

Heading for International Best Practices

Baltic Securitization Analysis
Latvian Case Study

BAMT 2004-1

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COO

The Baltic-American Enterprise Fund Mortgage Program

Vision Statement

To build a US style mortgage banking firm using global capital markets to provide liquidity to the mortgage markets of the Baltic states.

Objective

To develop capital market funding sources for the Fund's residential lending operations so that the US grant can be utilized to develop personnel and infrastructure.

Interim Financing
Permanent Financing

How to Get There from Here: Building the Bridge

Origination, Managing the Credit Risk:

Standardize, Document, Data Rich (Kill the Underwriting gods), Every Decision is Only the First Credit Decision

Servicing: Document P&P, Go to Court, Report, Report, Report

HR: Train a lot and with the Best

How to Get There from Here: The Legal Environment

Due a Local Whole Loan Trade with a motivated Investor

Let all the Lawyer deal with the Challenges

Be Specific about the Little Things (Like Custodians, etc.)

At the End Look at and Describe where your Society is in the following terms:

- Property Rights vs. Consumer Rights

- The Predictability of the Judges Decisions

- Learn the Market Economy Transition Rules

How to from Here to There: Bankers

Evaluate their Capabilities Against Your Needs

Develop a Relationship, Not a Transaction (You are a Brand)

Encourage Visits

Let Them Recommend the Third Parties

- Rating Agencies

- Trustee Service Providers

Plug in Their Lawyer's

Baltic-American Mortgage Trust 2004-1

| <u>Cert</u> | <u>Rating</u> | <u>Amount</u> |
|-------------|---------------|-------------------|
| A | Aa2 | US \$ 60 Million |
| B | Baa1 | US \$ 3.6 Million |
| C | NR | US \$ 1.3 Million |

BAMT 2004-1 Investors

Moved the BaIAEF Mortgage Program from Investors in the Three Baltic's to Investors from Eight Countries.

