

Benjamin T Solomon

From: Constant Contact [support@constantcontact.com]
Sent: Friday, January 29, 2010 5:01 AM
To: benjamin.t.solomon@quantumrisk.com
Subject: Your email New CMBS Loss Vectors & CMBS Black Swans has been sent

Email Confirmation



Dear Benjamin Solomon,

Your email, named Jan 28 2010 CMBS Loss Vectors, was sent on 01/29/2010 around 7:01 AM EST.

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Subject: New CMBS Loss Vectors & CMBS Black Swans

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Strategy, Business Process Reengineering, Structured Finance, Financial Modeling & Statistical Modeling

New CMBS Loss Vectors & Black Swans

Press Release

Evergreen, CO - Jan 28, 2010 - QuantumRisk has developed the technology to provide *deal specific* forecast *Loss Vectors* for the CMBS industry. Purchase orders are now being accepted.

Prior to 2008 the long term CMBS default rate was about **1.8%**, however, as of the December 2009 the raw data suggests that the true CMBS default rate has jumped to **6.9%**. This **3.8x** increase in CMBS default rates necessitates new methodologies and techniques for assessing future losses.

The QuantumRisk (QR) Loss Vectors is one of these new methods that provide confidence level based loss & stress assessment not available with current industry methods. QR Loss Vectors consists of 120 loss distributions over the 10-year life of the CMBS deal. See Figure 1. In addition to the deal specific QR Loss Vectors we report the deal's *Black Swan* (unthinkable worst case loss). Black Swans are useful quality differentiators when two deals have similar cash flows.

Ease of Use:

As can be seen in Figure 2, the QR Loss Vectors replace the existing industry loss vectors

without altering the rest of the CMBS Structured Cash Flow model. Some changes are required to select loss behavior by confidence level.

Why Change? 3 Good Reasons:

Figure 3, 4 & 5 illustrate 3 of the 5 problems discovered by Ben Solomon with the current methods:

- (1) The Triangular Matrix Method (Figure 3) biases the loan's vintage-age behavior.
- (2) Due to confounding of default factors DSCR are not good predictors of future CMBS losses (Figure 4). See page 17 of [Brochure](#).
- (3) There is a lot more to stress testing (Figure 5) than is generally accepted in structured finance. See post '[What To Look Out For In Stress Testing](#)'.

Where Are We?:

QuantumRisk is in the final stages of selecting 1 of 2 CMBS data providers. For more information on how QR Loss Vectors will be used in your CMBS deal assessment see pages 12-18 of our [Brochure](#). We expect the first deal report to be available by mid-April 2010.

Promotional Pricing:

The QR Loss Vectors Excel 2007 Reports are priced at \$25,000 per report. To kick off the launch of these loss vectors QuantumRisk is introducing a promotional pricing structure between January 2010 to April 2010, as follows:

1. Jan 2010: \$15,000
2. Feb 2010: \$17,500
3. Mar 2010: \$20,000
4. Apr 2010: \$22,500
5. After April 2010 reports are priced at \$25,000 each.

Please forward this email to your colleagues and partners who are in the CMBS underwriting, investment banking, fund management business or are CMBS investors.

How to Place Orders for QR Loss Vectors:

Contact Ben Solomon: 970-306-7656 or email benjamin.t.solomon@QuantumRisk.com

Benjamin T Solomon B.Sc., Dip OR, MAOR, MBS(Banking & Finance)

Figure 1: QR Loss Vectors

In this simulated example, each data point is a deal loss for a specific confidence level and month in the life of the CMBS deal.

