

Title Slide

CASE STUDY: MORTGAGE TRADING ANALYSIS IN POWER BI



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Banks & Financial Institutions

Use deposits from savings accounts to buy investments which earn interest.



People
Save at banks & financial institutions to earn interest; borrow money from lenders.



Capital Markets



Lenders

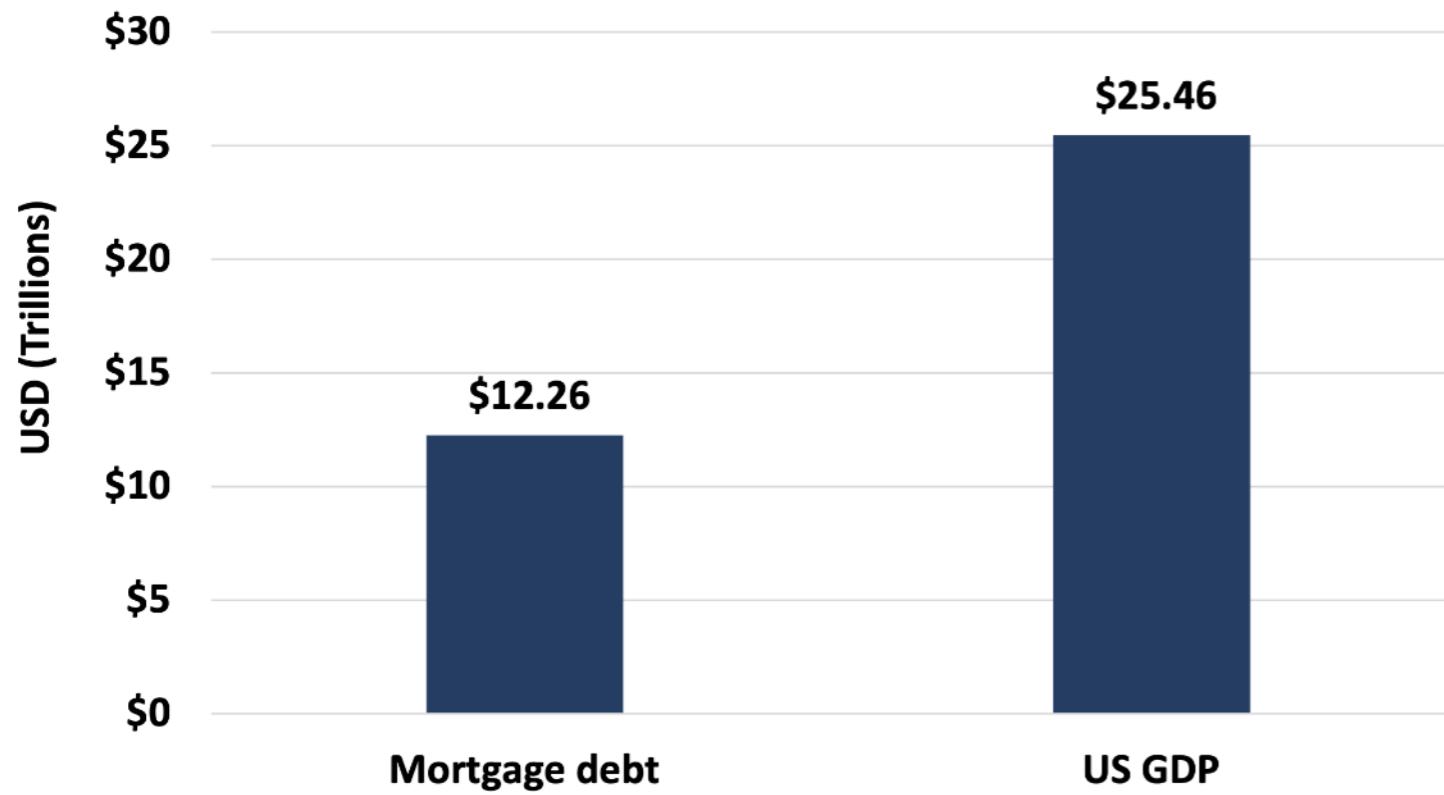
Earn fees from creating loans and lending money.

