



CUMA Conference 2005

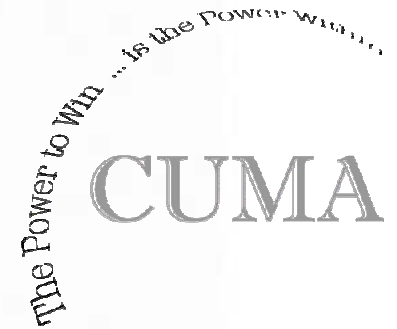
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CUMA Welcomes

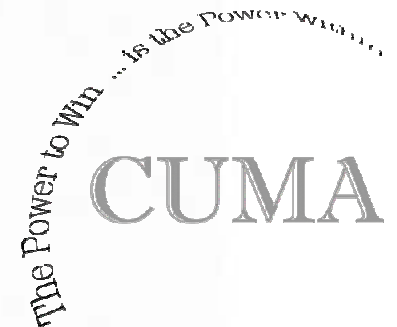
- **Linda Jeffery** Credit Union Central of Ontario
- **Greg Smith** CIBC World Markets
- **“Funding Growth and Investing Liquidity”**

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Presentation Highlights

- **Securitization Overview**
- **Market Overview**
- **Commercial Mortgage Market**
- **Residential Mortgage Market**
- **Non-Conforming Residential Mortgage Market**

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What is Securitization?

- Off-balance sheet financing
- Legal and accounting true sale of assets
- Regulatory arbitrage
- Assets bankruptcy remote from seller
- Structured investment product from assets' cash flows
- Represents largest portion of non-government funding in the short-term capital markets
- Transactions are either “revolving” or “amortizing”



Securitization Vehicles

Single-Seller

- Only used by investment grade corporates
- Assets originated by the seller
- Seller known to investors
- Economical for \$250 million + portfolios

Multi-Seller

- Special purpose trust - issues ABCP
- Sponsored by Schedule I Banks and non-bank securitization agents
- Assets originated by a number of sellers
- Sellers are unknown to investors
- Can accommodate portfolios of any size



Eligible Asset Classes

- Residential mortgages
- Commercial mortgages
- Agricultural mortgages
- Credit Cards
- Auto receivables
- Equipment receivables
- Personal lines of credit



Why Securitize?

Funding - a strong and reliable source of funding

- Offset to declines in traditional member deposit base
- Improve liquidity profile - exchange less liquid assets for cash
- Reduce the stress of waiting for assets to mature
- Access to low-cost capital markets funds without the credit union requiring an investment grade rating



Why Securitize?

Asset and Liability Management

- Remove specific assets from the balance sheet and replace them with the same or another asset class with another term or cash flow profile minimizing a mismatch from the original assets and managing cash flows
- ➔ For example: exchange long-term mortgages for short term cash asset



Why Securitize?

Improve Performance Ratios

- Strong capital ratios indicator of a credit union's strength
- Higher ROA and ROE - Reuse same \$ of capital without impacting debt-ratios
- A “true sale” of assets removes assets from the balance sheet and reduces the amount of regulatory capital held against the transferred assets to the seller's retained interest



Why Securitize?

Credit risk mitigation

- Harmonize and provide potential for increased mortgage lending and servicing standards to securitization standards – reduces credit and operational risks
- Reduce concentration risk – hold amount of mortgages on balance sheet that is consistent with credit union's risk profile without turning away member loan demand



Why Securitize?

Relationships are preserved

- Mortgage holders are unaware of the transaction
- Credit union continues to service the sold assets
- Original relationships are maintained between the member and the credit union
- Credit union sets mortgage rates and any discounting factors



Securitize because...

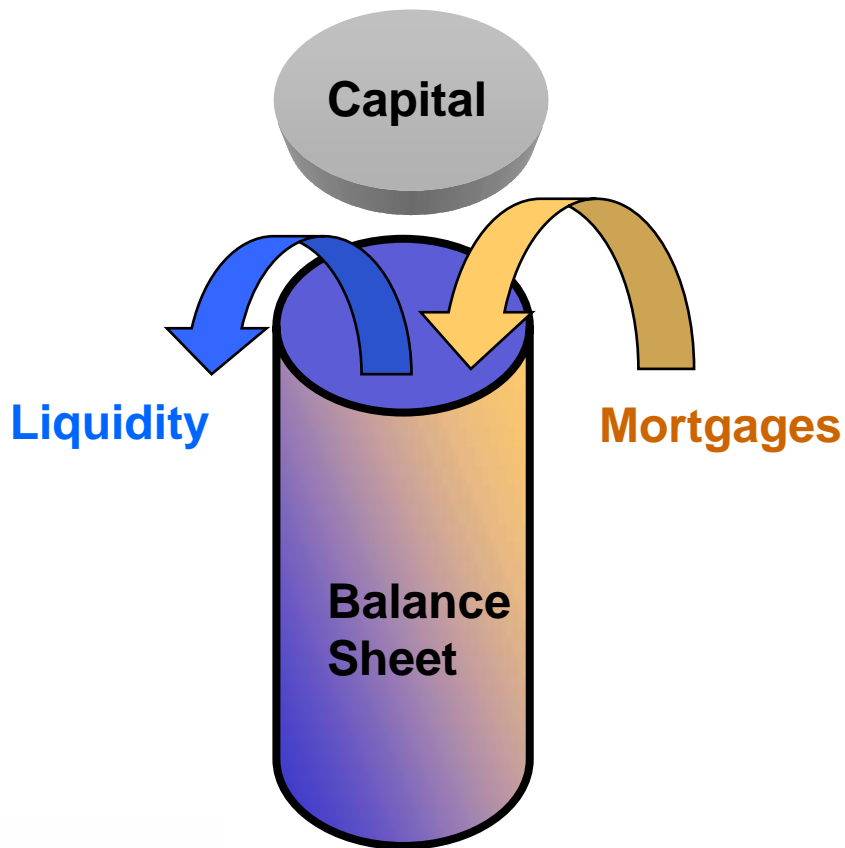
Additional funding supports the growth of mortgage lending programs

Grow existing business or expand into new business areas

Enable incremental volume growth off-balance sheet without additional capital, for example a mortgage campaign, originating non-conforming mortgages...



Consider this:



The Balance Sheet and its available liquidity is like a can filled with water.

The lid on the can is capital.

Mortgages are originated and placed in the can – displacing the water, until there is no more liquidity.

BUT...



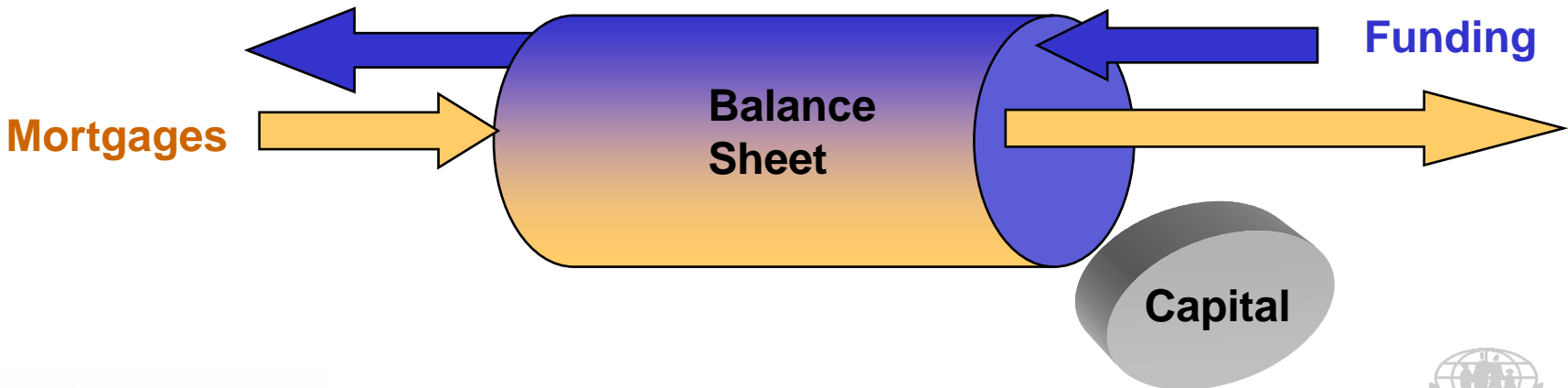
Consider this instead:

Turn the can on its side and open both ends
- like a pipe.

There are no limits on how many mortgages
can go into the can, because they flow
through as funding comes in.

The can is now a pipeline of new business.

