

*For Immediate Release*

## **Andrew Davidson & Co., Inc. Offers Breakpoint Analysis to Measure the Risk of Mortgage Portfolio Losses during Complicated Times**

**NEW YORK, October 2, 2008** — Andrew Davidson & Co., Inc. (AD&Co) today announces a new service, Breakpoint Analysis, a flexible means to assess the credit risk of mortgage bonds. AD&Co is a leading provider of models of borrower behavior and risk analytics for fixed income investors of mortgage (MBS) and asset-backed securities (ABS), and an expert advisor in the areas of risk management, valuation of complex MBS and mortgage derivatives.

Utilizing a distance to default measure, Breakpoint Analysis provides what is in essence a dynamic and timely alternative to a credit rating of the asset as an up-to-date measure of credit risk.

A "Breakpoint Ratio" is the ratio of the collateral losses required to cause the first dollar of a bond's principal writedown to the projected loss in the base case economic scenario. A grid of stress scenarios is defined and prepayments, defaults, losses, and bond write-downs are generated for each of the scenarios using AD&Co's LoanDynamics™ Model. This process delivers a valuable risk metric and allows AD&Co to produce portfolio level Breakpoint histograms, comprehensive credit risk reports and assess the Vasicek probability for each loss level.

The "Breakpoint Ratio" adjusts dynamically to changes in home prices, interest rates, home price forecasts, delinquencies and deal structure, providing a measure that reflects the current distance to default of each bond.

Andrew Davidson contrasts credit ratings and Breakpoint Analysis. "Credit rating agencies provide a valuable service in addressing structural and legal issues in securitization and establishing initial ratings which reflect a broad range of possible economic environments. Breakpoint Analysis adds to this by providing an up-to-date, numerical assessment of changes in credit risk due to changing collateral performance and market conditions. This numerical measure can be used to better understand the evolution of credit risk in a portfolio."

AD&Co has provided Breakpoint Analysis for over a dozen financial institutions with portfolios containing over a thousand non-agency RMBS totaling more than 60 billion dollars.

### **About Andrew Davidson & Co., Inc.**

Andrew Davidson & Co., Inc. turns mortgage data into investment insight. The firm is the leading provider of models of borrower behavior and risk analytics for fixed income investors of mortgage (MBS) and asset-backed securities (ABS). Andrew Davidson & Co., Inc. offers prepayment models for MBS and ABS, a LoanDynamics™ Model for credit sensitive mortgage securities, and option-adjusted valuation and risk management tools for MBS, ABS, and CMOs. With a unique blend of investment expertise and cutting-edge quantitative methods, the company produces highly advanced models and the most innovative solutions to mortgage investment challenges. For more information about Breakpoint Analysis please contact Rob Landauer at 212-274-9075.

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