

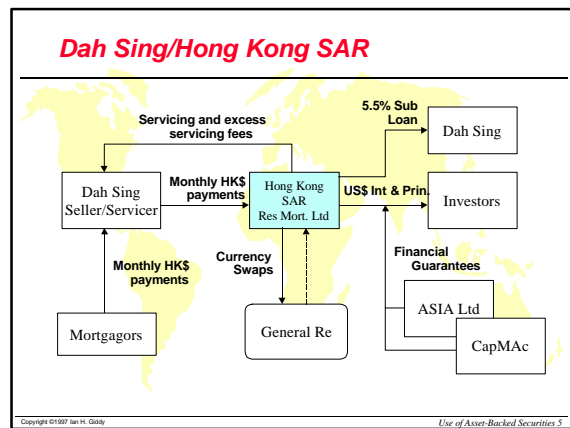
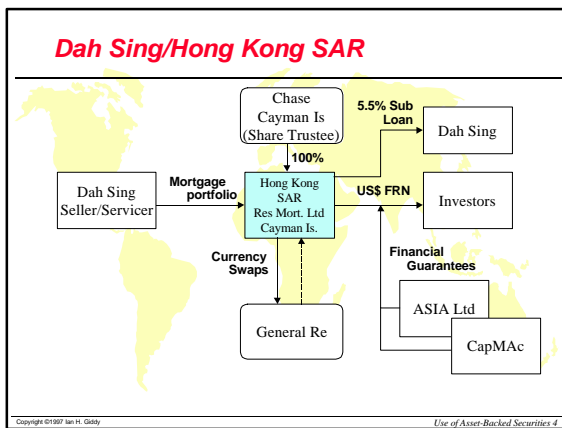
Asset-Backed Securities

**Hong Kong SAR Mortgage-Backed Securities (Dah Sing)**

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**Dah Sing Mortgage-Backed Securities**

- The structure
- Terms of the notes
- The assets
- The risks to be evaluated by a rating agency
- Guarantees
- Motivation of seller/servicer



**Key Terms**

Issuer	HK SAR
Amount	US\$300mm
Maturity	2.7 Ave., 7 Final
Interest	1 mo Libor + Step-up
Amortization:	Monthly scheduled + prepayments
Calls:	10% cleanup, etc

**The Assets?**

- HK residential mortgages
- Monthly payments, semi-floating rate
- Prepayment characteristics
- Credit criteria?
  - ◆ Loan-to-value ratio low
  - ◆ Average rate 9.8%
  - ◆ Owner-occupied
  - ◆ Etc.

### The Risks?

- Credit risks
- Liquidity risk
- Servicer performance risk
- Swap counterparty risk
- Guarantor risk
- Legal risks
- Sovereign risk
- Interest rate and currency risks
- Prepayment risks

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### The Guarantees?

- ASIA 11% first loss
- CapMAC 100% Interest & Principal
- Swap performance guarantees

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### Benefits to the Seller?

- Capital requirement reduction
- Service fees
- Excess servicing fees, which depend on keeping default losses and other costs low

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### Benefits to the Seller?

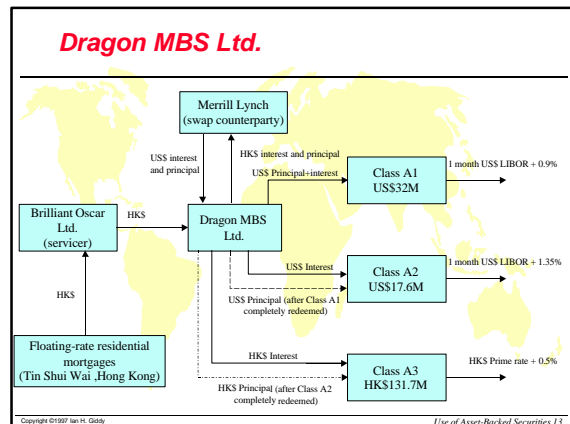
- Capital requirement reduction
- Service fees
- Excess servicing fees, which depend on keeping default losses and other costs low
- But...does the originator's asset quality deteriorate as a result of the asset securitization?
  - ◆ Some of best assets sold
  - ◆ Retained 5.5% of assets, subordinated
  - ◆ Excess service fees depend on defaults

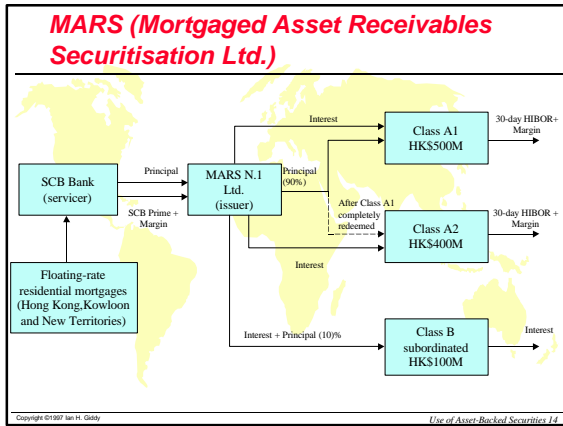
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### Other Mortgage Securitizations

- Dragon MBS
- MARS

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