Liquidity and capital are not a constraint.



How Mortgage Securitization Works

Transform non-liquid assets into capital markets securities:

- Separate credit/default risk of the mortgage assets from the credit/default risk of the selling credit union
- “Credit enhance” the mortgage cash flows
- Mortgages are collateral supporting securities sold to investors
- “AAA” investment structure - low cost of funds for the seller
- Funding provided by the investors purchasing the securities



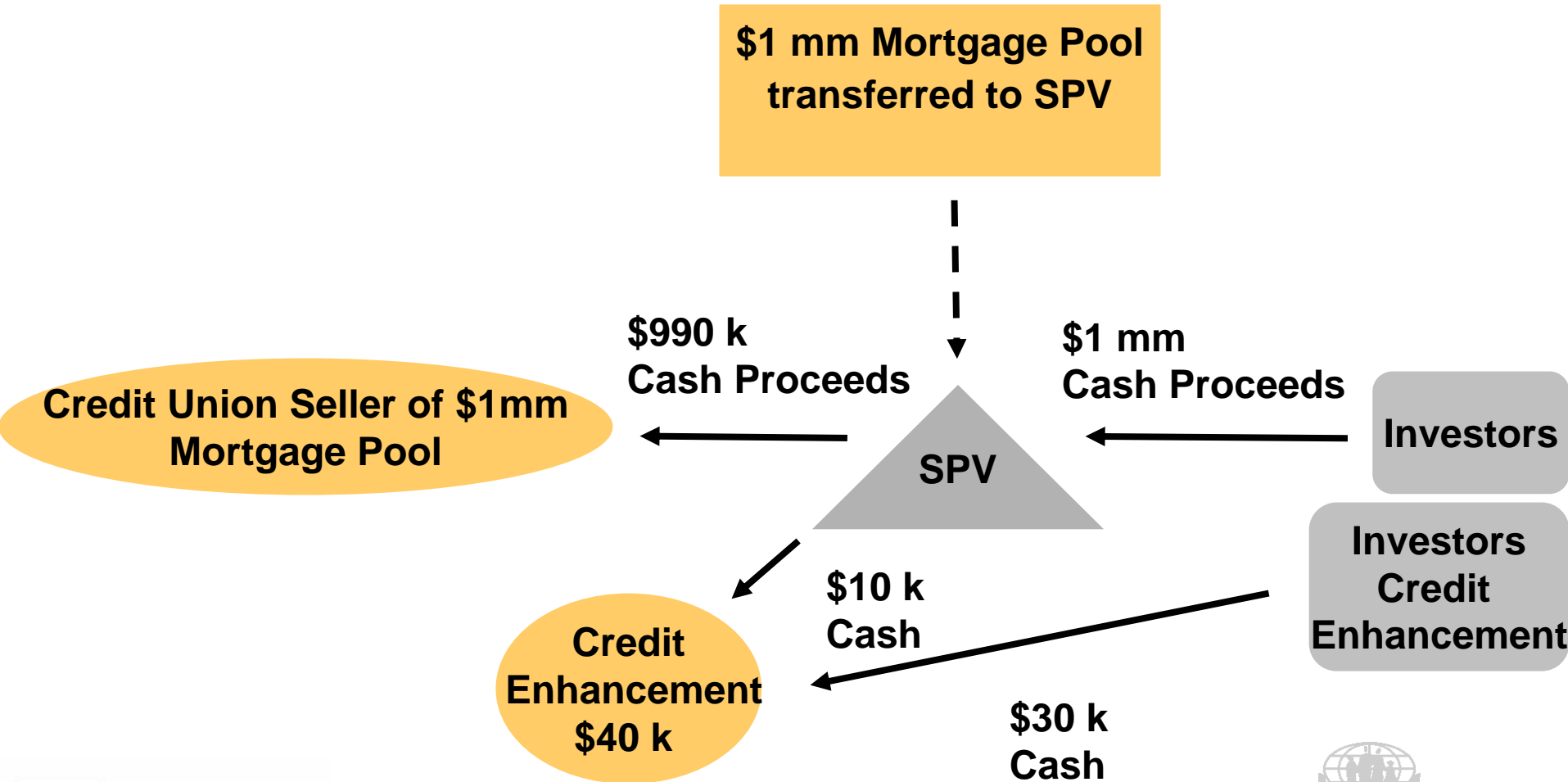
Credit Protection

Credit protection required to enhance the quality of the mortgages:

- **Overcollateralization**
 - more assets than \$ advanced
- **Cash Accounts**
 - cash held by the Trust – held back from seller
- **Excess Spread**
 - difference between yield on mortgages and cost of funding
- **Third party credit enhancement**
 - issuing into the capital markets “A” rated subordinated notes



Mortgage Pool Securitized by Seller



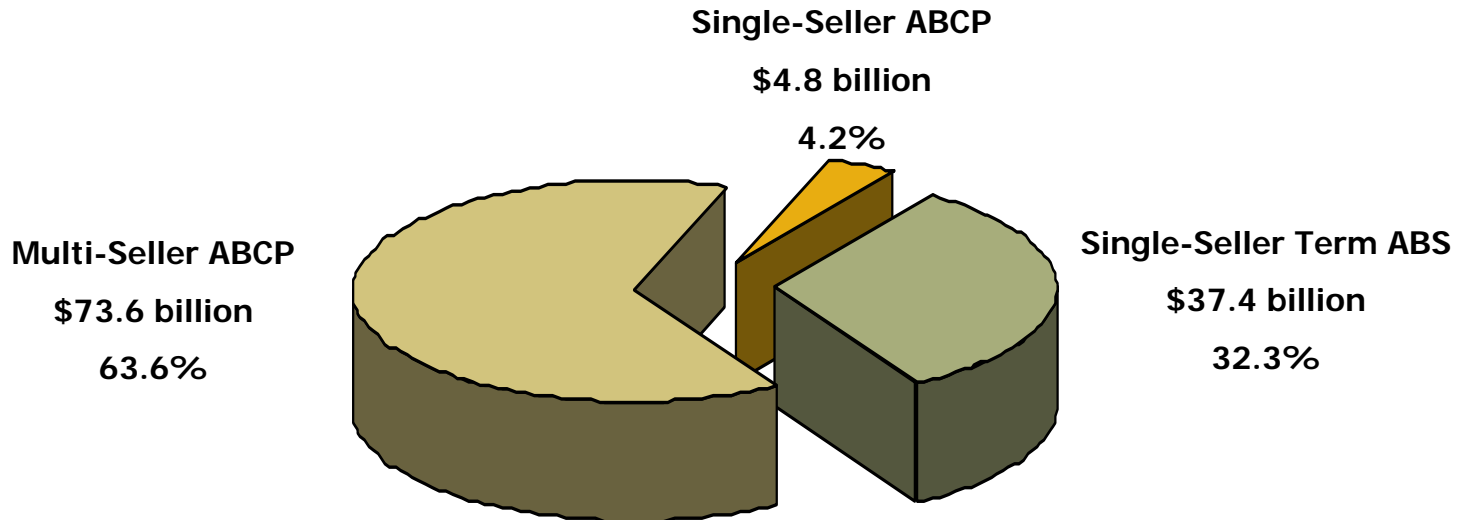
Market Overview



Market Overview

Aggregate Securitization Market

- As at June 30, 2005, the total amount of Canadian asset-backed securities (“ABS”) outstanding was approximately \$115.9 billion
 - Comprises approximately \$78.5 billion of asset-backed commercial paper (“ABCP”) and \$37.4 billion of term ABS, including commercial mortgage-backed securities (“CMBS”)



Market Overview

Credit Union Securitization Activity

- Credit unions continue to be formidable force in the securitization market
 - Have been actively participating in the ABCP market since the late 1990s
 - Estimated that credit unions have securitized between \$3.5 billion and \$4.0 billion

	Number of Credit Unions	Amount Outstanding
Ontario	6	\$332,452,287
B.C.	11	\$1,735,867,248

