MORTGAGE SECURITIZATION FLOW CHART

Lender Obtains Line of Credit From Wall Street.

Mortgage Is Originated

SPV I
(Trust Controlled By Lender)

The individual mortgage is pooled by original lender with thousands of other loans, and then transferred into a trust.

SPV II
(Trust controlled by Loan Aggregator)

The trust is transferred to a loan aggregator and the individual mortgage is no longer under the original lender's control. For the consumer, he or she will receive notice of the appointment of a servicer, such as Wells Fargo, US Bank, or Citimortgage.

Various Tranches Sold As ABS To Investors

Terms
- SPV: Special Purpose Vehicle
- ABS: Asset Backed Securities
- CDO: Collateralized Debt Obligation
- TRANCHE: A "strip" of income or revenue stream.

SPV

Investors, who purchase low-rated ABSs or unrated residuals, use a CDO manager to pool these interests into a trust.

CDOs RANKED, RATED AND SOLD TO INVESTORS

FINAL TRUST FOR ABS INVESTORS

AAA

AA

A

BBB

PRINCIPAL TRANCHE

INTEREST ONLY TRANCHE

UNRATED RESIDUAL

Income streams are divided into superior and subordinate tranches, based on how they get paid. The superior tranches get paid first, and they are given a high investment grade rating (ex. AAA).

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