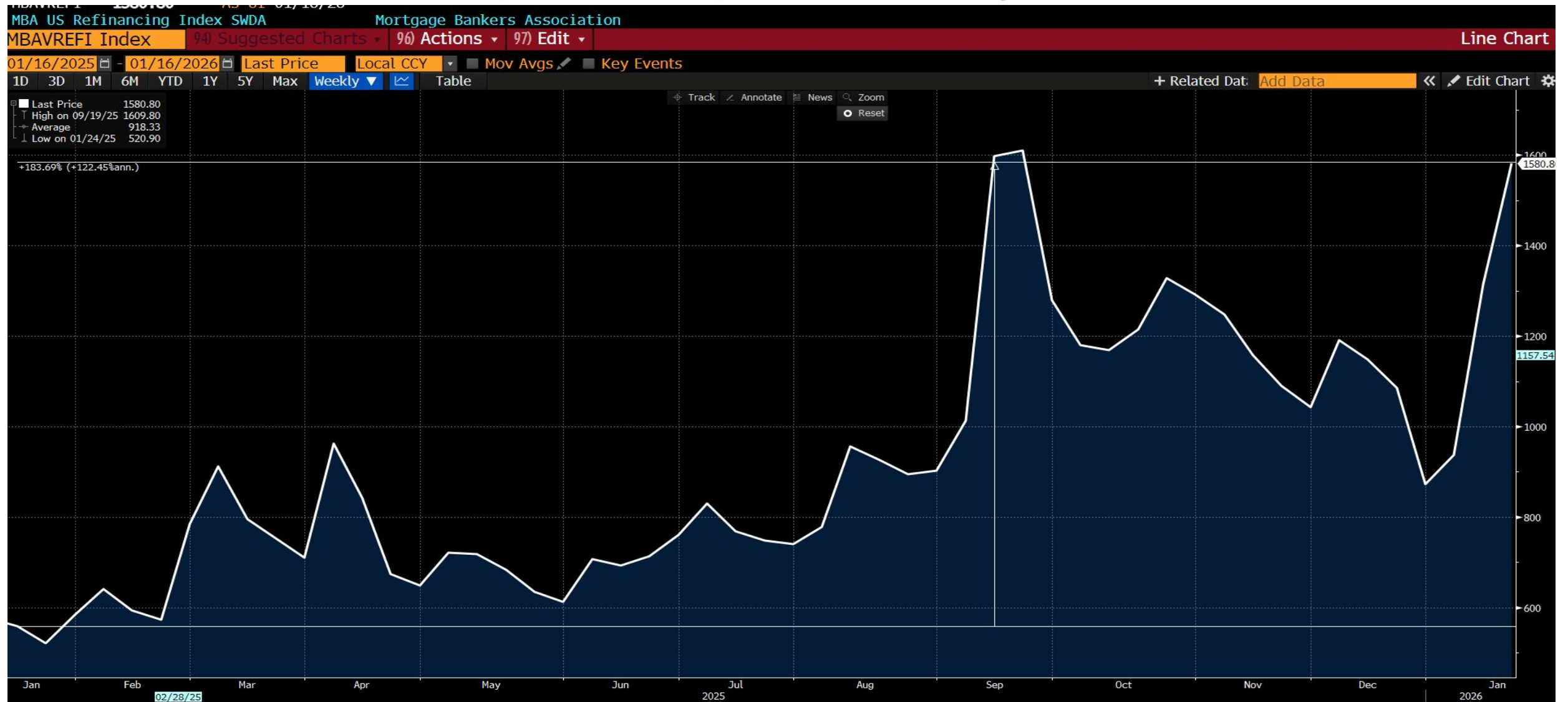
Part 4 – *Managing convexity risk while maximizing risk adjusted returns risk through VADM CMO structures*

Part 5 – *Testing for “Whipsaw Risk” in new issue Agency PAC CMOs*

Part 6 – *Closing Thoughts*

MBA(Mortgage Bankers Association) – Refinancing Index

1/2025 to 1/2026 - +183%



FHFA Conforming Loan Limits & Jumbo Thresholds (One-Unit Properties)

Year	Conforming Limit (\$)	% Δ Conforming	Jumbo Threshold (\$)	% Δ Jumbo
2010	\$417,000.00		\$625,000.00	
2011	\$417,000.00	0	\$625,000.00	0
2012	\$417,000.00	0	\$625,000.00	0
2013	\$417,000.00	0	\$625,000.00	0
2014	\$417,000.00	0	\$625,000.00	0
2015	\$417,000.00	0	\$625,000.00	0
2016	\$417,000.00	0	\$625,000.00	0
2017	\$424,100.00	1.7	\$636,150.00	1.8
2018	\$453,100.00	6.8	\$679,650.00	6.8
2019	\$484,350.00	6.9	\$726,550.00	6.9
2020	\$510,400.00	5.4	\$765,600.00	5.4
2021	\$548,250.00	7.4	\$822,375.00	7.4
2022	\$647,200.00	18	\$970,800.00	18
2023	\$726,200.00	12.2	\$1,089,300.00	12.2
2024	\$766,550.00	5.6	\$1,149,825.00	5.6
2025	\$806,500.00	5.2	\$1,209,750.00	5.2
2026	\$832,750.00	3.3	\$1,249,125.00	3.3

Agency MBS Market Macro Trends

Deteriorating convexity in newly issued current coupon MBS pools

- Increasing GSE conforming limits, thus increasing Average Loan Sizes for new issue MBS (~\$449,943)
- Borrower quality remains elevated
- Higher gross WACs relative to net WAC
- Steeper S curves (Prepayment rates versus interest rate incentive for refinancing)
- Increasing market share for the fastest non-bank servicers

Collateral Vintage Year	Current Coupon by Year	Balance	Wavg Credit Score	WAOLS	FHFA Single Family Conforming Limit	WAOLTV	WAC	WAC Dispersion (Gross WAC - Net WAC)	Max Loan Size
2015	3.5	\$ 211,730,759,516	749	\$ 266,386	\$ 417,000	77	4.12	0.62	\$ 1,202,925
2016	3	\$ 234,029,419,714	760	\$ 284,319	\$ 417,000	75	3.67	0.67	\$ 1,202,925
2017	3.5	\$ 174,245,853,217	755	\$ 276,961	\$ 424,100	77	4.06	0.56	\$ 1,223,475
2018	4	\$ 190,603,776,108	749	\$ 285,676	\$ 453,100	79	4.64	0.64	\$ 1,307,175
2019	3	\$ 306,009,415,153	758	\$ 314,288	\$ 484,350	78	3.90	0.90	\$ 1,397,000
2020	2	\$ 702,933,972,082	766	\$ 333,834	\$ 510,400	73	2.93	0.93	\$ 1,473,000
2021	2	\$ 1,055,536,492,458	761	\$ 346,471	\$ 548,250	72	2.86	0.86	\$ 1,582,000
2022	2.5	\$ 169,112,084,828	748	\$ 407,801	\$ 647,200	75	3.32	0.82	\$ 1,867,000
2023	5.5	\$ 158,172,098,516	757	\$ 417,662	\$ 726,200	79	6.45	0.95	\$ 2,095,000
2024	6	\$ 196,461,158,276	757	\$ 440,853	\$ 766,550	79	6.97	0.97	\$ 2,212,000
2025	6	\$ 219,112,731,487	756	\$ 449,943	\$ 806,500	79	6.89	0.89	\$ 2,300,000

Managing MBS convexity risk in 2026

Goal: Maximize risk adjusted returns in RMBS sector by targeting underlying collateral attributes