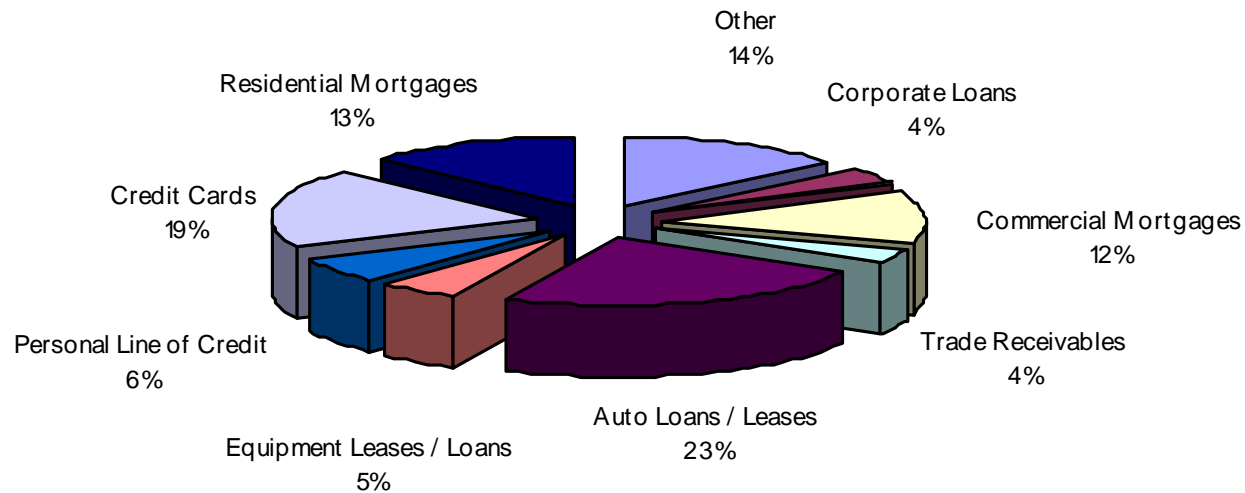
- Primary focus has been on residential mortgages
 - Credit unions have established distribution networks and a history of well performing residential mortgage portfolio
- Commercial mortgage securitization is not as prevalent although a number of credit unions continue to use securitization to fund commercial mortgages
- As credit unions continue to expand their product offerings and capabilities, they will play an ever increasing role in the securitization market
 - Can significantly impact market volumes as credit unions have ample supply of securitizable assets



Market Overview

Aggregate Securitization Market

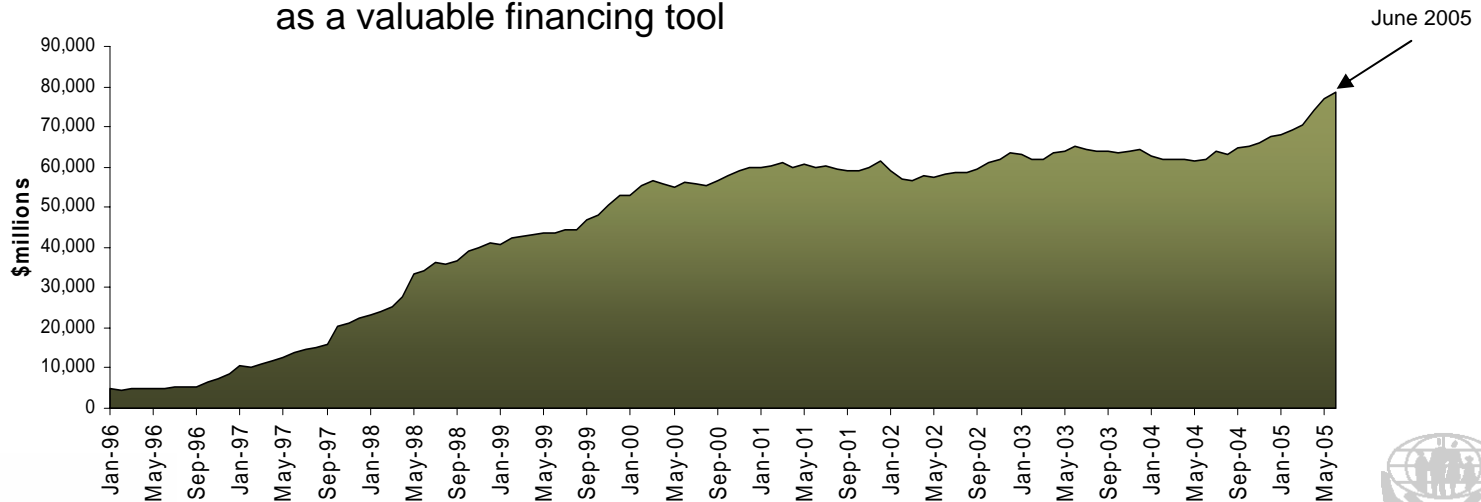
- As of June 30, 2005, the Canadian ABS market consisted of a broad array of assets



Market Overview

Canadian ABCP market

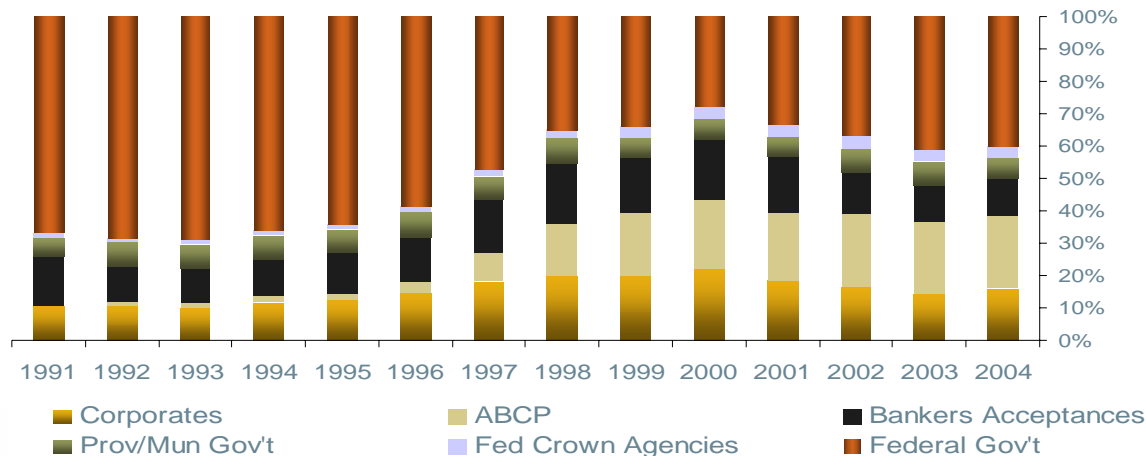
- After the explosive growth in the late 1990s, ABCP outstanding declined slightly in the middle of 2002, but picked up again by the end of 2002
- Reduced participation by Schedule I banks since the late 1990s has contributed to the slowing growth rate of ABCP outstanding
- CHT is the financing vehicle of choice for banks (over \$62 billion outstanding)
 - Vast majority of new issuance since 2002 was from non-Schedule I bank originators
 - Suggests that securitization is gaining greater recognition from corporations as a valuable financing tool



Market Overview

Canadian short-term debt market outstandings are approximately \$292 billion

- The asset profile of the Canadian short-term debt market has changed significantly over the last several years
 - Government debt has declined as proportion of the market it held in the early and mid-90s
 - Investors continue to look for ways to maximize returns in a low interest rate environment
- The market has seen steady growth in the share of ABCP
 - Larger base of originators utilizing securitized funding options
 - Increased investor appetite for highly-rated ABCP

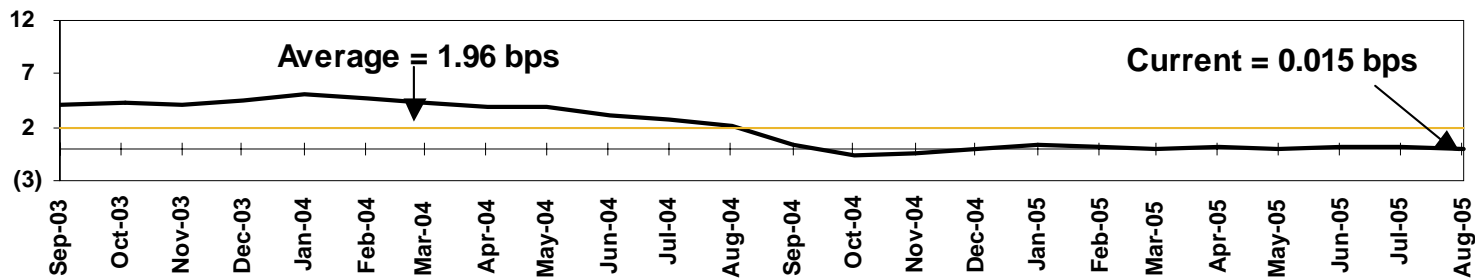


Market Overview

CIBC WM-Sponsored Multi-Seller Funding Spreads

- R-1 (high) ABCP spreads to 30-day BA (“CDOR”) have settled into a narrow band of 0 to 6 basis points over the last several years
 - Funding spread for the month of August 2005 was 0.015 basis points
 - Tight spreads reflect strong acceptance of the securitization product by institutional investors

