

Looking to assess the real value of your mortgage servicing rights?

MSR Kinetics (MSRK) is your answer. Andrew Davidson & Co. has created an MSR valuation and risk analysis tool to surpass all others. We've integrated our flagship LoanDynamics borrower behavior model and our proprietary OAS Subroutine suite of Home Price, Interest Rate, and Unemployment models with a servicing cash flow engine to provide solutions for valuation, credit analysis and hedging.

MSR Kinetics is available as a Desktop application, client intranet or private cloud, or as a REST API for integration with proprietary systems.

Value Decomposition: MSRK has many useful functions aimed at explaining the dynamics of MSR assets well beyond a single number. Using your own costs to service and finance the asset, earnings from float and ancillary fees, MSR Decomposition quantifies the contribution of up to seven components of MSR total value – the servicing fee and cost to service being just two. The application can be used to determine the present value and duration of the base servicing fee, the excess servicing fee, and their combination.

Hedging: MSRK not only quantifies rate risk factors, but also the impact of commonly ignored exposures such as model risk and housing price risk. By combining MSR assets with a user defined hedging strategy such as an MBS/TBA hedge, MSRK quantifies expected returns attributable to bearing prepayment-model risk. The user can also simulate the effectiveness of an interest rate swap.

MSR Tail Risk: MSRK can be used to quantify tail risk emanating from economic stress and from model error. AD&Co uses its proprietary 20 scenario grid to simulate economic stress in concert with model error. Model risk rises for scenarios further away from the base case projection for both prepayment and credit risk. MSRK probability weights the outcomes of these scenarios to capture tail risk for both economic and model risk.

Advanced and Traditional CCAR: MSRK can identify capital requirements for this volatile asset. It offers both the traditional Comprehensive Capital Analysis and Review (CCAR) model and our proprietary and more *Advanced* Comprehensive Capital Analysis and Review (ACCAR) model. ACCAR re-prices MSR assets forward along each required stress scenario, but without needing the foresight of whether particular scenarios will continue. Instead, MSRK artfully restores the market conditions that would exist at each point in the future for any of the CCAR scenarios unfold.

What If Analysis: MSRK allows the user to vary the costs to service, the financing cost, and the fee/earnings structure to assess the sensitivity of the MSR asset to changes in these servicer-specific variables. The user can run custom scenarios to see the asset's sensitivity to economic shocks and even tune the underlying borrower behavior model to be better aligned with the user's servicing practices and performance.