German

Swiss

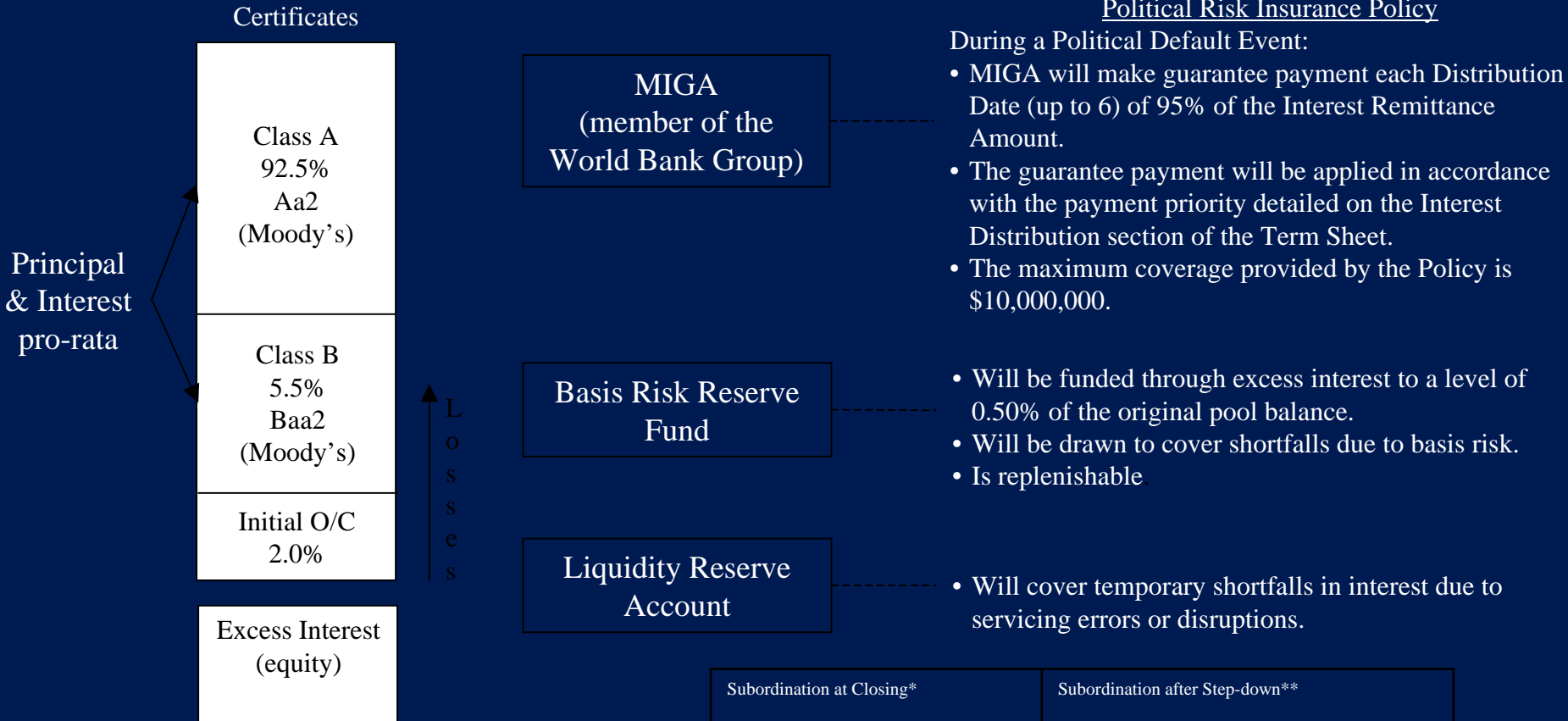
Austrian

Irish

US

Transaction Summary

Capital Structure



Political Risk Insurance Policy

- During a Political Default Event:
- MIGA will make guarantee payment each Distribution Date (up to 6) of 95% of the Interest Remittance Amount.
 - The guarantee payment will be applied in accordance with the payment priority detailed on the Interest Distribution section of the Term Sheet.
 - The maximum coverage provided by the Policy is \$10,000,000.
- Will be funded through excess interest to a level of 0.50% of the original pool balance.
 - Will be drawn to cover shortfalls due to basis risk.
 - Is replenishable.
- Will cover temporary shortfalls in interest due to servicing errors or disruptions.