24-Month CIBC WM ABCP Spreads over 30-Day CDOR

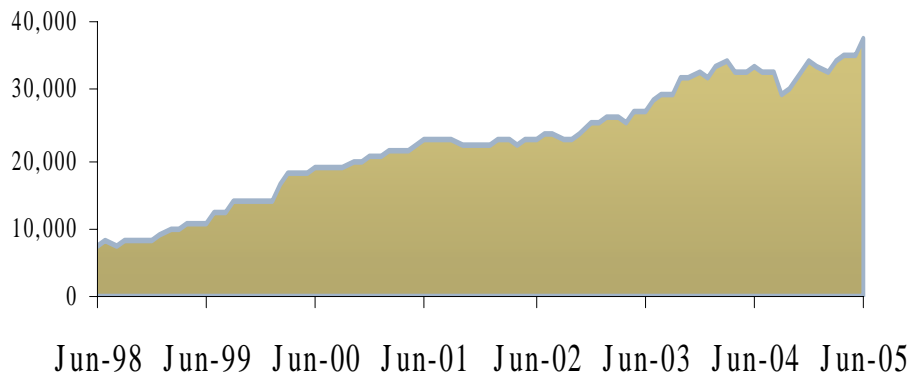


Market Overview

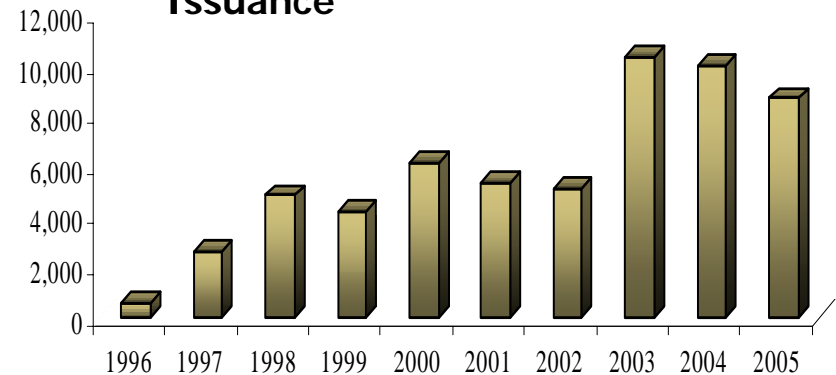
Public Term ABS Market

- Term ABS investors have absorbed new deals relatively quickly so far in 2005
- Term ABS transactions (including CMBS) have totaled \$8.7 billion year-to-date versus \$9.9 billion for all of 2004
- Total Term ABS outstandings (including CMBS) have increased from approximately \$33.2 billion in June 2004 to nearly \$37.4 billion at the end of June 2005

Total Term ABS Outstanding



Total Term ABS Issuance



Market Overview

Public Term ABS Market

- Four Credit Card ABS issuances this year
 - CARDS II Trust - \$543 million, March 2005 (CIBC)
 - Canadian Credit Card Trust - \$756 million, April 2005 (National Bank)
 - Golden Credit Card Trust - \$1.2 billion, April 2005 (RBC)
 - CARDS II Trust - \$435 million, July 2005 (CIBC)

- Four Commercial Mortgage Backed Security transactions year-to-date
 - MLFA – Can15 - \$428 million, March 2005 (Merrill Lynch)
 - REAL-T - \$333 million, April 2005 (RBC)
 - Schooner Trust - \$376 million, April 2005 (TD)
 - MLFA – Can16 - \$443 million, July 2005 (Merrill Lynch)

- One Residential Mortgage Backed Security transaction year-to-day
 - CMAC 2005-C3 - \$341 million, backed by non-standard mortgages

- Three auto lease/loan transactions completed this year
 - NIF-T - \$606 million, March 2005 (Nissan)
 - CCARAT - \$680 million, June 2005 (GMAC)
 - CIF Trust - \$200 million, August 2005



Market Overview

Public Term ABS Market

- Market conditions are excellent for private term funding
 - Strong demand for high yielding ABS product
 - BBB and A-rated tranches are typically oversubscribed for term ABS transactions
- Investors are growing increasingly comfortable with non-traditional assets



Commercial Mortgage Market



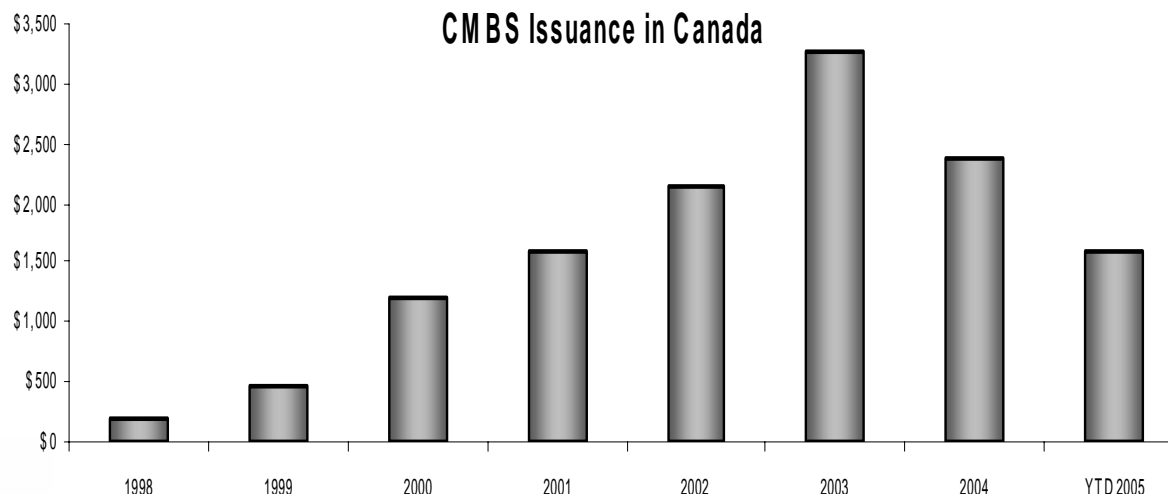
Commercial Mortgage Market

The Canadian CMBS market is still in a period of robust issuance, albeit slower than in previous years

- New issuers and structures are still emerging in the market
- Investor acceptance of the product is broadening especially with subordinated product

Since 1998, 43 CMBS term-funded transactions completed

- More than C\$13.5 billion of CMBS issued
- Vast majority of all CMBS are monthly-pay amortizing pass-through structures
- Lack of competing product has forced investors to look more closely at CMBS



Commercial Mortgage Market

Conduit Lenders

- The CMBS market has been dominated by conduit lenders
 - Merrill Lynch, Column, GMAC, CMO Corp.
- Their strategy is to:
 - Originate commercial mortgages using a warehouse facility
 - Acquiring commercial mortgages from third parties
 - Securitize all product originated
 - Retain no residual interest in the portfolio post-securitization
 - Contract servicing to a third party
- Conduit lenders have had a significant impact on the commercial mortgage market
 - Initiated the CMBS market in Canada based on the U.S. model
 - Increased competition
 - Extend mortgages that balance sheet originators do not (higher advance rates, longer terms, larger size, etc.)
 - Primary appeal is to borrowers that value the terms of the mortgage vs. the pricing



Commercial Mortgage Market

Balance Sheet Lenders

- Balance sheet lenders have traditionally dominated the commercial mortgage market
 - Banks (CIBC)
 - Insurance companies (SunLife & ManuLife)
 - Credit Unions
- Having ample sources of liquidity and balance sheet capacity, they have not made significant use of the CMBS market to-date
- Deals done have provided alternate funding sources at cost-effective pricing
 - CMBS has been used as a tool for managing the balance sheet



Commercial Mortgage Market

Commercial Mortgage Options for Credit Unions

There are three viable alternatives for credit unions to earn revenue and participate in the commercial mortgage market

