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### **RMBS Forecasting Capability Taken to Another Level With BlackBox, Thetica Systems Collaboration**

Investor demand for more information about MBS performance has motivated loan-level data providers and analytics firms to offer enhanced analytics platforms at various price points. BlackBox Logic and Thetica Systems have responded by partnering to produce a residential MBS forecasting capability that can provide a more detailed understanding and help investors make better decisions.

“This partnership offers analysts and investors more flexible and streamlined integration of bond valuation components including credit modeling, cash flow waterfall libraries and in-depth loan-level data,” said Jack Broad, president of Thetica Systems. Thetica, headquartered in Clearwater, FL, is a developer of high-performance tools to boost productivity for securitized market participants.

BlackBox Logic is a Denver-based company that provides residential MBS loan-level data aggregation services to investors, broker/dealers and researchers.

Thetica’s platform, by integrating BlackBox’s BBx Data, “can provide extremely high-speed ABS analytics, in which investors and researchers can run hundreds of bonds simultaneously and automatically under multiple scenarios, including different pricing, economic and regional metrics,” Thetica said. “The tool allows for the most precise RMBS forecasting, utilizing BBx’s comprehensive data set and client or third party credit and default predictions.”

Using BlackBox Logic’s BBx Data, investors and researchers are able to access more than 21 million loans across nearly 7,600 deals. “Users of BBx Data can match individual loans to the deal names, group names and other identifiers on cash-flow waterfall platforms including Bloomberg and Intex Solutions,” BlackBox said.

Miles Draycott, head of client solutions for StormHarbour, a New York-based investment firm, said the new tool “provides better insight into mortgage markets and enables us to better serve our clients. It allows us to make the highest and best use of our predictive models.”

“From a loan-level data standpoint, what’s happening in the market is that many platforms out there are making their platform loan-level data-capable,” said Wyck Brown, chief marketing officer at BlackBox. “That means that people who use that platform have the capabilities of using the most detailed data available, and if they have those capabilities, it compels them to actually use that data.”

“In the old days, if you were a loan-level data user, often you had to go through several steps and you probably had to build some in-house type of solutions in order to get your loan-level data into your analytics platform,” Brown explained. “Thetica makes that very easy, and BlackBox Logic’s loan-level data is a very high-quality data set that gives the users of any analytics platform confidence that their underlying loan-level data is high quality so they don’t have to worry about the data side and they can focus on the analytics.”

In terms of data collection, BlackBox has a fairly extensive process of collecting, normalizing and quality assurance. “If you take all of that together, our loan walk-forward process consists of about 450 propriety cleansing rules to make sure the data go out of our shop in the highest quality condition possible,” Brown said.

“When you’re building quality data but you’re doing it with a very, very large data set – 700 million records – you have to have a lot of your quality assurance automated, but you also don’t want to lose any of the detailed focus that you might have when you’re doing it manually,” he continued. “So we’ve spent a lot of time building in that intelligence into some proprietary programs.”

Another section of the firm’s offerings revolve around its Crystal Logic System, a user-friendly interface that allows direct access to loan-level data when users want to “slice and dice the data in some way, shape or form or look at aggregates, such as vintages, sectors, indices, and compare those to particular deals or compare one indice with another indice or one vintage with another vintage.”

BlackBox has also been working quietly on projects with other vendors, investors, brokers and researchers like Ranieri Partners and Raymond James, and government agencies like the Federal Housing Finance Agency to increase access to advanced analytic tools that were previously restricted to large institutions.

BlackBox and one of its other partners, Five Bridges Advisors, a research-oriented firm specializing in mortgages, have struck up a consulting contract with the FHFA, according to Brown, but he couldn’t provide much detail due to the proprietary nature of the contract. ♦