+\$100,000

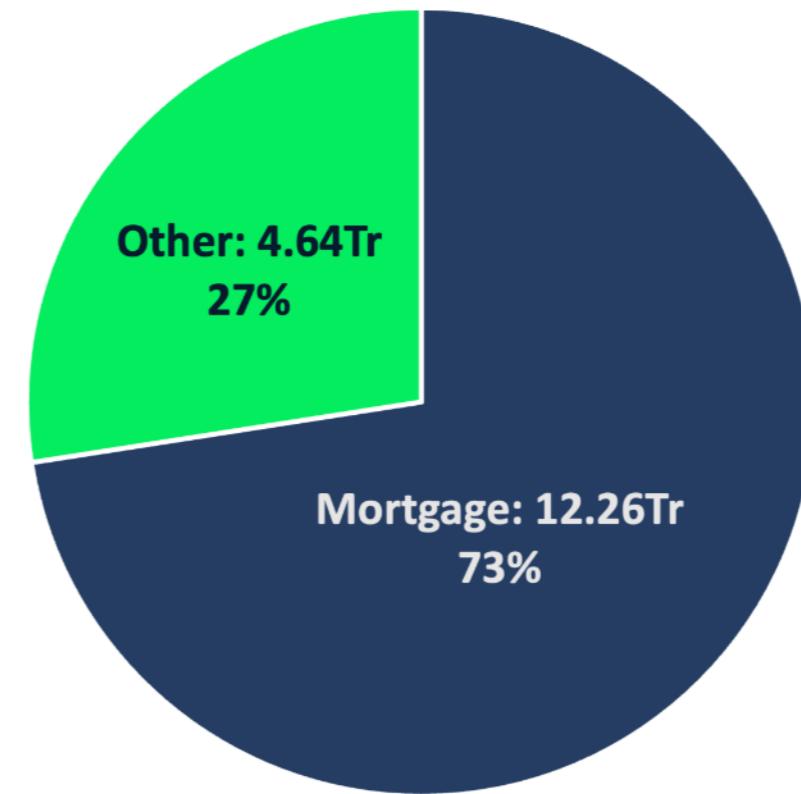
- Flow of money
- Flow of investing

The U.S. mortgage market

U.S. Mortgage Debt to GDP



U.S. Household Debt



¹ <https://www.newyorkfed.org/microeconomics/hhdc>

Whole loan trading



Mortgage pool

Whole loan trading

Whole loan



Mortgage pool

Mortgage-backed securities

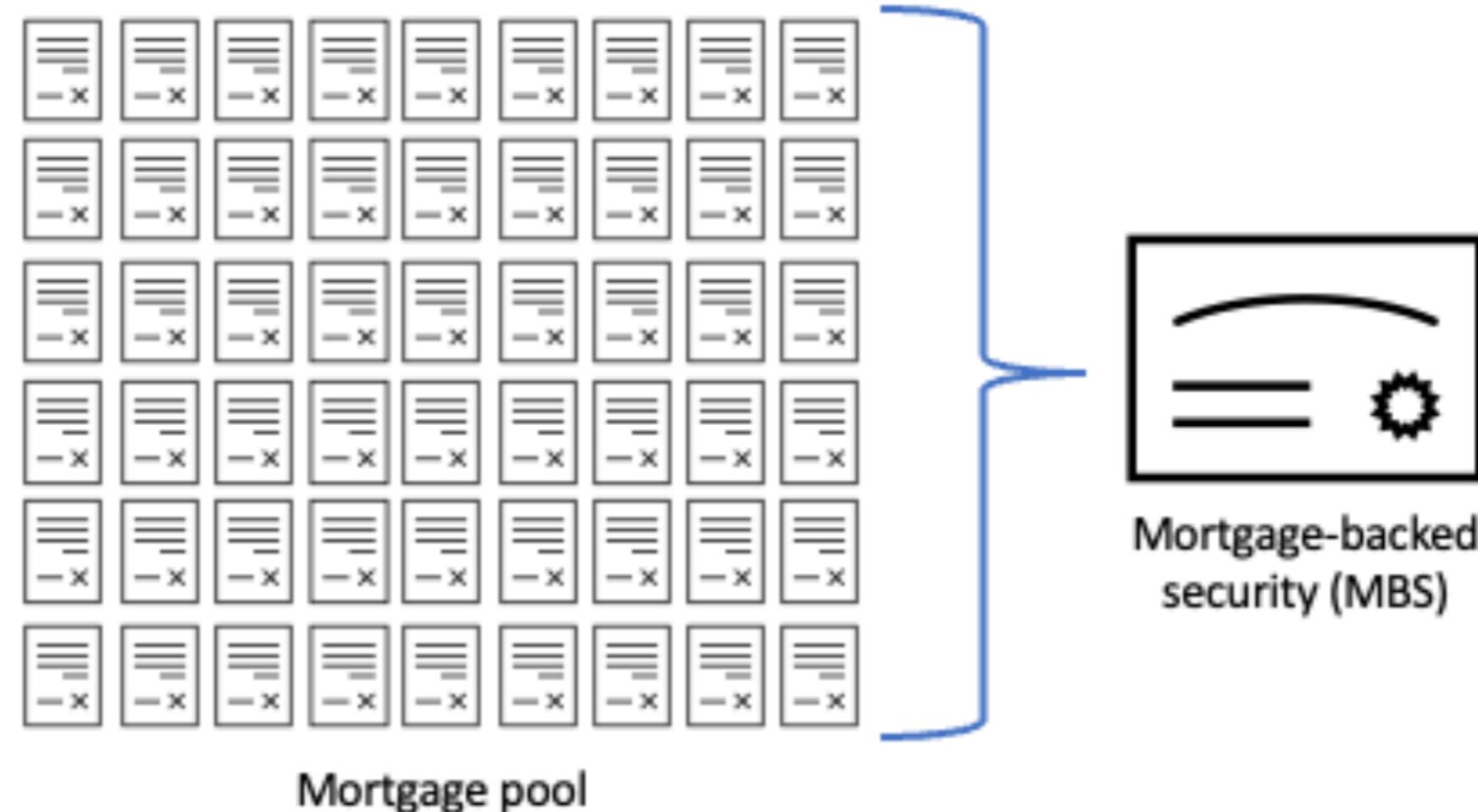
Securitization



Mortgage pool

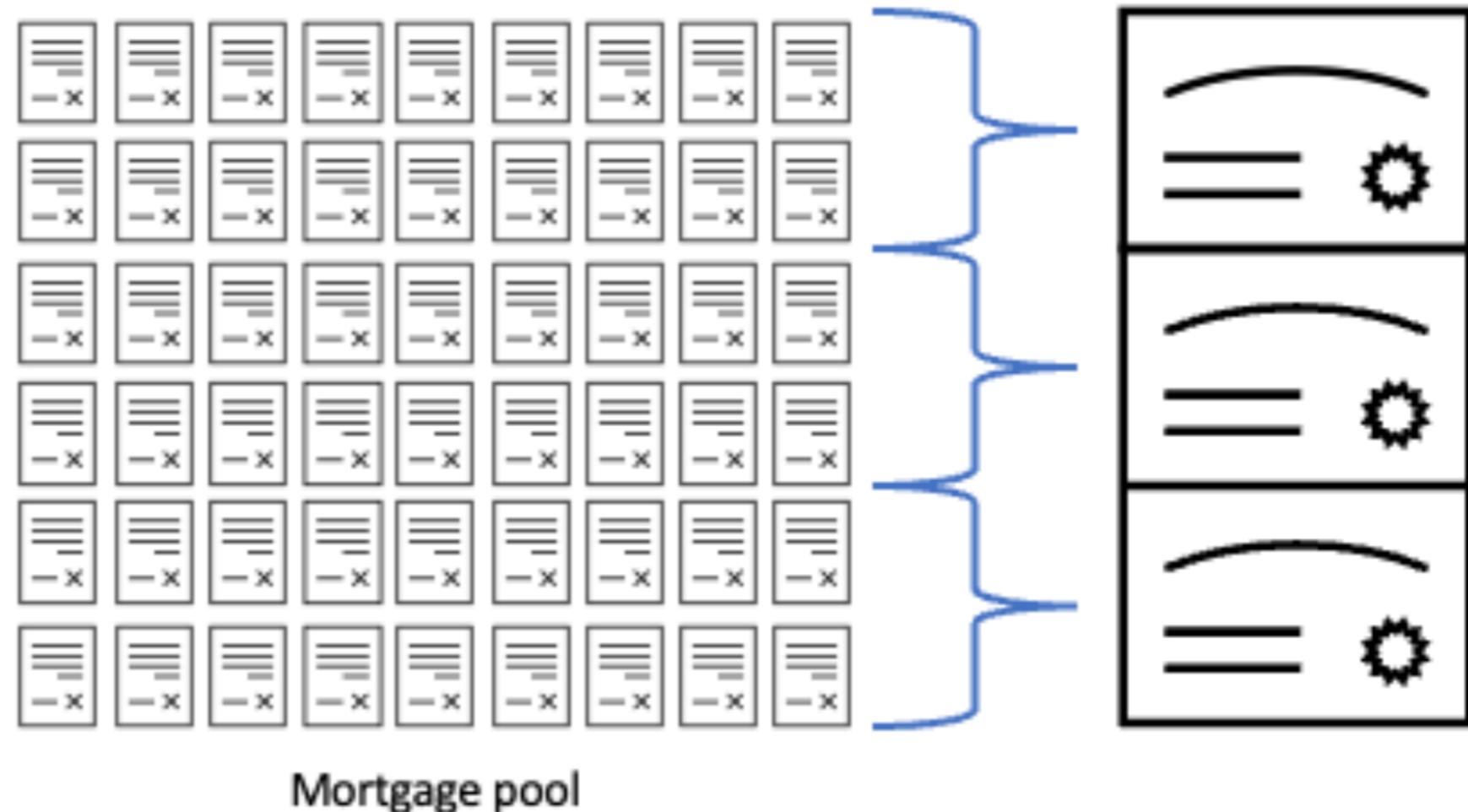
Mortgage-backed securities

Securitization



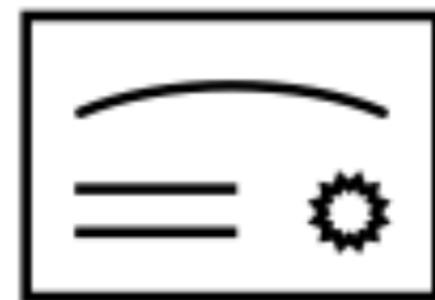