- **Credit unions can refer commercial mortgages to a third-party to fund the loan**
 - Earn a referral fee paid based on the origination spread and tenor of the commercial mortgages
- **Credit unions can originate and underwrite commercial mortgages directly in a warehouse line**
 - Warehouse loans will be underwritten to criteria that meets securitization eligibility
 - Credit unions pay interest on the warehouse line and their pro-rata share of the applicable CMBS issuance expenses and receive in compensation their pro-rata portion of the proceeds and profit upon securitization take-out
- **Credit unions can originate, underwrite and sell pools of commercial mortgages to a known CMBS conduit at a CMBS transaction closing**
 - No warehousing requirement as the mortgages will reside on credit unions' balance sheet prior to CMBS transaction closing
 - Credit unions pay their pro-rata share of the CMBS issuance expenses and receive in compensation their pro-rata portion of the proceeds and profit upon securitization take-out
 - Credit unions retain the ultimate risk should the mortgages not taken out by CMBS



Residential Mortgage Market

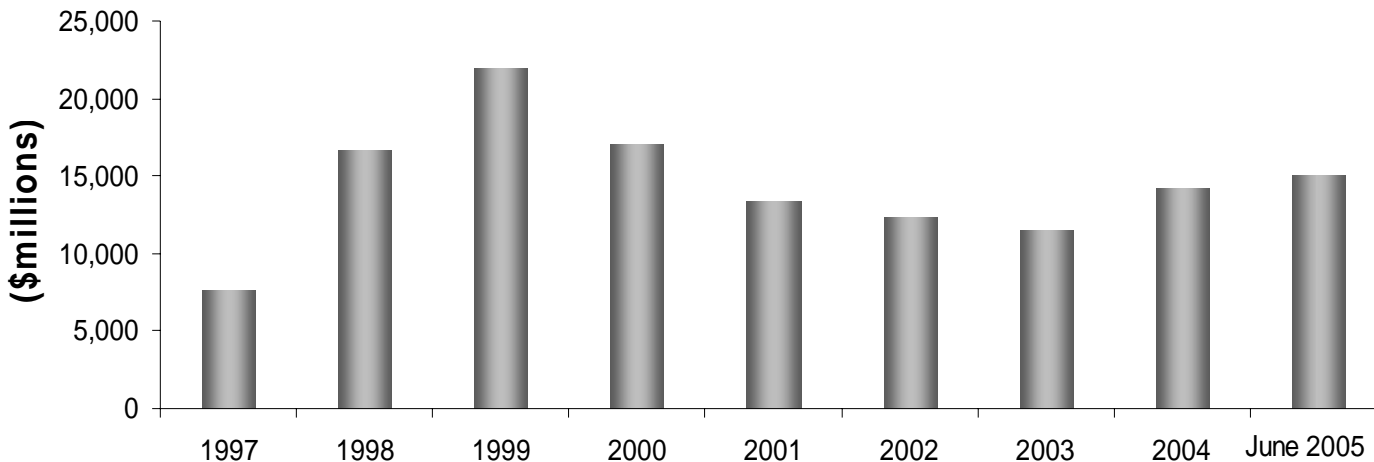


Residential Mortgage Market

Residential Mortgage Market

- **ABS outstanding backed residential mortgages has picked up recently after a number of years of decline**
- **The Canadian RMBS market has traditionally been comprised of standard/conventional mortgages**
 - Recent years have seen increased activity in the non-conforming, Alt-A market with originators accessing the multi-seller conduit market
 - Three public issuance to date of Term ABS backed by Alt-A residential mortgages

Residential Mortgage ABS Outstanding



As at December 31

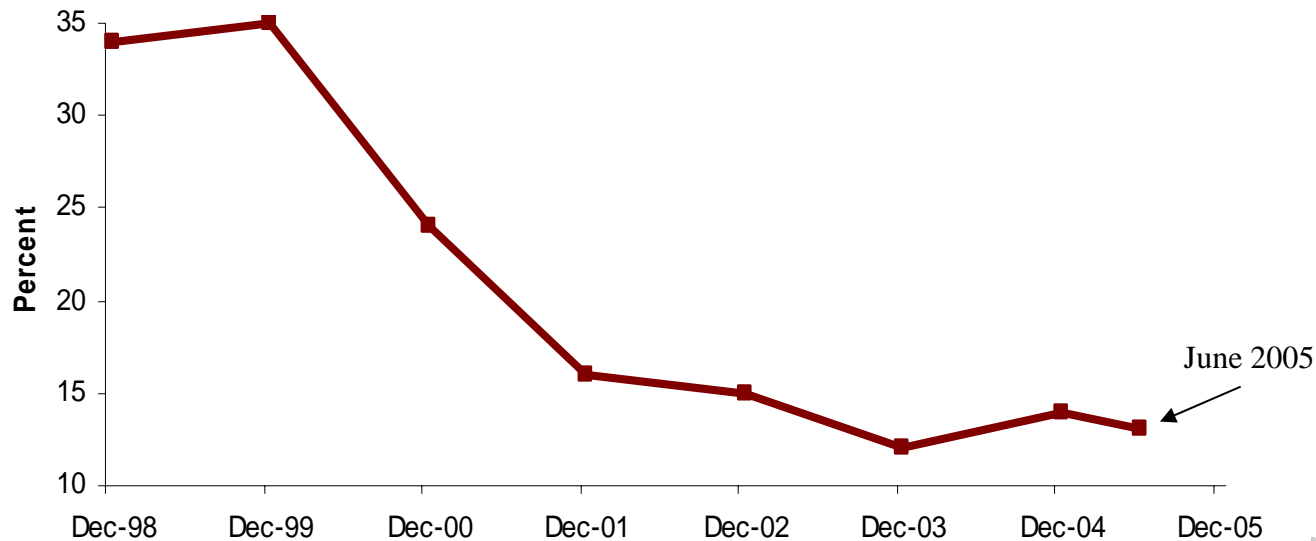


Residential Mortgage Market

Residential Mortgage Market

- **Total ABS outstanding (Term and ABCP) backed by residential mortgages had been declining in light of increases in total ABS outstanding**
 - Demonstrated by the decreasing percentage of residential mortgages backing total ABS outstanding
- **Of late, this trend has been reversing and is due to the entrance of non-standard mortgage originators in the Canadian market**

Residential Mortgages Backed Securities as a Percent of Total ABS



Residential Mortgage Market

Canada Mortgage and Housing Corporation (CMHC)

- Powers granted under the National Housing Act (“NHA”)
 - Covenant carries the full faith and credit of the Government of Canada
- Mandate is to make housing affordable for Canadians
- A key function of CMHC is the provision of mortgage insurance (NHA insurance)
- CMHC also provides market liquidity for residential mortgages via the NHA MBS Program and the Canada Mortgage Bonds (“CMB”) Programs

In the late 1990’s banks used the CMHC mortgage bond programs for regulatory capital relief

- Companies now use these programs to achieve low cost of funds (over \$62 billion outstanding)



Residential Mortgage Market

Canada Mortgage Bonds (“CMB”)

Program introduced in June 2001

- An alternative to the NHA MBS Program
- Concept is to introduce more liquid bullet maturity bonds to the market
 - Broader investor acceptance
 - Better economics for Issuers

Canada Housing Trust (“CHT”) is the largest multi-seller trust in Canada

CHT is a trust set up to purchase mortgage-backed securities (“MBS”) from Approved Sellers, where the underlying mortgages are residential mortgages insured by CMHC

- Each series of CMB is backed by a discrete pool of eligible MBS
- Every time a new series is issued, a new pool of eligible MBS will be designated to support that particular series
- Term of each series is limited by the term and type of the mortgages available



Residential Mortgage Market

There are 12 series of Canada Mortgage Bonds (“CMB”) outstanding totaling \$62.06 billion

Series	Issuance Date	Maturity Date	Size (\$billion)
1	Jun-01	Jun-06	2.20
2	Oct-01	Mar-07	2.50
2B	Feb-02	Mar-07	3.40
3	Jun-02	Sep-07	3.80
3B	Sep-02	Sep-07	2.90
4	Dec-02	Mar-08	3.10
4B	Mar-03	Mar-08	2.65
5	Jun-03	Sep-08	4.30
6	Sep-03	Dec-08	4.80
6B	Dec-03	Dec-08	5.50
7	Mar-04	Mar-09	4.45
8	Jun-04	Sep-09	4.25
8B	Sep-04	Sep-09	4.35
9	Dec-04	Mar-10	8.09
10	Dec-04	Mar-10	1.50
11	Jun-05	Sep-10	3.10
12	Jun-05	Sep-10	1.17
Total			62.06



Non-Conforming Residential Mortgage Market



Overview of Non-Conforming Residential Mortgage Market

The Canadian non-conforming residential mortgage market is a subset of the residential mortgage financing industry and is still relatively new in Canada
Non-conforming residential mortgages are non-conventional mortgages with one or more factors that fall outside of conventional mortgage underwriting standards

- Conventional “A” mortgages typically have the following features:
 - Maximum loan to value (“LTV”) of 75%
 - Maximum Gross Debt Service (“GDS”) / Total Debt Service (“TDS”) of approximately 32/40% (CMHC guidelines)
 - Income verification
 - Clean credit bureau
 - Standard property types

Total potential size of the non-conforming market in Canada is estimated to be between 10% and 20% of the total residential mortgage financing market or roughly \$50-\$100 billion

- By comparison, the total estimated value of non-conforming residential mortgages in the U.S. as of the end 2003 was approximately US\$1 trillion or about 15% of the total U.S. residential mortgage market



Alt-A vs. Traditional Subprime

What is an Alt-A vs. a traditional subprime mortgage?

