

## AD&Co. News

### Model Releases & Updates

By Rob Landauer

The last several weeks have been trying ones for most participants in the MBS markets. Rest assured that AD&Co. is here to help smooth your path during these turbulent times as we have been working hard to ensure that our models keep pace with the rapidly changing environment. Please do not hesitate to give us a call to ask for our advice as to how to most effectively apply our models to your business or to discuss your concerns about the market. We are here for you.

There are several important developments to announce:

1) V5.2c of the AD&Co. Prepayment Model was released to clients in July, 2007.

Some of the enhancements in this release include:

- a) New Option ARM Model released
- b) Re-estimation of agency, prime and sub-prime ARM and hybrid prepayment models
- c) Incorporation of OFHEO based HPI file in the monthly data file
- d) User defined HPI forecast may be passed to the prepayment model instead of hard coded HPI scenario from data file. This will enable the user to project the impact that short-term negative HPI scenarios will have on prepayments.

For more details, please see the [Version Release information page](#) on our website.

2) We are recommending the following formal tuning recommendations for V5.2c effective immediately. These tunings reflect the impact that the decline in housing activity is having on turnover speeds. For more detailed information about the tuning recommendations and a discussion about the impact that the liquidity crunch is having on the prepayments, please see [Prepayment Update article](#) within this issue of *The Pipeline*.

Tuning:	Turnover from 1.0 to .85
Model:	30 Year FNMA, FHLMC and Jumbo Prime only
Version:	v5.1 and later only

3) V1.6 of the LoanDynamics™ Model (LDM) was released in August of 2007. This is our second major release of the credit model which is quickly gaining acceptance as the market standard. The LDM is now available through Excel, Quantrix and Polypaths and will soon be available through Derivative Solutions and Intex Desktop. To access the release notes for V1.6 of

the LDM, please [link to the Release Notes available on our website](#). Some of the highlights include:

- a) Recalibration of key transition equations to be based on an expanded dataset of roughly 8 MM loans from 144 issuers versus 1 MM loans from one issuer in v1.0
- b) Updated equations for improved model fit for SATO Residual calculation and transitions for Delinquency, Cure, Delinquent Prepayment, Recovery and Liquidation.
- c) Revised tuning recommendations for 2005-2007 vintages.

4) Finally, it is with mixed emotion that we announce Will Searle will be realigning his role as software developer at AD&Co. to a credit analyst position with Vectors Research Management, effective September 1, 2007. We wish Will the best of luck in his new role. Going forward, please refer any software related questions to Daniel Swanson, Valentine Zavgorodnev or your account manager.



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