UMB Bank, n.a.
GNMA Trust Certificate REPO

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Presented by:
Winston Crowley

Investment Banking Division

UMB GNMA Trust Certificate REPO summary and pricing a/o 11-28-2016

• Size of the Program:	$500 Million
• Counter Party:	JVB Financial Group LLC
• Collateral:	GNMA Trust Certificate Financing Transaction
• Minimum Trade Size:	$10 Million
• REPO Haircut/Margin:	4%
• Term:	Rolling 30 day Maturity
• Yield:	Interest Rate is 50 basis points plus 1 month Libor
• Mark to Market Daily:	Securities Pricing Source: The TBA Market (FT Interactive Data Corporation, Bloomberg, & Tradeweb)

Advantages of a GNMA Trust Certificate REPO for an Investor:

- **Status as a Security:** Trust Certificates meet the criteria of an investment security listed under Rule 2a-7 of the Investment Company Act of 1940, section 8-102 of the UCC, and Section 3(a)(10) of the Securities Act.
- **Quality:** Trust Certificates are collateralized by FHA/VA loans which carry the irrevocable and unconditional U.S. Government guarantee of monthly principal and interest.
- **Attractive Rates:** Trust Certificates currently offer approximately 50 to 60 bps of incremental yield advantage over traditional mortgage repo products.
- **Liquidity:** Trust Certificates can be structured with short maturities ranging from 30 to 90 days to accommodate an investor's known cash needs.
- **Special Emphasis on Risk Control:** UMB minimizes risks in the repo process by employing best practice safeguards. Custody of security, legal review of MRA agreements, reliable pricing sources, review of collateral and a haircut of 104%.

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GNMA Trust Certificates REPO Overview and Characteristics

- Mortgage originators will select only the FHA/VA loans from their warehouse lines that can meet the GSE approval criteria. Trust Certificates are typically denominated in $10mm and can be as large as $25mm and can only be issued after all GSE requirements are met.
- The loans accompanying the Trust Certificate carry the irrevocable and unconditional Government guarantee of monthly principal and interest.
- Trust Certificates meet the criteria listed in section 8-102 of the UCC and are deemed an investment security governed by Article 8 of the UCC. Trust Certificates meet the definition of a "Security" under Section 3(a)(10) of the Securities Act and carry 2a-7 bankruptcy remote protection.
- Trust Certificates provide an alternative to warehouse lines for mortgage originators.
- Trust Certificates provide an alternative to traditional repo for investors.
- Trust Certificates will appear on originator and investor balance sheets as a security.
- The investor has ownership rights to the collateral until term and will have access to the underlying loans in the event of counterparty default

GNMA Trust Certificate REPO Creation and Delivery Process as verified by UMB

- The FHA/VA loans will be delivered from the mortgage originator to the originator custodial account.
- Custody agent will then process these loans through their internal verification application, which includes using the GNMA verification processing tool.
- A Trust Certificate and Exception Report will be issued by custody agent to originator following successful completion of the verification.
- Upon completion of the verification process by custody agent, the Trust Certificates will be created and delivered to the originator.
- The entire verification of collateral and creation process of the certificate will occur prior to an investor entering into a financing transaction.
- The repo will be collateralized by the Trust Certificates and will accrue interest at the previously negotiated rate for the specified term.

Risk Controls and Safeguards

UMB utilizes established risk controls within the firm's REPO business book and has established safeguards to mitigate the following risks:

- Credit Risk – Trust Certificates are collateralized by FHA/VA loans which carry the irrevocable and unconditional U.S. Government guarantee of monthly principal and interest.
- Market Risk – A substantial upfront haircut, daily mark to market and margin/collateral call procedures are designed to provide protection from interest rate and collateral price volatility risks.
- Liquidity Risk – The Agency TBA market is highly liquid, second only to U.S. Treasuries and volumes did not decline significantly during the financial crisis of 2007-2009.
- Operational Risk – The investor has ownership rights to the collateral and will have access to the underlying loans in the event of a counterparty default.
- Legal Risk – The Master Repurchase Agreement clearly defines UMB's transaction responsibilities and relationship to JVB Financial Group LLC and the investor's rights.

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UMB Bank, N.A.
Investment Banking Division
1010 Grand Blvd
Kansas City, MO 64106
866.651.9262

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