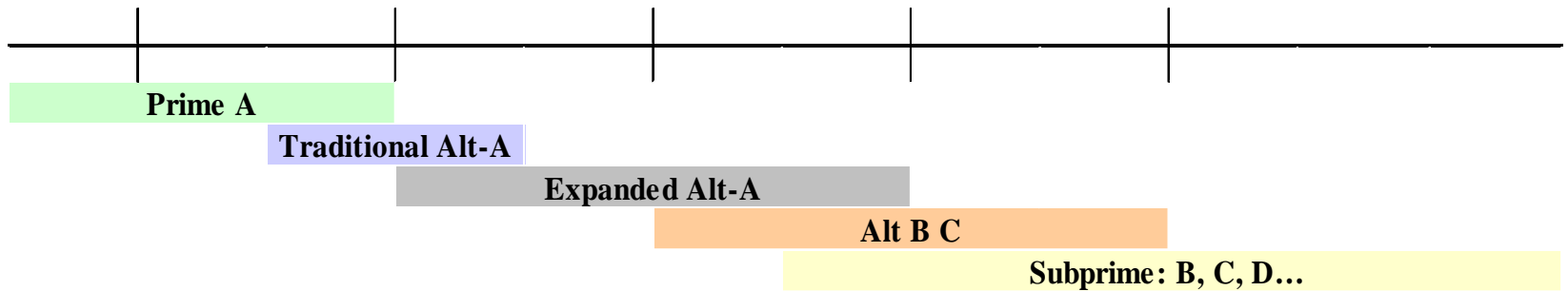
The line between an Alt-A and a traditional subprime mortgage is often difficult to define

	Alt-A	Traditional Subprime
Beacon	680 + (higher Beacon required for higher LTVs)	As low as 500 Beacon (Beacon drives credit grade - B,C,D)
LTV	75% - 90%	Tiered by credit grade
Credit History	No mortgage lates, no bankruptcies/foreclosures in past 36 months	Borrowers with blemished credit history
Debt Ratio (consumer + mortgage debt)	38% to 45% (where calculated)	50% to 55%
Documentation	Stated income, no ratio	Full documentation
Qualitative	Strong compensating factors for non-standard features	Check everything

However, the overall non-conforming residential mortgage market is growing and under serviced



Market Evolution



Market has evolved into product continuum

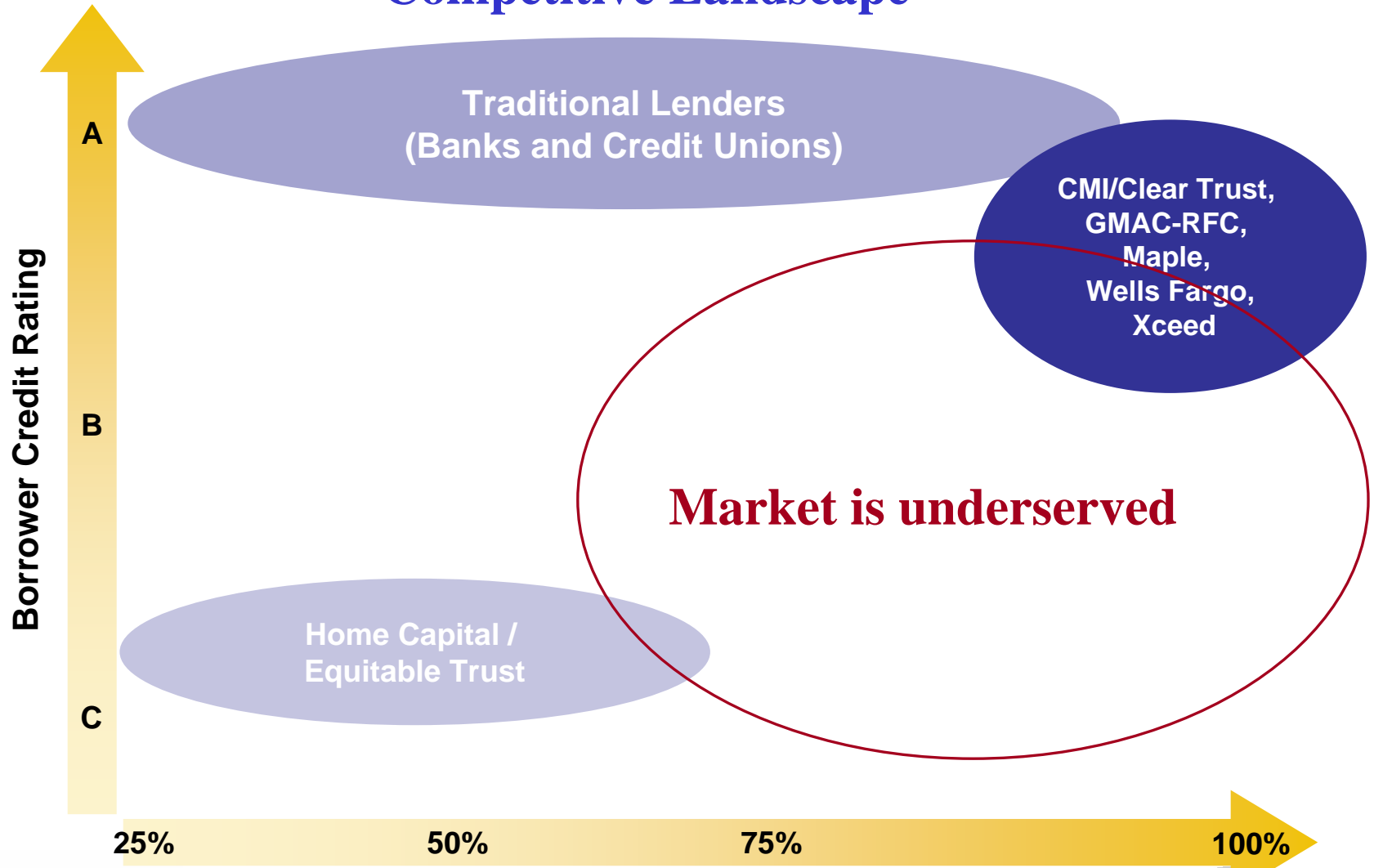
Definitions vary from lender to lender

Driven by increasing ability to risk-based price at loan level to consumer

Difficult to draw clear distinctions



Competitive Landscape



Competitive Landscape

The top non-conforming mortgage originators:

Non-Conforming Lenders 2004 Estimated Loan Originations (Market Share)	
Maple Trust	20.5%
Home Trust	13.7%
Xceed	9.6%
CLEAR Trust/CMI	8.9%
GMAC-RFC	6.8%
Scotia (GE Insured)	6.8%
First National	5.5%
Wells Fargo	4.1%
MCAP	4.1%
Equitable Trust	4.1%
Other *	15.8%
Total	100.0%

** Combination of smaller lenders*

Source: CIBC Mortgages Inc. ("CMI")



Competitive Landscape

Success factors of new entrants

Many new entrants use third party servicing arrangements

- Can focus on underwriting standards and leverage the servicing capabilities of proven and successful servicers
- Increases companies ability at access capital markets through securitization as investors/bankers are comfortable with the large third-party servicers in Canada (MCAP Service Corporation, First National Financial Corporation)
 - Xceed Mortgage Corp., and GMAC RFC both use third party servicing arrangements and have accessed the asset-backed commercial paper and term ABS markets respectively
- New entrants have leveraged previous experience in Canadian as well as U.S. markets



Competitive Landscape

Credit unions exhibit both the servicing and underwriting capabilities

- Infrastructure already in place for both functions which would allow for a quick and seamless entry into this market
- Vast experience with mortgage underwriting and servicing should provide comfort to capital markets in assessing credit unions ability to enter the non-standard market
- Potential may exist for credit unions to source new origination product and partner with current non-standard lenders to provide funding
 - Credit unions can earn a fee in directing business to/sourcing business for non-standard lenders
 - Credit unions could potentially retain the servicing responsibility and earn a fee



