**Dah Sing Mortgage-Backed Securities**

- The structure
- Terms of the notes
- The assets
- The risks to be evaluated by a rating agency
- Guarantees
- Motivation of seller/servicer

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**Key Terms**

- **Issuer**: HK SAR
- **Amount**: US$300mm
- **Maturity**: 2.7 Ave., 7 Final
- **Interest**: 1 mo Libor + Step-up
- **Amortization**: Monthly scheduled + prepayments
- **Calls**: 10% cleanup, etc

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**The Assets?**

- HK residential mortgages
- Monthly payments, semi-floating rate
- Prepayment characteristics
- Credit criteria?
  - Loan-to-value ratio low
  - Average rate 9.8%
  - Owner-occupied
  - Etc.
The Risks?
- Credit risks
- Liquidity risk
- Servicer performance risk
- Swap counterparty risk
- Guarantor risk
- Legal risks
- Sovereign risk
- Interest rate and currency risks
- Prepayment risks

The Guarantees?
- ASIA 11% first loss
- CapMAC 100% Interest & Principal
- Swap performance guarantees

Benefits to the Seller?
- Capital requirement reduction
- Service fees
- Excess servicing fees, which depend on keeping default losses and other costs low
- But...does the originator’s asset quality deteriorate as a result of the asset securitization?
- Some of best assets sold
- Retained 5.5% of assets, subordinated
- Excess service fees depend on defaults

Other Mortgage Securitizations
- Dragon MBS
- MARS

Dragon MBS Ltd.
- Class A1 US$32M
- Class A2 US$41.6M
- Class A3 HK$131.7M
- US$ Principal+interest
- HK$ Principal+interest
- 1 month US$ LIBOR + 0.9%
- 1 month USD LIBOR + 1.35%
- HK$ Prime rate + 0.5%
- Merrill Lynch
- Brilliant Oscar Ltd. (servicer)
- Tin Shui Wai, Hong Kong
- HK$ Interest
- HK$ Interest
- HK$ Interest
**MARS (Mortgaged Asset Receivables Securitisation Ltd.)**

- **Class A1** HK$500M
- **Class A2** HK$400M
- **Class B** subordinated HK$100M

**Issuer:** MARS N.1 Ltd.

**Servicer:** SCB Bank

**Floating-rate residential mortgages (Hong Kong, Kowloon and New Territories)**

**Principal:** SCB Prime + Margin

**Interest:** Interest + Principal (10%) + Principal (90%)

**Interest + Principal 30-day HIBOR + Margin**

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