

# Optimizing Pre-Issue RMBS Buying Decisions Using RS Edge

## The Client

A large life insurance company with over \$100 billion in total assets and significant RMBS and other mortgage holdings.

## The Challenge

The client sought to efficiently inform its pre-issue RMBS buying decisions by applying assumptions based on the observed, historical performance of comparable securities.

## The Solution

The client deployed the structured products module of RS Edge to facilitate side-by-side comparison of the credit composition of the target deal to one (or multiple) benchmark deals.

By juxtaposing historical performance data and collateral composition of benchmark deals with the collateral composition of the pre-issue deal under consideration, RS Edge enabled the client to make data-supported participation decisions.

Specifically, RS Edge delivered the following:

- **Credit Composition / Credit Comparisons**—Deal (loan pool) stratification and comparison reports focusing on key risk factors and risk layering.
- **Historical Performance Data**—Enabling users to look up cumulative default rates and severity based on user-defined, credit cohorts for any benchmarking deal.
- **Forecasting**—Underlying collateral loan pool forecasting, permitting users to:
  - Define behavioral assumptions (CDR, CPR, Severity),
  - Use historical derived performance vectors (CDR, CPR, Severity) for similar cohorts, or
  - Invoke RiskSpan’s empirically derived loan-level prepayment and credit models.
- **Intex Integration**—Enabling the generation of cash flows and prices for every bond in the capital stack.