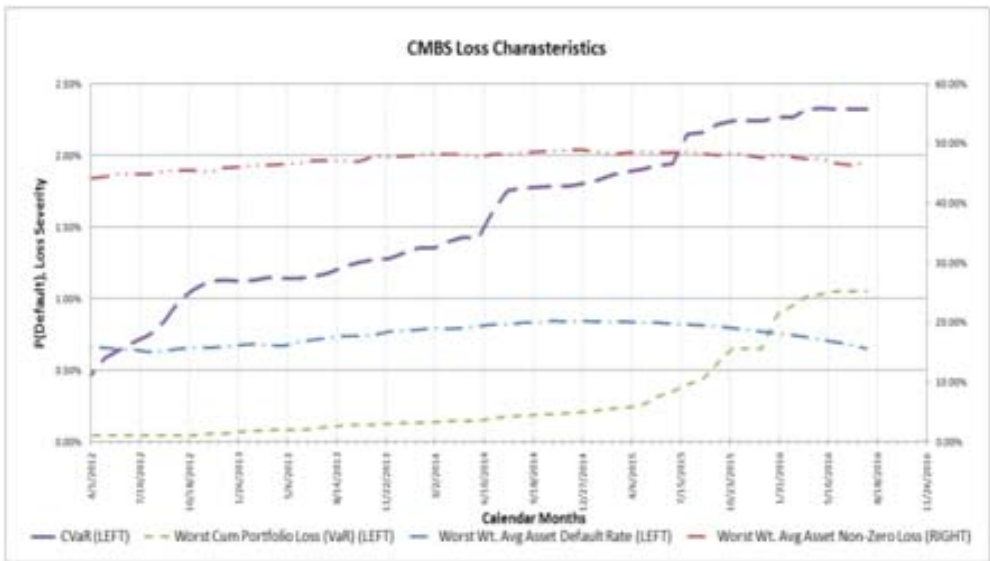


Figure 2: How QR Loss Vectors Fit Into Existing CMBS Structured Cash Flow Models

This figure shows how QR Loss Vectors generated from QuantumRisk's proprietary econometric CMBS models easily replace existing industry loss vectors. Note that QuantumRisk's proprietary econometric CMBS models are not included in this offer.

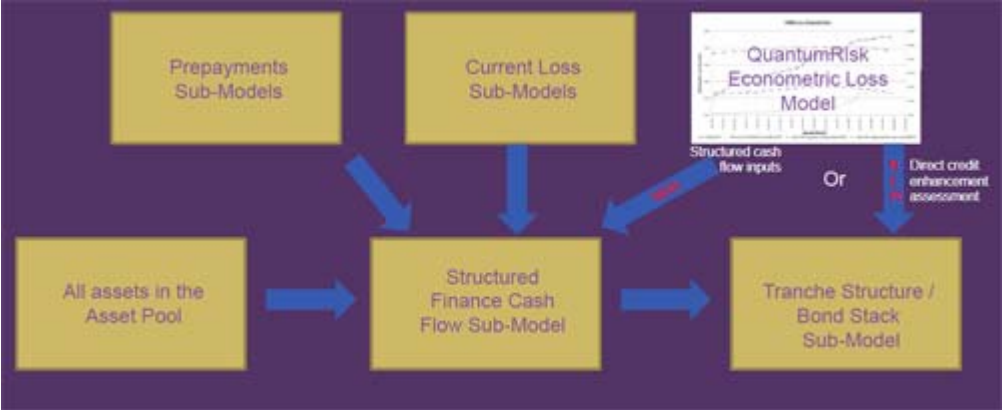


Figure 3: Triangular Matrix Method

The Triangular Matrix Method suffers from a provable bias. Figure 3 shows how horizontal loan age default behavior is output as non-horizontal loan age defaults.

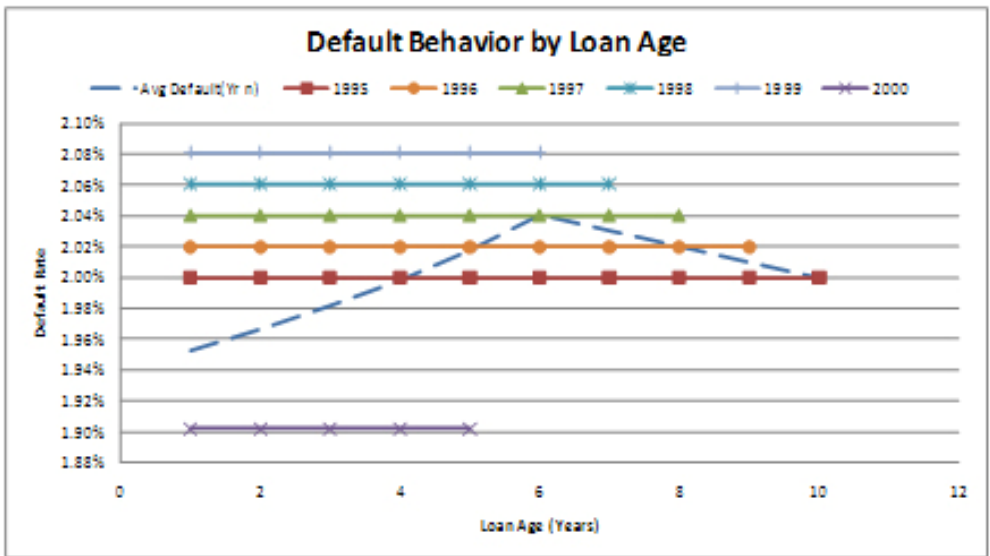


Figure 4: DSCR Confounded Historical Loss

The graph illustrates the confounded behavior of the Historical DSCR-Loss behavior. It is the opposite of DSCR-Loss models used in the industry.