Overview of Non-Conforming Residential Mortgage Market

Canadian non-conforming residential mortgage market can be divided into three segments:

1. Credit Impaired Borrowers
 - Credit impaired borrowers make up approximately 50% of the non-conforming residential mortgage market
 - Generally have some limited negative credit notations and/or low credit scores
2. High Ratio Prime Mortgages
 - The criteria set by mortgage insurers (CMHC and Genworth) for granting insurance are more liberal but often still constraining
 - Decision is often made by an electronic auto-adjudication system
 - Applicants are rejected for what are often non-material reasons
3. Non-Standard Property Types
 - Vacation and non-owner occupied properties are not typically considered by traditional “A” lenders
 - Blanket mortgages over principal residence and secondary property are becoming more common



Examples of Non-Conforming Borrowers

Some examples of non-conforming borrowers that are often declined by traditional mortgage lenders:

- New immigrants to Canada who have limited credit history but who otherwise have the financial capacity to carry a mortgage
- New graduates who have not accumulated enough capital for a down payment on a house but otherwise have excellent credit and strong ability to pay
- Commissioned sales people who don't have predictable or easily verifiable income
- Small business owners who are unable to satisfy the narrow conventional mortgage underwriting criteria
- Customers who have had a credit problem in the past but have a satisfactory and acceptable explanation for the problem which wouldn't be taken into account by an electronic auto-adjudication system
- Good quality borrowers looking to finance their vacation/secondary properties



Benefits and Opportunities

Credit unions are a formidable force in the residential mortgage market and are strategically committed to this market

- Strong distribution network across Canada

Credit unions are forced to decline many mortgage applications that do not meet strict underwriting guidelines but otherwise are good business risks

Challenges

- Securitization does not relieve credit unions of associated credit risk
- First loss piece retained by the credit union
- Therefore true economics remain with credit unions



Keys to Success

Experienced underwriters that are familiar with the non-conforming market

Focused channel management

- Need to educate and manage brokers

Consistent application of well defined credit standards

Proactive servicing platform

Application of results-based performance management system

- Post-funding reviews performed on a random sample basis to ensure adherence to credit policies

Creation of suite of products specifically designed for non-traditional customers

Risk adjusted pricing model that ensures returns are commensurate with risk

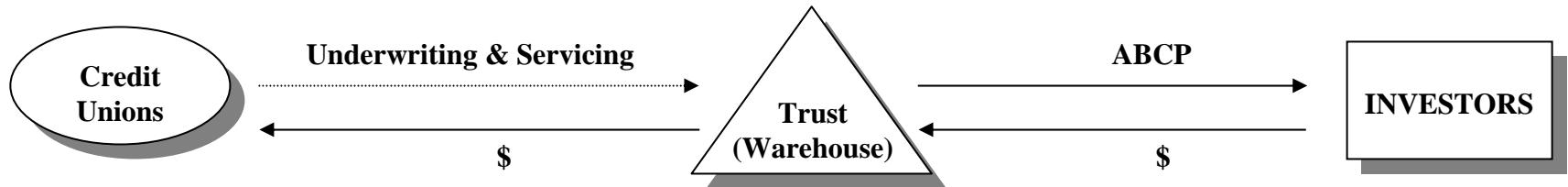


Securitization Structure Overview

Credit unions can establish a business platform to originate non-conforming mortgages

Since credit unions cannot originate uninsured loans on their own books with LTVs greater than 75%, it is necessary to originate the non-conforming loans off-balance sheet

Use of securitization trust most efficient from an operational and cost of funds basis



Securitization Structure Overview

Mortgages are directly originated in a warehouse facility

- No balance sheet utilization

On a monthly basis, credit unions notify Central of the amount of loans it expects to close during the upcoming period

- Central will direct the Trust to issue ABCP in that amount and deposit the proceeds in a disbursement account, net of the required deposit to the Cash Account (for credit protection purposes)
- Credit unions will use these funds to make the mortgage loans

Credit enhancement may be provided by either third party investors or Central
Quarterly reviews by DBRS for eligibility criteria and asset quality

Once the warehouse facility reaches \$150 million - \$250 million, credit unions could use the public term market to take-out the facility and free up capacity to originate new loans in the warehouse

- Process would revolve periodically as credit unions grow its portfolio



Economic Analysis

A non-conforming mortgage will generate at least twice as much profit than a conventional “A” mortgage

	"A" Mortgages (bps)	Non-Conforming Mortgages (bps)
Mortgage-Canada Spread ¹	139.0	250.0
Funding Cost over Canada ²	53.0	100.0
Net Spread	86.0	150.0
Estimated Operating & Hedging Costs ³	65.0	65.0
Estimated Losses ⁴	5.0	15.0
Net Profit	16.0	70.0

1. Assuming current five year Canada bond yields of 3.41%, this implies a funded mortgage rate of 4.80%. Current posted mortgage rates are 5.80%, but discretionary pricing is still common at 100 bps or more. A non-conforming mortgage, on average, is funded at posted rate.
2. Funding cost is estimated at 53 bps and 100 bps for “A” mortgages and non-conforming mortgages, respectively. The funding cost for the “A” mortgages is assumed to be the same as the SMART Trust’s cost of funds plus 5 year swap spread of 18 bps. Non-conforming mortgages have a higher funding cost because of the higher level of subordination required. The credit unions would not retain any residual interest in the non-conforming portfolio post-securitization. Estimated weighted spread of all tranches is 80 bps over the equivalent average life GoC bond using the GMAC-RFC capital structure. All-in spread including distribution fee, upfront, legal and rating costs associated with a term transaction is estimated to be around 100 bps over the GoC curve.
3. Estimated operating costs including salaries and G&A. Costs for hedging would be for the mortgage commitment pipeline.
4. Losses on “A” business typically range from about 2 bps to 10 bps. On non-conforming business they are estimated to be 15 bps.



Conclusion

The Canadian non-conforming residential mortgage market is in a period of growth

- New participants are entering the market
 - Most participants access funding from the capital markets
 - Participants have used the ABCP market for warehousing with the ultimate goal of using the term ABS market to take out the warehouse facility
- Investor acceptance to this asset class is broadening
 - Evident by the growing number of investors purchasing residential mortgage-backed securities backed by non-standard mortgages as well as the increase in banks' desire provide liquidity to ABCP funding

Use of securitization will allow credit unions to leverage their existing origination platform to enter this rapidly growing market

- The non-conforming residential mortgage market provides an opportunity for credit unions to increase revenue and broaden product offerings

Real economics of non-conforming mortgages is retained by credit unions

CIBC World Markets and Central would welcome the opportunity to continue working with credit unions to develop a strategic funding plan for non-conforming residential mortgage



Review of GMAC-RFC Issuances to Date



Review of GMAC-RFC Issuances

GMAC-RFC had its inaugural Canadian Term ABS transaction in June 2004 (CMAC 2004-C1)

- Transaction was well-received by investors
- First non-conforming residential mortgage transaction completed in Canada
- Issued under the name of Canada Mortgage Acceptance Corporation (“CMAC”)

GMAC-RFC has since had two additional Term ABS transactions

- Issued in December 2004 (CMAC 2004-C2) and July 2005 (CMAC 2005-C3)

Factors that helped drive the deal’s success

- Mortgage loans were made to high-quality borrowers (differentiate between “subprime” and “non-conforming”)
- Experience of GMAC-RFC in the US residential mortgage market

Challenges to investors

- Non-traditional aspect to the collateral and the limited performance data on it
- High LTV loans (including some over 100%)
- Mortgage loans in respect of properties that are second homes or investment properties



Review of GMAC-RFC Issuances

Mortgages have been backed by a variety of mortgage products

- Alt-A/Non-conforming category includes
 - Loans to borrowers that are not required to submit proof of stated income
 - Loans on properties on second residences or vacation homes
 - Loan amounts that are greater than 95% of the value of the property
- Subprime category include
 - Loans to borrowers that have imperfect credit histories (Subprime)

To mitigate risks inherent with these expanded product offerings GMAC-RFC has focused on excluding low-quality borrowers as evidenced by credit score

- All three transactions to date have a weighted average credit score of greater than 690