- Lower Current/Maximum Loan Balance vs new issue loan wavg loan balance of ~450k
- Max Loan Balance Tiers: 85K,110K,150K,175K,225K,250k,300k
- FICO- Lower FICOs impede refinancing
 - <580: Poor
 - 580-669: Fair
 - 670-739: Good
 - 740-799: Very Good
 - 800 and above: Exceptional
- Slower Mortgage Servicers
 - Bank vs Non-Bank Servicers
 - Minimize VA Loan concentration relative to FHA in Ginnie Mae Deals
 - Slower Geographies: e.g. NY
- Seasoning/Loan Age (WALA): N(New): 30 Months or less | M(Moderate): 31 to 59 Months | S(Seasoned): >60 months
- {CLC <go>} on Bloomberg

Top 10 UMBS Servicers - Conventional Loans(Fannie Mae/Freddie Mac)

Market Share as of 12/2025

Rank	Servicer	UPB- Billions	Market Share (%)	Type
1	Mr Cooper	\$498	9.28	Non-Bank
2	JPM Chase	\$449	8.37	Bank
2	Lake View	\$339	6.32	Non-Bank
3	Penny Mac	\$316	5.89	Non-Bank
4	Rocket	\$315	5.87	Non-Bank
7	New Rez	\$296	5.52	Non-Bank
9	Wells Fargo	\$255	4.76	Bank
5	Freedom	\$214	3.99	Non-Bank
8	United Shore	\$123	2.30	Non-Bank
10	US Bank	\$119	2.22	Bank

Non-bank conventional loan servicers market share ~ 80%

Top 10 GNMA Servicers – FHA/VA Loans

Market Share as of 12/2025

Rank	Servicer	UPB- Billions	Market Share (%)	Type
1	Freedom	\$400	15.87	Non-Bank
2	Lake View	\$372	14.77	Nonbank
3	Pennymac	\$302	11.98	Non-Bank
4	NewRez	\$142	5.64	Non-Bank
5	Mr Cooper	\$137	5.44	Non-Bank
6	Carrington	\$121	4.80	Non-Bank
7	Rocket	\$114	4.54	Non-Bank
8	Planet	\$102	4.04	Non-Bank
9	US Bank	\$ 56	2.22	Bank
10	United Shore	\$ 51	2.04	Non-Bank

Non-banks GNMA servicers market share ~
90%

Rocket Mortgage AI for mortgage lending, likely to further impair convexity in MBS

Lead prioritization & client engagement

- Rocket's **AI-powered Pipeline Manager** agent helps loan officers identify and prioritize high-quality leads
- An AI communications platform generates hyper-personalized follow-ups, increasing client engagement and conversions. In a recent refinance wave, use of these tools lifted client follow-ups by ~9 percentage points and credit pulls & refinance application conversions “double-digit” compared with traditional methods

Automated underwriting & review

- **Purchase Agreement AI Agent** reviews county-specific agreements in ~15 minutes vs prior hours—about 80%-time savings and projected 150,000+ team hours saved annually
- **Rocket Pro Underwriting AI Agent** accelerates document verification, e-signature checks, eligibility reviews, and task summarization

Rocket Mortgage AI for mortgage lending, likely to further impair convexity in MBS

Faster turn times & efficiency

- AI upstream (Rocket Logic and other proprietary systems) has significantly reduced manual work and closing times, helping Rocket process loans faster and at lower per-loan cost.
- Shortened closing times by 25% (from August 2022 to February 2024), enabling closures 2.5 times faster than the industry average of around 47 days.

Digital refinance experience

- Customers now can complete a refinance entirely online—**often in under 30 minutes—with continuous improvements to aim for sub-10-minute experiences**

AI in servicing

- AI also supports mortgage servicing teams by identifying refinancing opportunities as rates change, helping push offers to existing customers faster than competitors.

Mr. Cooper Acquisition & Scale Effects on Origination & Refinancing

Combined mortgage platform with ~\$2.1 trillion in servicing UPB and ~10 million clients—about 1 in 6 (~17%) U.S. mortgages

Benefits of Combined Scale

- A massive servicing book that fuels AI data and insights
- A larger “recapture flywheel” (**Rocket’s recapture rate previously ~83%, ~3× industry average**) meaning borrowers are more likely to refinance with their servicer when rates drop.
- Expanded cross-sell opportunities — Rocket can push purchase and refinance products into a huge pool of existing customers
- Lower client acquisition cost (CAC) because servicing history and AI insights can drive targeted outreach (Rocket Companies Investor Relations)

Example: The company has already increased mortgage attachment rates from ~27% to ~40% across its ecosystem (Rocket + Redfin), with targets of ~50% conversion of Redfin home search clients into Rocket mortgages. (Inman)

Impact on MBS Prepayments & Market Share from Rockets AI & integration with Mr Cooper

Accelerated Refinancing Drive

- Faster and earlier identification of borrowers with incentive to refinance
- Automated reach-outs as soon as rate conditions improve
- High recapture rates driving repeat refinancing with Rocket instead of competitors

Why that matters to MBS prepayments

- **Servicing book size + AI = front-loaded prepayment volumes:**
If rates fall into borrower incentive zones, Rocket/Mr. Cooper can push refinance offers efficiently into their 10 million+ client base, potentially accelerating prepayments on those loans.

Example Impact Vector: CEO commentary suggests if 30-year rates fell to ~5.5%, roughly *25% of Rocket/Mr. Cooper's servicing book (~\$300 billion in UPB)* would have refinance incentive, creating a **large, serviceable prepayment pool** from within their own portfolio.

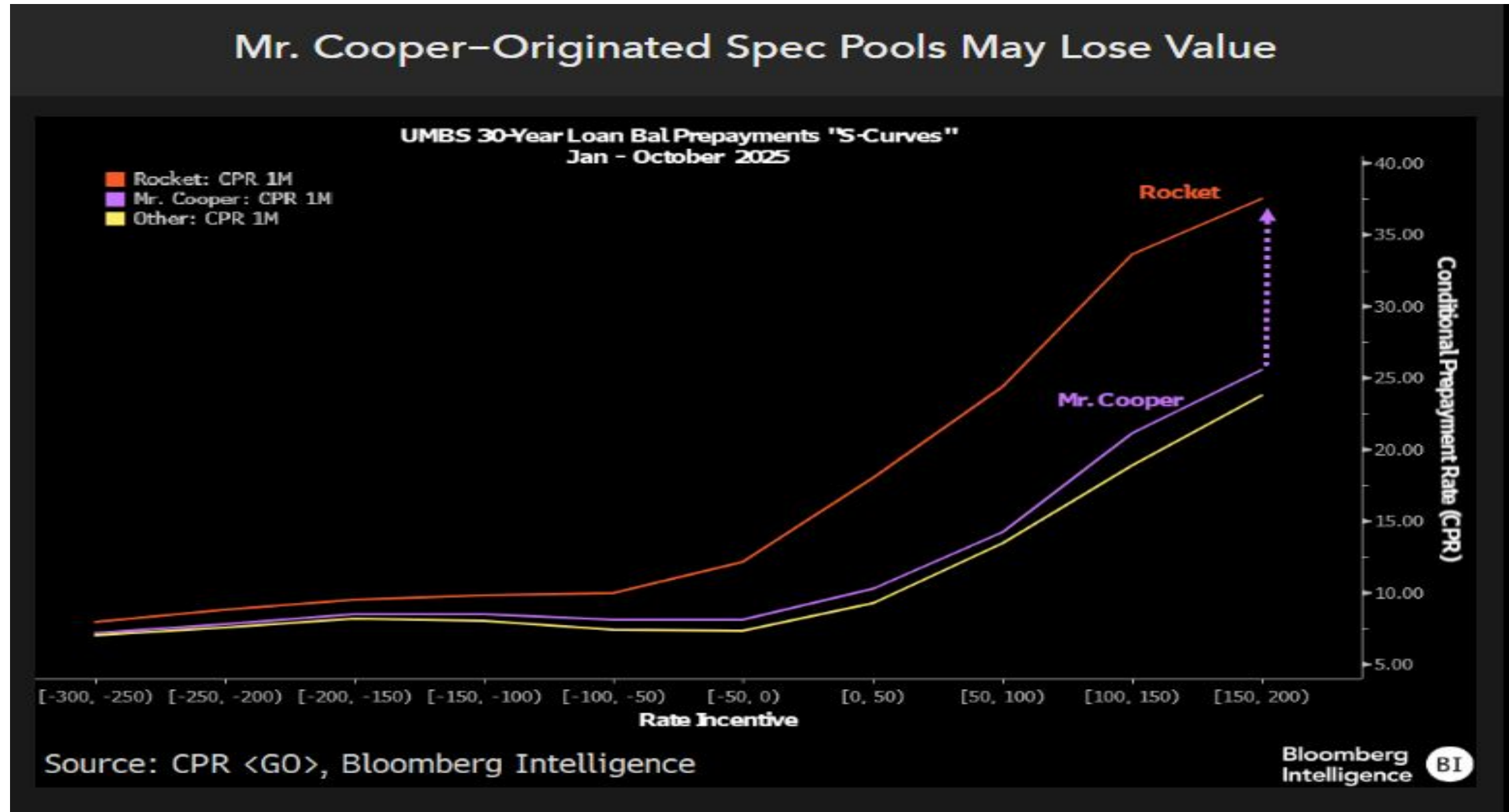
Impact of Rocket Acquisition of Mr Cooper on MBS prepayments