Credit Enhancement

- Excess Interest
- Overcollateralization (O/C)
- Subordination

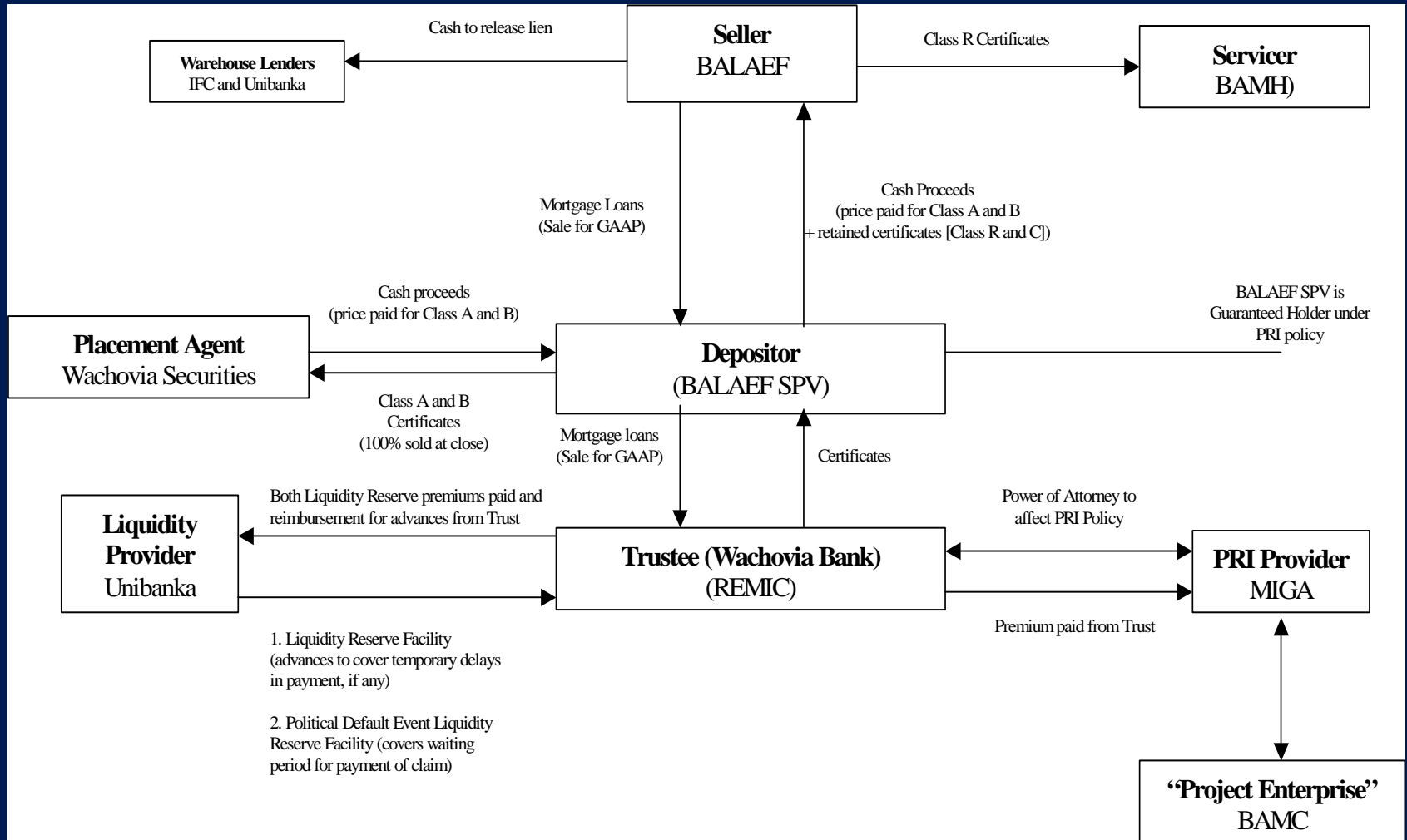
| | Subordination at Closing* | Subordination after Step-down** |
|---------|---------------------------|---------------------------------|
| Class A | 7.50% | 17.0% |
| Class B | 2.0% | 6.0% |

*Based on cut-off collateral balance.
 **Based on remaining collateral balance.