Enhancement levels have increased slightly with each successive transaction

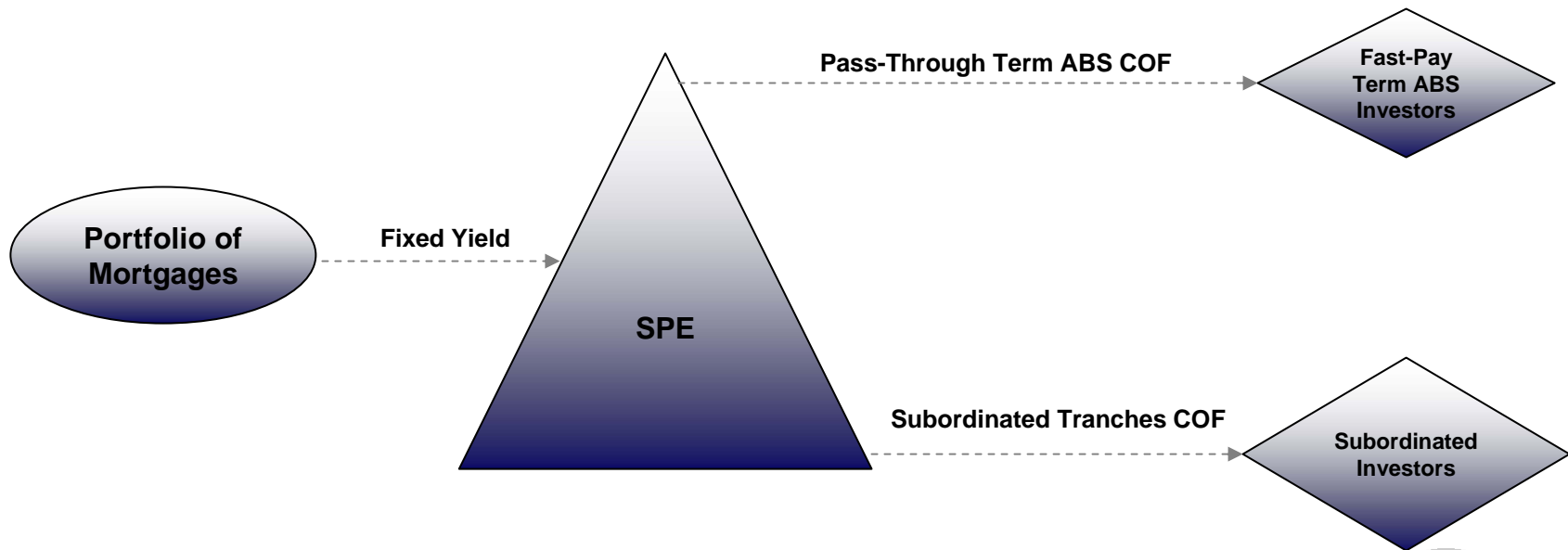
- Mortgage pools backing the transactions have had an increasing amount of loans to borrowers with imperfect credit histories, i.e. subprime mortgages
 - Credit protection has been sized to reflect this increased risk



Review of GMAC-RFC Issuances

CMAC transactions utilize a monthly pass-through structure

- The senior tranche pays both principal and interest monthly in accordance with the pool amortization until fully paid down
- Subordinated tranches act as protection to the SPE and pay interest monthly, principal repayment begins once senior tranche is fully paid down
- All three transactions were priced using a prepayment assumption of 6% CPR



Review of GMAC-RFC Issuances

General Collateral Summary

- Rating agencies and investors were concerned with high LTV loans, particularly loans with LTV ratios above 100%
- High Beacon scores played a major role in determining subordination levels and positioning the credit to investors
- Subordination levels were adjusted upwards for:
 - Slight borrower concentration
 - Lack of income verification in parts of the pool
 - The inclusion of subprime mortgages



Review of CMAC 2004-C1

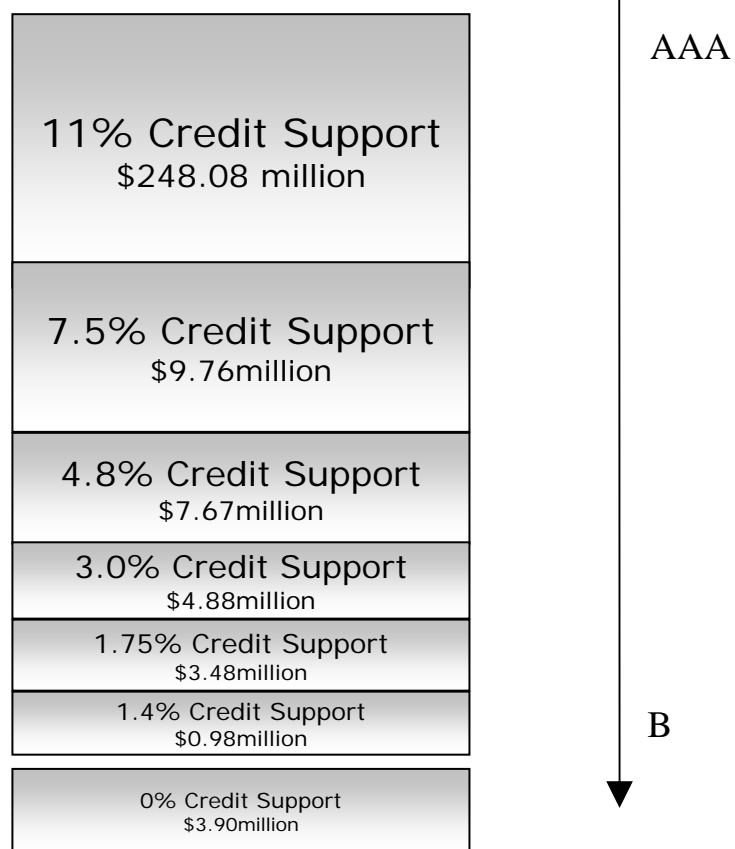
Collateral Summary

Pool Balance	\$283,066,179
Weighted Average Mortgage Rate	6.37%
Weighted Average Remaining Term	41 months
Weighted Average LTV Ratio	85.18%
Weighted Average Credit Score	699
Average Loan Principal Balance	\$152,350
Assumed Prepayment Rate	6% CPR



Review of CMAC 2004-C1

Capital Structure for CMAC 2004-C1 based on Credit Support per tranche



Review of CMAC 2004-C1

Capital Structure for CMAC 2004-C1

GMAC-RFC Transaction					
<u>Tranche</u>	<u>Size (\$millions)</u>	<u>Average Life</u>	<u>Credit Support</u>	<u>Rating</u>	<u>Spread to GoC Curve</u>
A	\$248.08	2.66	11.0%	AAA	49
B	9.76	4.62	7.5%	AA	68
C	7.67	4.72	4.8%	A	105
D	4.88	4.80	3.0%	BBB	175
E	3.48	4.82	1.75%	BB	na
F	0.98	4.88	1.4%	B	na
G	3.90	4.88	0.0%	U/R	na
Total	\$278.75				



How Aggregating Allows Securitization To Work For Credit Unions

- Central purchases residential mortgage pools from credit unions
- Transfer of mortgage assets from a credit union's balance sheet to Central's balance sheet
- Credit union retains the first loss
- Credit union retains servicing rights and maintains relationship with member
- Credit union sets mortgage rates and any discounting factors
- Central aggregates credit union mortgage pools into a larger pool with the scale and diversification required for securitization



Benefits of A Pooled Approach

- Cost savings – can be significant to all but the largest credit unions
- Economical access to wholesale funding for small, medium and large credit unions
- Entry level hurdle reduced
- Central, as an investment grade R-1 (low) rated entity, is able to access the securitization market more efficiently than an unrated entity



Sound Liquidity Framework

Credit Unions

Central

Capital Markets



Refreshment Break

- Sponsored by Silver Sponsor...

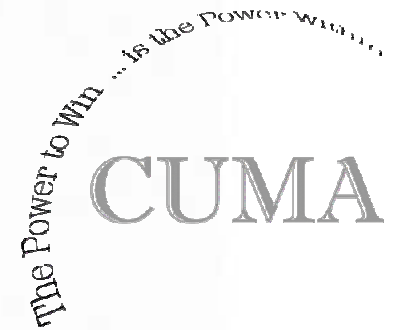


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Executive Breakout Workshops

10:15AM – 11:45AM

- **Workshop #1 – Tom Thomson**
 - Helping You Make the Best People Decisions
- **Workshop #3 – Carmichael/Jackson**
 - Holding up the Mirror! Executive Coaching...
- **Workshop #5 – Varley**
 - Generation Y: Reaching the Unreachable
- **Workshop #6 – Governor General**
 - Trends in Retail Service Delivery

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