The Rocket/Mr. Cooper merger may lead investors to price in much faster speeds for the worst-to-deliver TBA deliverable, potentially causing TBA prices to fall to compensate for incremental prepayment risk.

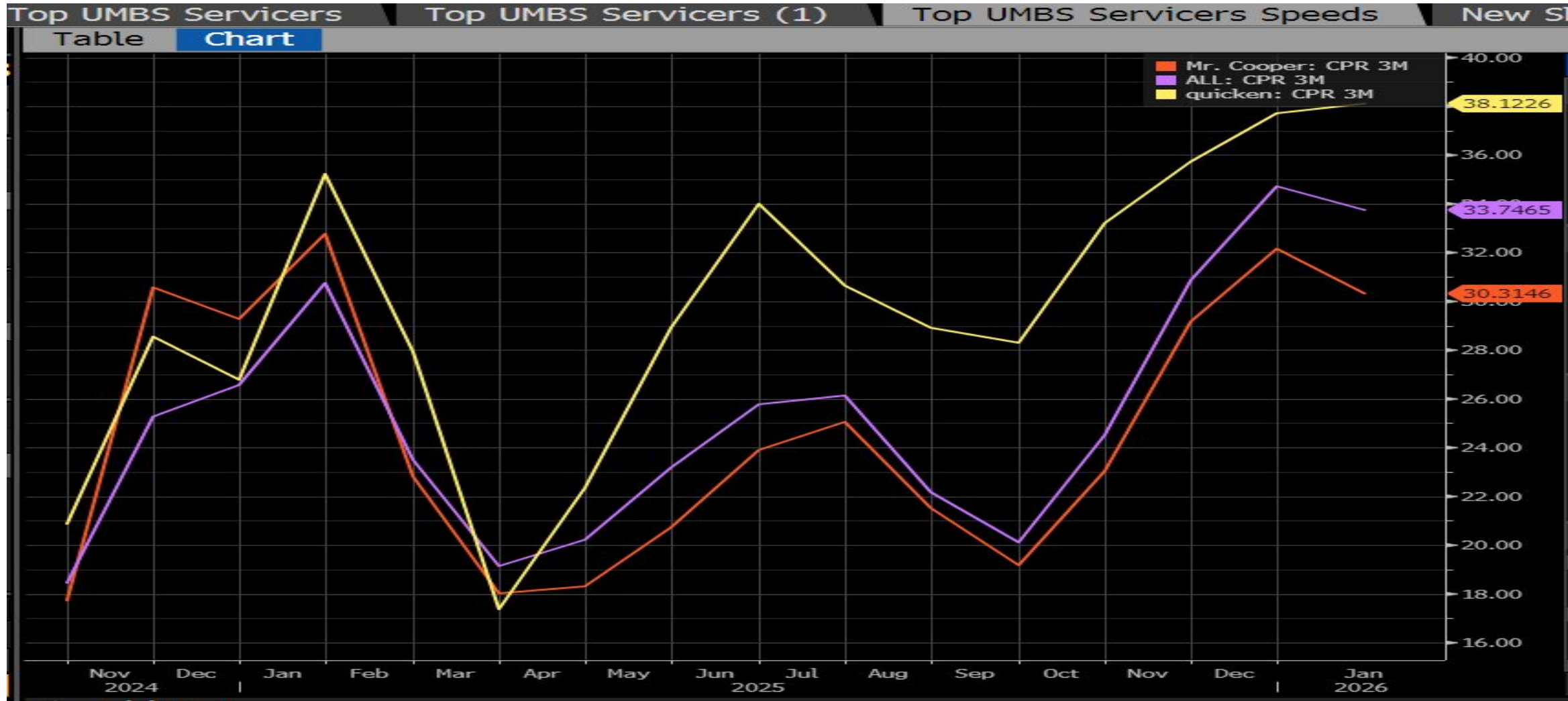
The expected increase in refinancings due to the merger could impair the TBA UMBS 6% Option-Adjusted Spread (OAS) by almost 20 basis points and the 6.5% OAS by almost 30 basis points.

Given the deal closed in 10/2025 , observed effects of the synergies may be preliminary, with full integration still underway as of early 2026

Rocket | Mr Cooper S- Curve – 1/25-10/25



UMBS Servicer Prepayment Speeds (3mo CPR) Rocket(Quicken), Mr Cooper, All Servicers



Rocket Mortgage (~90%) vs Diversified Servicers (~<1%Rocket/Mr Cooper) MBS Pool

FNMA | 6% Coupon | 30yr MBS | 6.95% GWAC | 150k Max Loan Bal

Pool	Orig	Curr	Term	Cpn	WALA	WAM	WAC	Story	1mo	3mo	6mo	12mo	D	Loan	Top Serv	Inv	SATO	Geo	AOLS
FN SD7105	99,455,976	78,152,100	30	6%	17	335	6.95	150k Max	24.3	25.7	24.0	19.7	MBS 30yr	630	90.7% ROCKET MORTGAGE, LLC	8%	25	MI 10%	136
FN CB8696	101,682,687	86,596,818	30	6%	20	331	6.95	150k Max	9.2	11.8	11.9	10.4	MBS 30yr	650	39.21% LESS THAN 1%	8%	11	OH 9%	139

