

June remits: Losses incurred at the time of deal redemptions

In June remits, there were at least 20 legacy RMBS deals, with a balance of \$540mn, redeemed from the BOAA/BOAMS shelves. **In addition, Wells Fargo as the trustee also held back \$94mn of reserves, resulting in \$90mn of losses to bondholders. According to Wells Fargo, the \$94mn reserves, representing around 17% of collateral balance, were related to potential fees/claims related to the trustee suit filed by various Institutional Investors for breach of contract claims including failing to oversee servicers and pursuing R&W claims.** While it is possible that bondholders could recover a portion of the reserves following any resolution of the trustee suits, we think the timeline to such remains uncertain.

As highlighted in our earlier [publications](#)¹, reserves held back by the trustee/master servicer is a pertinent risk factor for bondholders and a similar scenario played out when WFMSB 2007-5 was redeemed and bondholders incurred \$3mn of losses in a \$31mn deal.

An estimated 2200 legacy RMBS deals (around 50% of all 2004-07 deals) are included in the Institutional Investors' suit against various trustees. As the pace of 2004 and later vintage legacy RMBS deal redemptions pick up, and deals included in such suits are called, trustees are likely to reserve a higher share of the call proceeds to cover future litigation costs/fees.

Global Markets Research

26 June 2017

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Fig. 1: Legacy RMBS deals from the BOAA/BOAMS shelves that were redeemed in June remits and losses incurred at the time of call*

Deal	Deal size	Realized loss in June remits	Loss as a % of deal balance
BOAMS 2005-10	\$43.7mn	\$3.4mn	8%
BOAA 2004-7	\$40.5mn	\$8mn	20%
BOAA 2004-4	\$40.1mn	\$8mn	20%
BOAMS 2004-7	\$37.6mn	\$5.2mn	14%
BOAMS 2004-11	\$32.5mn	\$3.6mn	11%
BOAMS 2005-5	\$29.6mn	\$3.2mn	11%
BOAMS 2005-12	\$29.4mn	\$1.3mn	4%
BOAMS 2004-4	\$28.8mn	\$5.8mn	20%
BOAA 2004-1	\$28.1mn	\$8.4mn	30%
BOAA 2004-2	\$27.8mn	\$6.6mn	24%
BOAMS 2005-9	\$26.4mn	\$2.7mn	10%
BOAA 2004-8	\$24mn	\$6mn	25%
BOAMS 2005-6	\$22.6mn	\$2.2mn	10%
BOAA 2004-3	\$22.1mn	\$5.4mn	25%
BOAMS 2004-3	\$20.3mn	\$5.4mn	27%
BOAMS 2004-5	\$19.2mn	\$4.7mn	24%
BOAMS 2005-1	\$18.5mn	\$1.9mn	11%
BOAMS 2004-1	\$18.2mn	\$5mn	28%
BOAMS 2004-10	\$16.7mn	\$2.3mn	14%
BOAMS 2005-7	\$14.6mn	\$1.8mn	12%
Total	\$540.6mn	\$90.9mn	17%

*Based on currently available data

Source: Intex, Loan Performance, Nomura

¹ Please see our [SP weekly](#) dated 9 October 2015 and our [2017 SP Outlook](#) dated 21 November 2016 for more details.

Appendix A-1

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