



CASE STUDY

RMBS Comparative Metrics Screening Dashboard Proto Financial®

CLIENT TYPE

Hedge Fund

PRIMARY USER

Research Analyst

LOCATION

New York, NY

KEY BENEFITS

- Accelerated trade idea exploration
- Generated unique, proprietary research
- Solution required zero infrastructure
- Simplicity of interface and workflow
- Developed and delivered quickly

DATA SOURCES INTEGRATED

- RMBS loan files in Excel
- WSDL Web Services for housing data
- User input mappings and data

USER TESTIMONIAL

"When you're comparing two securities that are themselves made up of thousands of individual loans, it's impossible to boil the differences down to a single number. Proto let me explore the loans in a way that just isn't possible in Excel. I was able to simultaneously see aggregate differences as well as details. The ability to pull in additional housing market data provided yet another metric to provide color in an evaluation process that was anything but black or white."

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Calculate Custom Metrics to Compare Residential Mortgage Backed Security (RMBS) Loan Files

The Need

In June 2007, a hedge fund that had been shorting RMBS securities started to look for relative value opportunities in the troubled market. They needed a way to quickly process loan files to generate the key indicators they were screening against to find outliers. In particular they were interested in the make up of similarly priced RMBS securities with substantially different pockets of exposure to risky zip codes. They also wanted to incorporate fresh sources of data from housing websites such as month-over-month average price change and changes in the volume of transactions. They needed an application that could process the loan files, pull relevant data via web services, calculate various risk characteristics and provide an intuitive interface to view and explore the relative risks of two RMBS securities. The window of opportunity was closing, so speed and agility were critical factors.

Proto's Solution & Benefits

Proto developed an automated dashboard to analyze two RMBS securities side-by-side. The analysis tool would load two chosen loan files, calculate the required metrics including those depending on ad-hoc web service calls, and then populate various dashboard components that highlight the differences in risk to key geographic locations. The user was able to click on bar-graphs and tables to drill into the relative makeup of specific segments, further comparing aggregate FICO scores and LTV ratios for the subsets of the two loans. Specific benefits include:

- Competitive, unique pre-trade research: Proto provided a proprietary research environment to let the fund more effectively compare apples to oranges, giving them an informational edge.
- Zero overhead or infrastructure to integrate data: Proto's solution pulled data directly from the disparate data sources to combine and analyze it at runtime. There was no need to set up staging databases or infrastructure to support the solution.
- Fast time to delivery: Proto's solution was developed, deployed and improved in fast, iterative cycles resulting in a useful solution within two weeks.
- Increased idea generation bandwidth: Generating even a single comparative report using Excel would have taken the research analyst many hours. Proto's dashboard made it possible to explore a trade idea in under 15 minutes.