YB Model FRSD7105 : 1yr CPR: 28.93 , LT CPR : 22.17

YB Model: FN CB8696 : 1YR CPR :16.66, LT CPR: 16.83

BAM Model FRSD7105 : 1yr CPR :18.1 , 3yr CPR :19.5, LT CPR : 18.5

BAM Model FN CB8696 1yr CPR: – 19.3 3yr CPR 19.9 LT CPR – 18.4

Servicers impact on MBS valuation is model dependent

Model	Cusip	Pool	\$ Price	Pay Up vs FNCL 6	Effective Duration	Effective Convexity	OneMonth CPR	ThreeMonth CPR	SixMonth CPR	OneYear CPR	ThreeYear CPR	LongTerm CPR	TOAS	Rocket/Mr Cooper
Yield Book	3132DU3N5	FRSD7102-2105	1	+10	2.3	-1.46	27.59	30.16	30.473	28.93	NA	22.17	59.8	90.70%
BAM	3132DU3N5	FRSD7102-2105	1	+10	3.7	-1.65	NA	NA	NA	17.5	19	17.9	77.4	90.70%
Yield Book	3140QU3N5	FNCB8103-2696	4	+45	2.39	-2.18	13.41	15.78	16.762	16.66	NA	16.83	37.7	<1%
BAM	3140QUW4	FNCB8103-2696	4	+45	3.34	-1.72	NA	NA	NA	18.8	19.4	17.9	50.5	<1%

A Case Study: Rocket Mortgage Exposure in CMO's

**GNR 2023-170 QV| 6.5% CPN |original avg life of 5.70 yrs at issue 11/30/2023
6.98 GWAC | 6.5 NWAC |100% VA and 66% Rocket Serviced | paid off 12/2025**

DATE	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	July--24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
1M CPR	0.18	0.20	0.20	0.09	0.23	0.14	3.87	32.28	99.71	94.83	86.27	96.60	63.67
30yr FRM	6.76	6.78	7.04	6.91	7.29	7.07	7.03	6.82	6.43	6.14	6.73	6.69	6.97

DATE	Jan-25	Feb-25	Mar-25	Apr-25	May--25	Jun-25	July-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
1M CPR	43.93	25.15	0.29	68.12	86.27	60.80	14.69	17.57	30.84	85.94	86.02	60.66
30yr FRM	6.97	6.73	6.70	6.89	6.92	6.79	6.83	6.64	6.46	6.31	6.32	6.32

Securitized Products Strategies for 2026 – Agency CMBS

Swap out of agency non callable and callable high-grade taxable municipals/corporate debt into amortizing/non amortizing (balloon principal payment) Agency CMBS . Pick up spread, maintain or improve credit quality and add monthly cashflows

Agency CMBS: FNMA DUS | FHMS K | FNMA “ACEs”

- Agency (GSE) Guarantee
- Underlying collateral: Multi Family, Senior Housing, Manufactured Housing, Student Housing
- Shorter stated finals @ issuance: e.g. 10yr, 7yr, 5yr
- Zero Extension risk
- Strong call protection provisions:
 - Underlying repayment penalties disincentivize voluntary prepayments
 - Positive convexity
- Prepayment penalty types: (YM) Yield Maintenance, Defeasance, (DPP) Declining Prepayment Penalty, (L/O) Lockout
- Cashflows: Monthly Amortizing P&I, Hybrid Balloon (IO period followed by interest and principal period), interest only followed by one-time (“Bullet”) principal payment

Core Advantages of Agency CMBS

1) **ACMBS deliver higher “spread per unit of risk” among high-quality (AAA/AA) taxable fixed income investments**

- Callable and Non-Callable Agency Debt , Taxable Municipals , Corporate Debt
- Investors receive excess spread premium due to:
 - CMBS complexity
 - Smaller investor base due to lack of familiarity/education
 - Prepayment modeling required

2) **Superior call/convexity profile vs callable agency debt**

- Callable agency debt exposes investors to negative convexity.
 - Issuer calls when rates fall
 - Investor reinvests at lower yields
- ACMBS have prepayment protection (lockout features, YM (yield maintenance), defeasance)
- Exhibit more stable cashflows
- Offer better convexity than callable agency debt
- Investor earns additional spread WITHOUT SELLING A FREE CALL OPTION TO THE ISSUER

3) **ACMBS not subject to tax uncertainty vs taxable municipals**

- Taxable munis depend on state/local fiscal health
- Carry political and legislative risk
- Can be impacted from headline-driven volatility.

4) **Underlying collateral diversification benefits for ACMBS cashflows**

- Multifamily
- Demographics and rent stability
- Not subject to earnings or municipal tax bases

5) **Liquidity premium without negligible liquidity risk**

- \$1.069 Trillion outstanding (2025)
- Market: Institutional, deep, repeat-issuer program
- Trade less frequently than corporates and treasuries
- Have reliable dealer support and active secondary market
- Eligible collateral at major dealers and the Fed with negligible “haircut” for pledging/repo.

FN BZ1449 – FNMA DUS ACMBS

5.54yr Avg Life @ 0 cpy (to maturity 7/01/2031) | Full Term IO (Bullet Principal Payment 7/1/2031)
 5.03yr Avg Life @ 100 cpy (to end of prepayment penalty 1/2031)

FN BZ1449 Mtge														▼ Actions ▼		Export ▼		Settings															
🔵 US POOL				5.330(66)18				CUSIP 3140NVT4				Pool Level ▼		As of 01/2026 ▼																			
1/26	OP	0.0C	--B	Traits HX, Balloon, ACT/...				Coupon		4.52%		Maturity		07/01/31		TX		100%		2024		100%											
3Mo	0	0.0	--	07/01/2024 30,300,000				LIV		60		Accrual		01/01-01/31																			
6Mo	0	0.0	--	01/26/2026 30,300,000				MAXLS		--		Next Pay		02/25/26																			
12Mo	0	0.0	--	Factor 1.0				DSCR		1.52																							
Life	0	0.0	--	# Loans 1																													
				1) Price-to-Yield																													
Settle		01/14/26		CF		CF		CF		CF		CF		CF		CF		CF		CF		CF											
Vary		0		0 CPY		*A 12/01/20		*A 12/01/20		*A 12/01/20		*A 12/01/20		*A 12/01/20		*A 12/01/20		100 CPY															
Price		101-19		4.2336		5.7706		4.8764		4.5327		4.3258		4.1950		4.2027																	
Avg Life				5.53		0.95		1.95		2.95		3.95		4.95		5.03																	
Mod Duration				4.81		0.90		1.83		2.71		3.55		4.36		4.42																	
Prin Win		Date ▼		7/31-7/31		12/26-12/26		12/27-12/27		12/28-12/28		12/29-12/29		12/30-12/30		1/31-1/31																	
		I Spread ▼		43		227		135		94		66		45		45																	
Jan26	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	GOVT(I)		6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y												
OP	0	0	0	0	0	0	0	0	0	0	0	14:15		3.58	3.50	3.53	3.59	3.75	3.95	4.17	4.81												
0.0C	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Disc 30/360 ▼		5Y	99-14	7Y	99-18																

Early pay off scenarios: 12/01/26, 12/01/27, 12/01/28, 12/01/29, 12/01/30, 100 cpy(1/01/31)

ACMBS (FN BZ1449) Relative Value Analysis

	Moodys	S&P	Maturity	Spread	Positive Convexity	Risk Weight
Denver Taxable Municipal, CO Housing Authority	Aaa	AAA	12/01/30	+20bp	Yes	100%
Novartis Capital Corp	Aa3	AA-	9/18/31	+21bp	Yes	100%
Agency (GSE) - Non-Callable	Aa1	AA+	1/20/31	+1bp	Yes	20%
Agency (GSE) - 5yr maturity NC 3 Years	Aa1	AA+	1/23/31	+8bp	No	20%
FNMA DUS ACMBS - FN BZ1449	Aa1*	AA+*	07/01/31	+43bp	Yes	20%