Transaction Summary

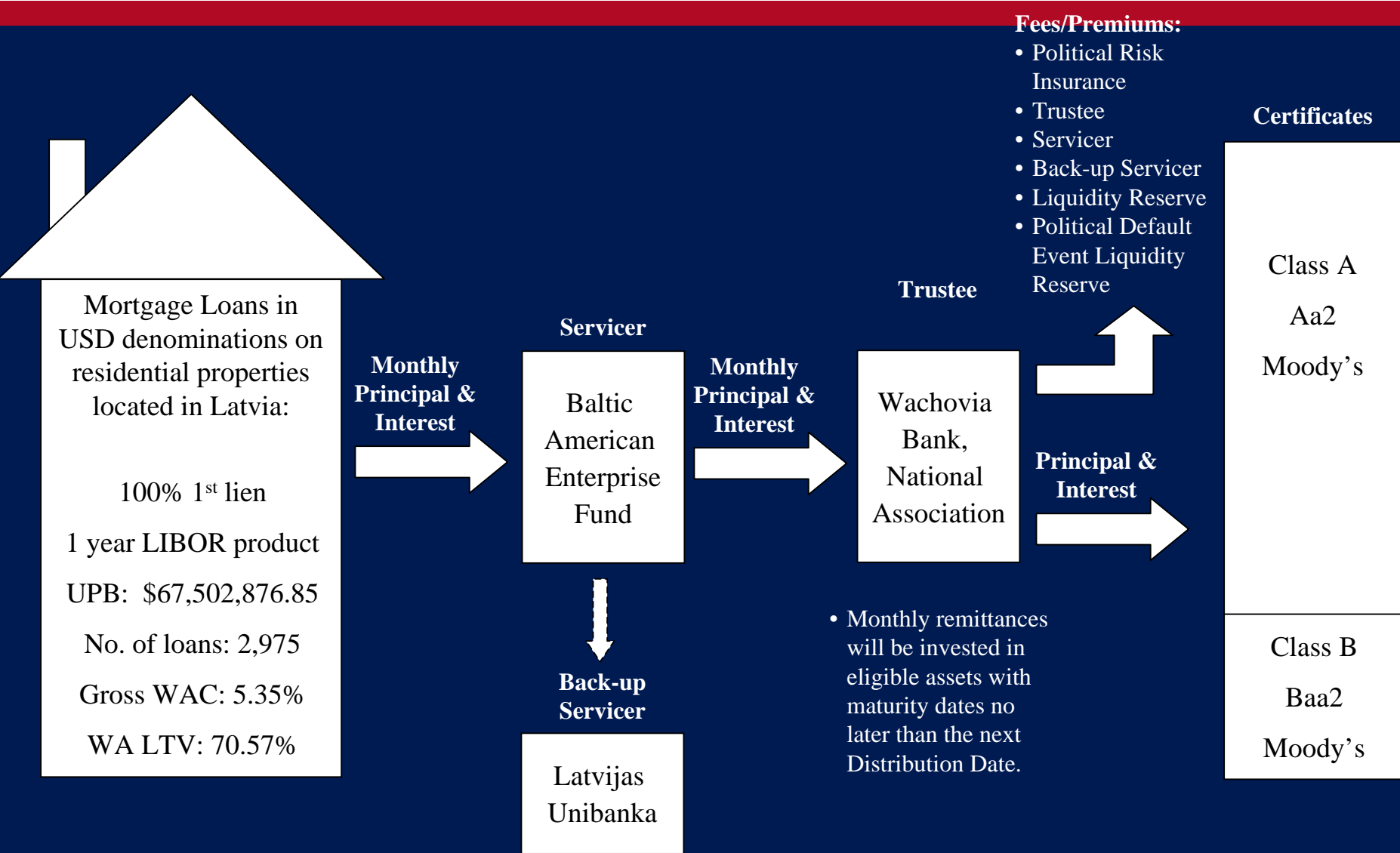


Transaction Diagram



Transaction Summary

Transaction Structure



Mortgage Loans in USD denominations on residential properties located in Latvia:

100% 1st lien

1 year LIBOR product

UPB: \$67,502,876.85

No. of loans: 2,975

Gross WAC: 5.35%

WA LTV: 70.57%

Monthly Principal & Interest

Servicer

Baltic American Enterprise Fund

Back-up Servicer

Latvijas Unibanka

Monthly Principal & Interest

Trustee

Wachovia Bank, National Association

- Monthly remittances will be invested in eligible assets with maturity dates no later than the next Distribution Date.

Fees/Premiums:

- Political Risk Insurance
- Trustee
- Servicer
- Back-up Servicer
- Liquidity Reserve
- Political Default Event Liquidity Reserve

Principal & Interest

Certificates

Class A
Aa2
Moody's

Class B
Baa2
Moody's

The Results

Cost of Capital before Transactions Costs of less than Index
+ 1%

Mortgage Investors from 8 Countries (5 because of this
deal)

Broke the Sovereign Ceiling

Transaction was 2X Oversubscribed