



Appendix 1 – Exempt from accrued interest calculation example

An example to demonstrate the accrued interest calculation on the sale of NHA MBS, settling on April 30, 2002.

Face Value	\$100,000
Coupon rate	5.75%
Maturity	12/01/2004
Coupon compounding frequency	Semi-annually
Payment date	15 th of each month
Accrued interest calculation (NHA MBS convention)	$= (\text{face value} \times \text{monthly coupon rate} \times (\text{number of days from the first day of the settlement month to the settlement day})) / ((\text{number of days in the settlement month}))$ $= (100,000 \times 0.473525\% \times (29)) / ((30))$
Monthly coupon rate	$= ((1 + (5.75\%/2))^{(1/6)} - 1)$ $= 0.473525\%$
Value date (settlement date)	04/30/02
Number of days from the first day of the settlement month to the settlement day	29
Number of days in the settlement month	30
Accrued interest	\$457.74