Yield Maintenance Penalty Payoff Example

FN AM2508 Fannie Mae Multifamily DUS Security

FN AM2508 Mtge		Export		Page 1/3		Security Description	
US POOL		3.450(0)79 CUSIP 3138L2YE1		Pool Level		95) Buy	96) Sell
1) Summary		2) Comments		3) Notes			
Pool		FN AM2508		As Of		10/2019	
Type		(HY) Actual / 360 Balloon Conv >7 years Level pay		Issue Date		03/01/2013	
Traits		Partial IO, Balloon, ACT/360 NOM		Maturity Date		03/01/2023	
11) Seller		Berkadia Commercial M...		Issuer		FNMA	
12) Pool Information							
Coupon		2.370		WAC*		3.450	
				WARM*		0	
				WALA		79	
				Orig WAC		3.450	
				Orig WAM		120	
13) Collateral Information							
WAOLS		--		Orig Amort		0	
WALS		0		Rem IO*		41	
Orig Date		03/01/2013		Tier		4	
				DSCR (Curr)*		4.22	
LO End Date		--		DSCR (2018)		4.22	
Orig Pen*		YM(114),0(6)		NCF (2018)		\$4.1MM	
Rem Pen*		YM(35),0(6)		Orig LTV*		--	
				Occ. (2018)		95%	
				Prop Name		Canterbury Apartments	
				Prop Addr		21 Congress Street #4	
				City		Nashua, NH	
				Prop Subtype		Multifamily	
				Num Units		480	
				Units <60%		--	
				Green Bond		N	
14) # Loans*		1 Delay		54 (24)		*Value calculated by Bloomberg	
15) Paydown Information							
Performance Hist		Oct19		Sep		Aug	
1 Month CPR		100.0		0.0		0.0	
3 Month CPR		100.0		0.0		0.0	
6 Month CPR		100.0		0.0		0.0	
				Jul		Jun	
				0.0		0.0	
				May		Apr	
				0.0		0.0	
				Mar		Feb	
				0.0		0.0	
				Jan		Dec	
				0.0		0.0	
				Nov18			
				0.0		0.0	

Security Issuance Date: 03/01/2013

Maturity Date: 03/01/2023

Original Yield Maintenance Expiration: 9.5 Years

Yield Maintenance Penalty Payoff Example

FN AM2508 Mtge				Actions		Settings		Yield Table			
US POOL				3.450(46)74		CUSIP	3138L2YE1	Pool Level		As of 05/2019	
5/2019	OP	0.0C	B	Traits	HY, Partial IO, Ballo...	Coupon	2.37%	Maturity	3/1/23	NH	100% 2013 100%
3Mo	--	0.0	--	3/1/2013	28,000,000	LTV	55	Accrual	5/1-5/31		
6Mo	--	0.0	--	10/1/2019	28,000,000	MAXLS	--	Next Pay	6/25/19		
12Mo	--	0.0	--	Factor	1.0	DSCR (Curr)	4.290				
Life	0	0.0	--	# Loans	1						
1) Price-to-Yield											
Settle	05/01/19			CF	CF	CF	CF	CF	CF	CF	CF
Vary	0			0 CPY	100 CPY	100 CPY	0 CPY	0 CPY	0 CPY	0 CPY	0 CPY
Price	99-10			2.5603	2.5835	2.5835	2.5603	2.5603	2.5603	2.5603	2.5603
Avg Life	3.90			3.40	3.40	3.90	3.90	3.90	3.90	3.90	3.90
Mod Duration	3.68			3.23	3.23	3.68	3.68	3.68	3.68	3.68	3.68
Prin Win	Date			3/23-3/23	9/22-9/22	9/22-9/22	3/23-3/23	3/23-3/23	3/23-3/23	3/23-3/23	3/23-3/23
N Spread	23.1			25.2	25.2	23.1	23.1	23.1	23.1	23.1	23.1
May19	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun
OP	0	0	0	0	0	0	0	0	0	0	0
0.0C	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SWAP(N				6M	9M	1Y	2Y	3Y	5Y	7Y	10Y
				2.52	2.52	2.53	2.40	2.33	2.35	2.40	2.50
Disc				30/360	05/01/19						

Client purchased 5MM at 99-10 settling on 05/01/19 with 3.90yr Avg Life & 3.40yr YM

Client purchased 5MM at 101-18 settling on 09/01/19 with 3.57yr Avg Life & 3.07yr

YM

Yield Maintenance Premium Example

Cashflow Schedule

FN AM2508 Mtge		Export		Paydown Information				
US POOL		3.450(0)79 CUSIP 3138L2YE1		Pool Level -				
5) Group 0 Loans								
Summary		Paydown		Collateral		Performance		
Tranche		Coupon 2.37		WALA 79		Issue 03/01/2013		
		WAC 3.4500		WAM 0		Maturity 03/01/2023		
		Orig Bal 10,000,000		Day Count ACT/360 NOM		Pay Delay 54 (24) days		
	Date	Factor	Coupon	Principal	Interest	Balance	Premium	Cashflow
Total				10,000,000	1,583,292			11,819,117
1)	10/25/2019	0.000000000	2.37000	10,000,000.00	19,750.00	0.00	235,825.50	10,255,575.50
2)	09/25/2019	1.000000000	2.37000	0.00	20,408.33	10,000,000.00	0.00	20,408.33
3)	08/26/2019	1.000000000	2.37000	0.00	20,408.33	10,000,000.00	0.00	20,408.33
4)	07/25/2019	1.000000000	2.37000	0.00	19,750.00	10,000,000.00	0.00	19,750.00
5)	06/25/2019	1.000000000	2.37000	0.00	20,408.33	10,000,000.00	0.00	20,408.33
6)	05/28/2019	1.000000000	2.37000	0.00	19,750.00	10,000,000.00	0.00	19,750.00
7)	04/25/2019	1.000000000	2.37000	0.00	20,408.33	10,000,000.00	0.00	20,408.33
8)	03/25/2019	1.000000000	2.37000	0.00	18,433.33	10,000,000.00	0.00	18,433.33
9)	02/25/2019	1.000000000	2.37000	0.00	20,408.33	10,000,000.00	0.00	20,408.33
10)	01/25/2019	1.000000000	2.37000	0.00	20,408.33	10,000,000.00	0.00	20,408.33
11)	12/26/2018	1.000000000	2.37000	0.00	19,750.00	10,000,000.00	0.00	19,750.00
12)	11/26/2018	1.000000000	2.37000	0.00	20,408.33	10,000,000.00	0.00	20,408.33
13)	10/25/2018	1.000000000	2.37000	0.00	19,750.00	10,000,000.00	0.00	19,750.00
14)	09/25/2018	1.000000000	2.37000	0.00	20,408.33	10,000,000.00	0.00	20,408.33
15)	08/27/2018	1.000000000	2.37000	0.00	20,408.33	10,000,000.00	0.00	20,408.33
16)	07/25/2018	1.000000000	2.37000	0.00	19,750.00	10,000,000.00	0.00	19,750.00
17)	06/25/2018	1.000000000	2.37000	0.00	20,408.33	10,000,000.00	0.00	20,408.33

Underlying loan paid off in September for disbursement to investors on 10/25/19

\$235,825.50: Total Yield maintenance premium paid to investor on 10/25/19

Effective take out price: 102.358 vs estimated cost basis 100.4375

Estimated Net Dollar Gain: \$192,050

Improving Liquidity in Agency CMO's

2025 was the highest issuance year for agency CMO's since 2010

Agency CMO issuance totaled ~\$365 billion for 2025.