Mortgage-backed securities

Securitization



Mortgage-backed securities

Securitization



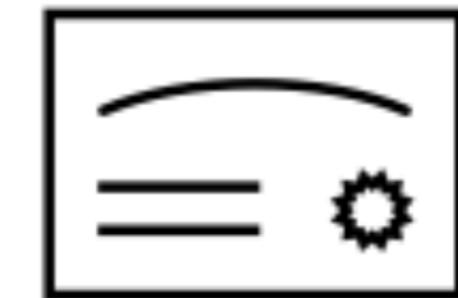
Mortgage-backed
security (MBS)

Mortgage-backed securities

Fannie Mae (Federal National Mortgage Association, FNMA)

Freddie Mac (Federal Home Loan Mortgage Corporation, FHLMC)

Securitization



Uniform mortgage-backed security (UMBS)

Bidding and prices

- **Trade price** is expressed as the percentage of the bond's principal balance
- **Trade amount** is the total dollar amount paid for the loan
 - $[Trade\ Price] \times [Principal\ Balance]$
- **Trade premium** is the difference between the principal balance and the trade amount
 - $[Trade\ Amount] - [Principal\ Balance]$
- Example:
 - A **trade price** of **101.00** on **\$100,000** would have a **trade amount** of **\$101,000** and a **trade premium** of **\$1,000**

Bid analysis in this case study

- Whole loan trade
 - Bids on individual loans
- Take the highest price
- Use a benchmark
 - UMBS prices



Let's trade!

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