

What is a Remittance Report?

A remittance report is a regular update provided to investors from the Master Servicer in certain types of loan and bond securitization deals. The report details the performance of the collateral (generally loans and securities) which back the securities issued through the securitization trust (the "Trust"). It helps investors determine if the collateral is current or delinquent in their regularly scheduled interest and principal payments, and how much of the principal of each security issued by the Trust has paid off (if any) that period as well as how much interest income was received.

Why is this important?

The remittance report allows investors to determine if the collateral is performing better or worse than expected. Generally speaking, in most securitizations of mortgage loans, some loans pay their regularly scheduled principal and interest, some loans mature, others become delinquent and go into default, others are refinanced before the maturity of the loan, and other loans may be modified under certain protocols by the servicer. The remittance report helps investors monitor the performance of the loan collateral and activities of the loan servicer. Investors can benchmark their expectations for loan performance against the actual results through the remittance report.

What other information is presented in the remittance report?

The remittance report will generally provide information concerning fees charged to the securitization deal by the servicer in the performance of his duties; consolidated characteristics of the loans, such as weighted average coupon and FICO scores; analysis of any technical performance issues regarding the deal which might impact the prioritization of cashflows, like delinquency triggers; detailed information in regards to any loans in foreclosure/REO; and a historical perspective regarding the performance of the collateral, as well as other qualitative and quantitative information.

How can I determine the performance of a particular security issued by the securitization that is in one of the AMF Funds?

Generally speaking, the summary information for all securities issued by the securitization is found on the page typically labeled 'Certificateholder Distribution Summary'. This page will list all of the securities issued by the securitization, and generally includes the CUSIP for each security. With the CUSIP of the security in question, you can review the interest rate paid on the security, the amount of interest and principal distribution (if any) on the security, and any principal losses realized on the security.

If you want to know the exact principal and interest impact on the Fund based on the amount of a particular security held by the Fund, there are generally pages labeled Principal Distribution Statement and Interest Distribution Statement. These pages generally show the original principal face for each security issued by the Trust, the current principal face at the beginning of the month, the actual cashflows that month, and the resultant remaining principal face. For example, if CUSIP #1 had an original face of \$100mm and had received principal payments in previous months, its current balance at the beginning of the month might be \$70mm. If CUSIP #1 was entitled to receive \$5mm of principal payments that month, its principal balance at the end of the month would be \$65mm. If the Fund owned \$10mm original face of CUSIP #1 (or 10% of the entire original principal balance of the security), that means the Fund was entitled to receive a principal payment of \$500,000.

How are principal losses displayed on the Remittance Report?

The Principal Distribution Statement will generally show the realized loss from loans that were liquidated by the servicer that month because of non-compliance by the mortgagor with the terms of their mortgage. Loans which are liquidated are generally the result of a foreclosure and subsequent property sale which is insufficient to pay off the mortgage loan principal balance, or a short sale executed at a discount to the outstanding mortgage loan principal balance. In these cases, the loss is borne by the security in the Trust which, based on the Trust documents, is prioritized to receive the principal writedown/loss. This will generally be shown on the Principal Distribution Statement as a 'Realized Loss' and be a deduction from the outstanding principal balance of the security in question. To measure the cumulative losses taken by a particular security since the formation of the Trust, the Certificateholder Distribution Summary will also generally show that information at the far right of the statement.

It is not uncommon for securities which are taking principal writedowns to also be receiving (or had been receiving) principal payments from voluntary loan refinancings, principal amortization/maturities, or principal recoveries from liquidated loans. For example, a CUSIP may have paid down by 30% from voluntary principal payments,

amortization, and maturities before it is next in line to bear principal losses. If all of the securities which were to receive principal losses have been extinguished, and this CUSIP is next in line, it will therefore begin to take principal writedowns from liquidated loans. Therefore, it is important for investors to check the Remittance Report to determine how much of a securities' principal payment/reduction was a function of voluntary payments, scheduled amortization/maturities, and/or realized losses.

What other issues may impact cashflows on these securities?

One recent change that impacts mortgage securitizations is the federal government's HAMP (Home Affordable Modification Program) program. HAMP allows loan servicers substantially greater latitude to modify the terms of delinquent homeowner's loans. In many cases, servicers have the ability to reduce the borrowers note rate, extend the term of the mortgage, and/or to allow for principal forbearance. While this program is designed to keep homeowners from defaulting, in nearly all cases it will reduce the amount of principal and interest paid to most securities within the Trust. Servicers are generally under significant pressure to provide HAMP options to delinquent borrowers, and the Remittance Reports are being modified to include greater detail as to the amounts and types of loan modifications taking place in a given Trust. This information is generally included in the back of the Remittance Report. The Trustees for the Trust generally have the latitude to determine if a loan modification qualifies as a permanent impairment and therefore justifies a principal reduction on the security within the Trust which is next in line to suffer realized losses. At this time, it is unclear as to how trustees will treat modifications as a result of HAMP, and exactly how these cashflows will be displayed on the Remittance Reports.

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