- 43% increase vs 2024 issuance.
- 55% of total issuance for 2025 was in Ginnie Mae.
- 62% of total issuance for 2025 was in floating rate coupons
- 1.533 trillion Agency CMO's issued since 2020
- 1.224 trillion Agency CMO's outstanding through 2025

Since 2022 Agency CMOs outstanding increased 41% and TRACE volume picked up 190%

Relative Value Advantage of Agency CMOs vs MBS Collateral

	FN FS6337	FHR 5000 KQ
	15yr Pool	Agency CMO
Coupon	2.00	2.0
Net Wac	2.00	2.0
Gwac	2.70	2.85
A/L base	3.80	3.87
A/L +300	4.03	4.30
EDUR	3.69	3.75
ECONV	+0.08	+0.12
I Spread	+17bp	+50bp
TOAS	-7bp	+17bp
Yield	3.82	4.15
Est \$ Price	93-23	92-20
Proj Final Pay	10/2036	9/2037
Wavg Loan Age	62 months	66 months
Wavg Curr LB	\$ 288k	\$173k

- Swap out of 10yr & 15yr pools into similar profile agencies CMO's
- Pick up 33bp nominal (I) spread, 24bp TOAS spread while lowering dollar price by one point

Managing convexity risk in 2026 – Agency VADM CMO's

- Agency VADM CMOs provide **highly predictable principal cashflows**
- Backed by **full agency guarantees**
- Designed to behave like fixed maturity bonds mitigating , **extension, and (prepayment) contraction risk**
- Better risk adjusted returns vs IG/Near government non MBS alternatives as well as 10 and 15yr agency pass throughs.
- Only securitized product that can provide ‘level” P&I cashflows ideal for efficient laddering and liability matching opportunities

VADM CMO – Structural Mechanics

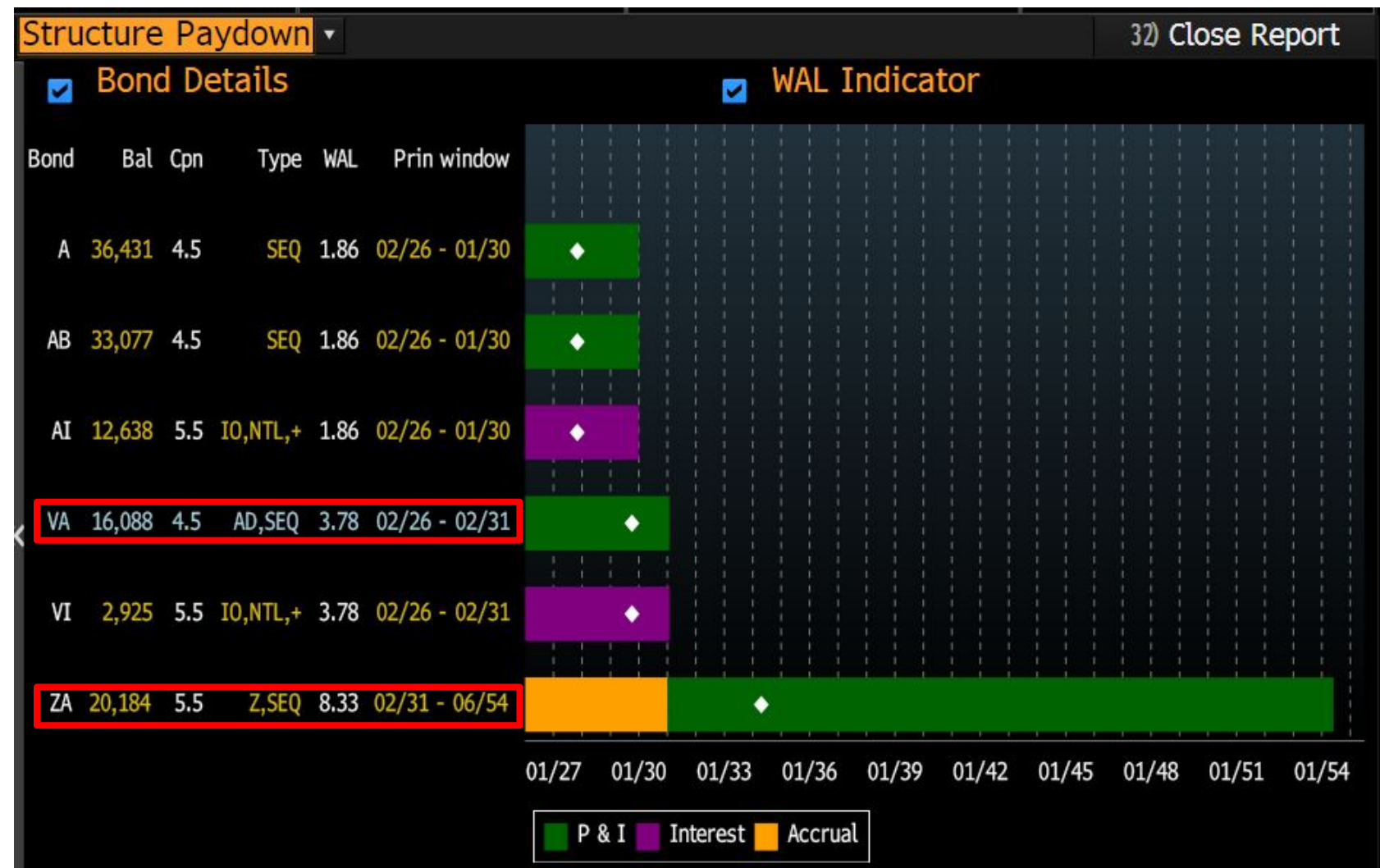
CMO Structure slices the collateral cashflow creating a prioritization based the deal “waterfall” {SPA <go>}

Z bond tranche in a VADM/Z CMO deal is the “prepayment shock absorber” , thus the VADM tranche is structurally insulated from material duration variance over a wide range of prepayments

- Falling Rates → Z-Bonds receive the faster prepayments → VADM stable
- Stable Rates → Normal amortization → VADM stable
- Rising Rates → Z-bonds absorb extension risk → VADM stable

FHR 5607 – Structural Waterfall {SPA <go>}

0 to 133 VADM band | Original Avg Life at issuance 4.70yr



FHR 5607 VA – VADM CMO Structure

Yield Table – Consensus Prepayment Estimates

FHR 5607 VA Mtge													Actions		Export		Settings														
100% FNCL 5.5 N				6.504(341)14				CUSIP 3137HP3F8				Pool Level		As of 01/2026																	
1/26	685P	19.2C	0.2B	Traits				AD,SEQ				Coupon		4.50%		Maturity		10/25/36		CA	18%		2024		100%						
3Mo	818	21.3	0.1	11/28/2025				16,272,000				LTV/HLTV		80/78		Accrual		01/01-01/31		WA	6%										
6Mo	681	15.7	0.2	01/25/2026				16,088,246				MAXLS		1,511,000		Next Pay		02/25/26		TX	6%										
12Mo	708	12.1	0.1	Factor				0.98870738				WACLS		483,713		Collar		0-133		NJ	5%										
Life	710	19.2	0.2	# Loans				7,426																							
													1) Price-to-Yield																		
Settle		01/22/26		0 MED		+300 MED		+200 MED		+100 MED		-100 MED		-200 MED		-300 MED															
Vary		0		408 PSA		108 PSA		126 PSA		162 PSA		871 PSA		1255 PSA		1588 PSA															
Price		99-30		4.4722		4.4943		4.4943		4.4937		4.4161		4.3640		4.3169															
Avg Life				3.78		5.91		5.91		5.81		2.01		1.40		1.10															
Mod Duration				3.38		4.93		4.93		4.87		1.88		1.33		1.05															
Prin Win		Date		2/26-2/31		2/26-10/36		2/26-10/36		2/26-9/35		2/26-7/28		2/26-9/27		2/26-4/27															
I Spread				75		58		58		59		83		81		77															
Jan26	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	GOVT(I)		6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y										
685P	737	1054	--	--	--	--	--	--	--	--	--	14:20		3.61	3.53	3.59	3.65	3.82	4.01	4.22	4.84										
19.2C	19.2	25.3	--	--	--	--	--	--	--	--	--	Disc		30/360	3Y	99-18 ¹ ₄	5Y	99-04 ³ ₄													