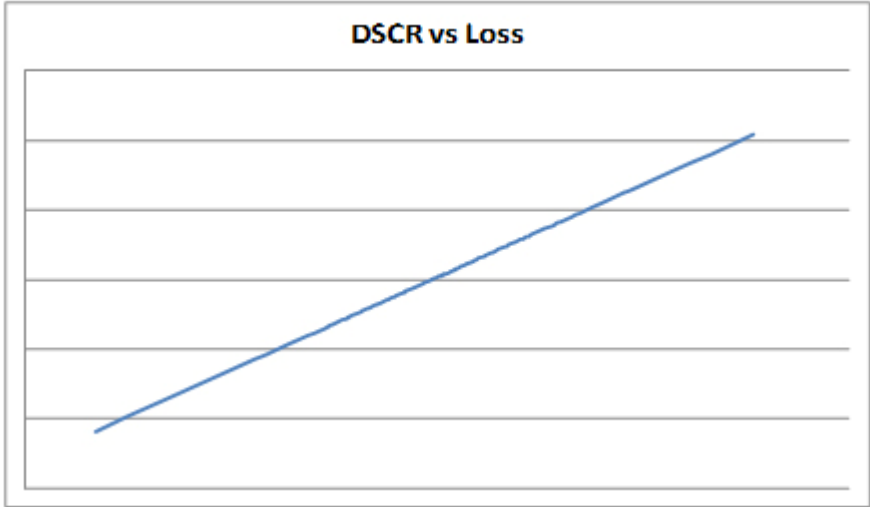
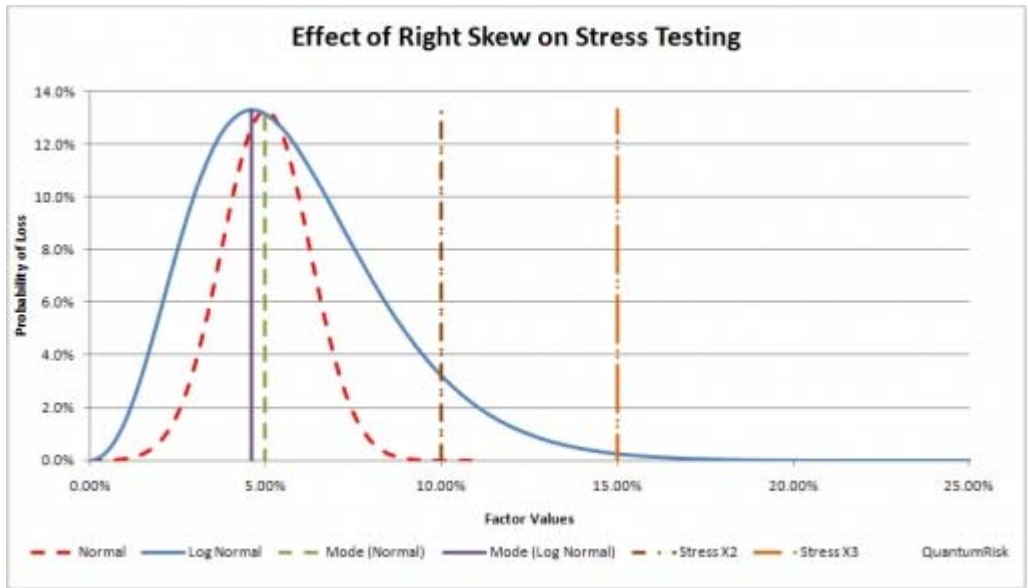


Figure 5: Stress Testing

This graph illustrates the existing loss vector distribution in relation to actual loss behavior. See blog post [What to Look Out For In Stress Testing](#).



About QuantumRisk LLC

QuantumRisk LLC is a boutique investment advisory / management consulting firm. The investment advisory business is focused on CMBS loss vectors and defeasance. [Our team here.](#)

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