FHR 5607 VA- VADM CMO Structure

@ historical CPR's (Offsetting the PSA Ramp distortions)

FHR 5607 VA Mtge				Actions	Export	Settings																	
100% FNCL 5.5 N				6.504(341)14				CUSIP 3137HP3F8				Pool Level		As of 01/2026									
1/26	685P	19.2C	0.2B	Traits		AD,SEQ		Coupon		4.50%		Maturity		10/25/36		CA	18%	2024	100%				
3Mo	818	21.3	0.1	11/28/2025		16,272,000		LTV/HLTV		80/78		Accrual		01/01-01/31		WA	6%						
6Mo	681	15.7	0.2	01/25/2026		16,088,246		MAXLS		1,511,000		Next Pay		02/25/26		TX	6%						
12Mo	708	12.1	0.1	Factor		0.98870738		WACLS		483,713		Collar		0-133		NJ	5%						
Life	710	19.2	0.2	# Loans		7,426																	
1) Price-to-Yield																							
Settle	01/22/26			H1M		H3M		H6M		H1Y													
Vary	0			19.17 CPR		21.26 CPR		15.68 CPR		12.06 CPR													
Price	99-30			4.4793		4.4752		4.4856		4.4910													
Avg Life				4.27		3.98		4.82		5.43													
Mod Duration				3.76		3.53		4.18		4.62													
Prin Win	Date			2/26-12/31		2/26-6/31		2/26-12/32		2/26-5/34													
I Spread				72		74		68		63													
Jan26	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	GOVT(I)	6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y			
685P	737	1054	--	--	--	--	--	--	--	--	--	14:13	3.61	3.53	3.59	3.65	3.82	4.01	4.22	4.84			
19.2C	19.2	25.3	--	--	--	--	--	--	--	--	--	Disc	30/360	3Y	99-18 ¹ ₄	5Y	99-04 ³ ₄						

FHR 5607 VA – VADM Agency CMO

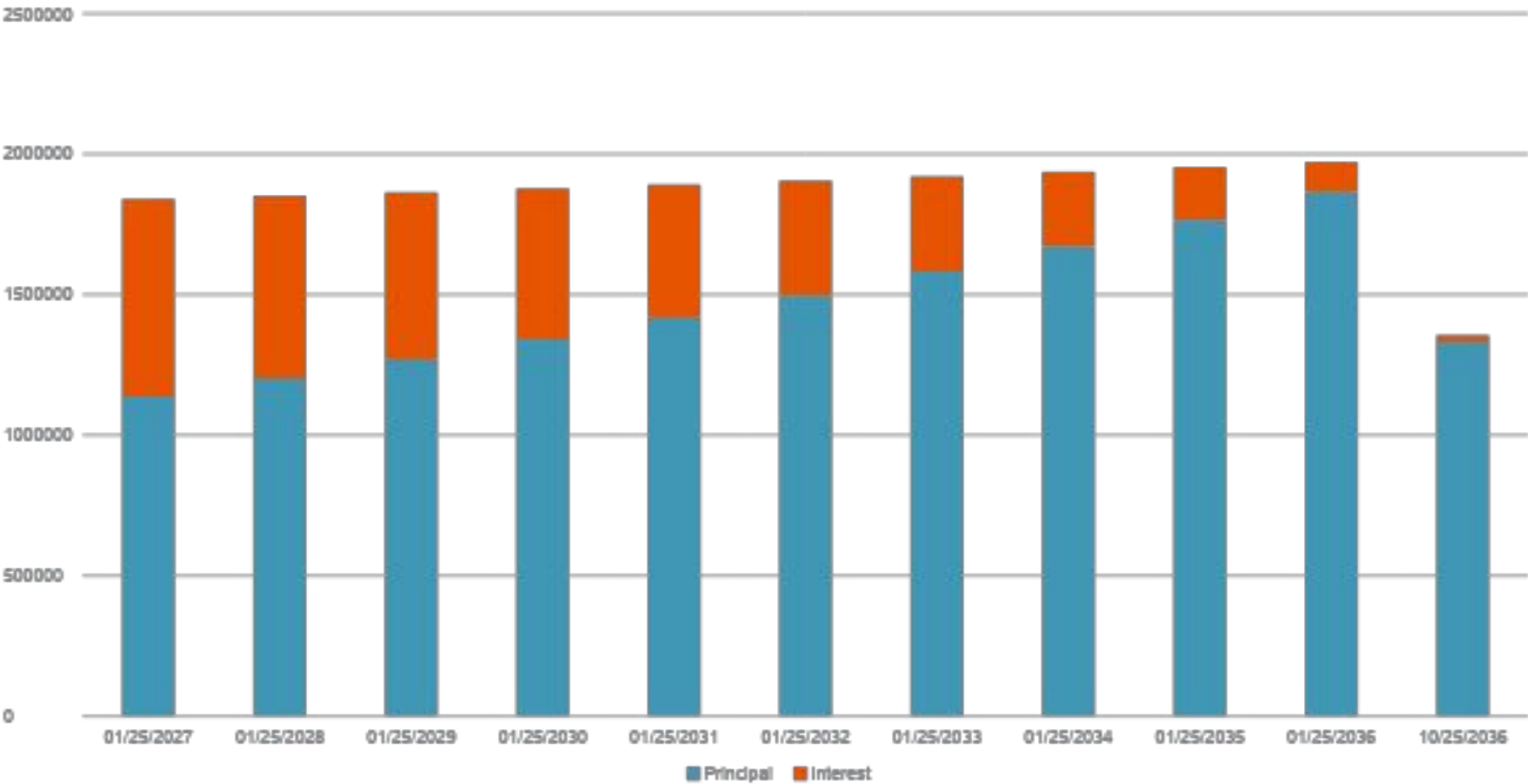
Shock Prepayment and Extension Scenarios

FHR 5607 VA Mtge													Actions		Export		Settings														
100% FNCL 5.5 N				6.504(341)14				CUSIP 3137HP3F8				Pool Level		As of 01/2026																	
1/26	685P	19.2C	0.2B	Traits		AD,SEQ		Coupon		4.50%		Maturity		10/25/36		CA		18%		2024		100%									
3Mo	818	21.3	0.1	11/28/2025		16,272,000		LTV/HLTV		80/78		Accrual		01/01-01/31		WA		6%													
6Mo	681	15.7	0.2	01/25/2026		16,088,246		MAXLS		1,511,000		Next Pay		02/25/26		TX		6%													
12Mo	708	12.1	0.1	Factor		0.98870738		WACLS		483,713		Collar		0-133		NJ		5%													
Life	710	19.2	0.2	# Loans		7,426																									
1) Price-to-Yield																															
Settle		01/22/26		CF		CF		CF		CF		CF		CF		CF		CF													
Vary		0		19.17 CPR		100 SHOCK1		100 SHOCK2		100 SHOCK3		100 SHOCK4		100 SHOCK5		0 CPR															
Price		99-30		4.4793		4.4943		4.4943		4.4940		4.4924		4.4876		4.4943															
Avg Life				4.27		5.91		5.91		5.87		5.62		5.03		5.91															
Mod Duration				3.76		4.93		4.93		4.91		4.74		4.33		4.93															
Prin Win		Date		2/26-12/31		2/26-10/36		2/26-10/36		2/26-2/36		2/26-1/35		2/26-10/33		2/26-10/36															
I Spread				72		58		58		59		61		66		58															
Jan26	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	GOVT(1)		6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y										
685P	737	1054	--	--	--	--	--	--	--	--	--	14:17		3.61	3.53	3.59	3.65	3.82	4.01	4.22	4.84										
19.2C	19.2	25.3	--	--	--	--	--	--	--	--	--	Disc		30/360	3Y	99-18 ¹ ₄	5Y	99-04 ³ ₄													

Shock1: 10 cpr for 12 months ,6cpr for life
 Shock2: 20 cpr for 12 months, 6cpr for life
 Shock3: 30 cpr for 12 months, 6cpr for life
 Shock4: 40 cpr for 12 months, 6cpr for life
 Shock5: 50 cpr for 12 months, 6cpr for life

FHR 5607 VA – VADM

VADMs Provide Automatic Laddering Mechanism for Security Cash Flows



Dates	Principal	Interest	Cashflow
01/25/2027	1138522	700722	1839244
01/25/2028	1202744	648177	1850921
01/25/2029	1270588	592668	1863256
01/25/2030	1342259	534028	1876287
01/25/2031	1417973	472080	1890053
01/25/2032	1497958	406638	1904596
01/25/2033	1582455	337504	1919959
01/25/2034	1671718	264471	1936189
01/25/2035	1766016	187318	1953334
01/25/2036	1865633	105813	1971446
10/25/2036	1332380	23116	1355497

Source: Bloomberg

Testing for “Whipsaw Risk” in New Issue PAC CMO’s

GNR 2025-171 HA Mtge														▼	Actions ▼		Export ▼		Settings																						
100% G2SF 6.5 N														6.994(350)5				CUSIP 38385HZA8				Pool Level ▼		As of 01/2026 ▼																	
1/26 360P 3.3C 0.6B				Traits		EXCH,PAC-1		Coupon		4.50%		Maturity		10/20/55		FL		9%		2025		100%																			
3Mo 205 1.4 0.2				10/30/2025		39,921,000		LTV/HLTV		92/92		Accrual		01/01-01/31		TX		7%																							
6Mo -- -- --				01/20/2026		39,609,268		MAXLS		349,002		Next Pay		02/20/26		IN		6%																							
12Mo -- -- --				Factor		0.99219128		WACLS		235,270		Collar		257-339		IL		6%																							
Life 205 1.4 0.2				# Loans		1,282																																			
1) Price-to-Yield																																									
Settle		01/27/26		0 MED		+300 MED		CF		CF		CF		CF		CF		CF																							
Vary		0		546 PSA		142 PSA		100 SHOCK1		100 SHOCK2		100 SHOCK3		100 SHOCK4		100 SHOCK5																									
Price		99-06 ⁵ / ₈		4.7101		4.6487		4.6314		4.6221		4.6217		4.6336		4.6500																									
Avg Life				3.82		6.52		8.21		9.61		9.98		8.65		7.31																									
Mod Duration				3.31		5.22		6.24		6.96		6.99		6.08		5.15																									
Prin Win		Date ▼		2/26-9/55		2/26-3/55		2/26-3/55		2/26-3/55		2/26-10/55		2/26-10/55		2/26-10/55																									
I Spread ▼				95		63		48		37		35		45		57																									
Jan26		Dec		Nov		Oct		Sep		Aug		Jul		Jun		May		Apr		Mar		Feb		GOVT(1)		6M		1Y		2Y		3Y		5Y		7Y		10Y		30Y	
360P		128		32		--		--		--		--		--		--		--		--		--		11:57		3.63		3.53		3.61		3.69		3.86		4.06		4.26		4.87	
3.3C		0.9		0.2		--		--		--		--		--		--		--		--		--		Disc		30/360 ▼		3Y		99-15 ¹ / ₄		5Y		98-30 ³ / ₄							

Shock1 : 10cpr for 12 months/6cpr for life
 Shock2: 20cpr for 12 months /6cpr for life
 Shock3: 30cpr for 12 months/6cpr for life
 Shock4: 40cpr for 12 months/6cpr for life
 Shock5: 50cpr for 12months/6cpr for life

Closing Thoughts

I. Security selection vs Sector Rotation

- ✓ Wider variety of coupons and structures for investors to select from providing custom duration and convexity options
- ✓ Swap tighter spread specified pools into similar profile wider CMO's

II. Loan count should be a factor in valuation of RMBS

- ✓ Lower loan count securities exhibit more volatile cashflows month over month vs higher loan count
- ✓ More deals being brought to market in recent years with lower loan count
- ✓ As loan count declines the month over month prepayment volatility can increase dramatically
- ✓ 100 or <loans | 100 to 1000 loans | 1000 loans or >

Disclosures

The material contained herein is not a product of any research department of Piper Sandler & Co. or any of its affiliates. Nothing herein constitutes a recommendation of any security or regarding any issuer; nor is it intended to provide information sufficient to make an investment decision. The information provided is herein not intended to be and should not be construed as a recommendation or "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934.

The information contained in this communication has been compiled by Piper Sandler & Co. from sources believed to be reliable, but no representation or warranty, express or implied, is made by Piper Sandler & Co., its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this communication constitute Piper Sandler & Co.'s judgment as of the date of this communication, are subject to change without notice and are provided in good faith but without legal responsibility. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur.

Nothing in this communication constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients and may have been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The investments or services contained in this communication may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services.

Every state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, any specific securities discussed in this communication may not be eligible for sale in some jurisdictions. This communication is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction.

In providing information contained herein to a municipal entity or obligated person, Piper Sandler (i) is not recommending an action to any municipal entity or obligated person recipient (ii) is not acting as an advisor to any municipal entity or obligated person and (iii) does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to any municipal entity or obligated person with respect to the information and material contained in this communication. Piper Sandler is acting for its own interests, and any municipal entity or obligated person recipient of this information should discuss any information and material contained in this communication with any and all internal or external advisors and experts that the municipal entity or obligated person deems appropriate before acting on this information or material.

To the fullest extent permitted by law neither Piper Sandler & Co., nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this communication or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior consent of Piper Sandler & Co. Piper Sandler & Co. may buy from or sell to customers on a principal basis in the securities or related derivatives that are the subject of this communication.

Piper Sandler & Co. has or may have proprietary positions in the securities or in related derivatives that are the subject of this communication. Piper Sandler & Co. may have been manager or co-manager of a public offering of securities of the issuer within the past twelve months. Additional information is available upon request.

Piper Sandler outgoing and incoming e-mail is electronically archived and recorded and is subject to review, monitoring and/or disclosure to someone other than the recipient. This e-mail may be considered an advertisement or solicitation for purposes of regulation of commercial electronic mail messages. If you do not wish to receive commercial e-mail communications from Piper Sandler, visit: www.pipersandler.com/do_not_email to review the details and submit your request to be added to the Piper Sandler "Do Not E-mail" directory. For additional disclosure information, see www.pipersandler.com/disclosures.

Piper Sandler Companies is an investment bank and asset management firm headquartered in Minneapolis with offices across the U.S. and in London, Zurich and Hong Kong. Securities brokerage and investment banking services are offered in the United States through Piper Sandler & Co., member NYSE and SIPC, in Europe through Piper Sandler Ltd., authorized and regulated by the Financial Conduct Authority, and in Hong Kong through Piper Sandler Hong Kong, authorized and regulated by the Securities and Futures Commission. Asset management products and services are offered through three separate investment advisory affiliates registered with the U.S. Securities and Exchange Commission: Advisory Research Inc., Piper Sandler Investment Management LLC and PSC Capital Partners LLC.