

Understanding How We Are Compensated for Financial Services

Mortgage-backed Securities

What is a mortgage-backed security?

Mortgage-backed securities are bonds or notes backed by mortgages on residential or commercial properties. When you buy a mortgage-backed security, you are purchasing an interest in pools of loans or other financial assets. As the borrowers pay off the underlying loans, you receive payments of interest and principal over time.

How are we paid for our services?*Newly issued mortgage-backed securities*

We sell newly issued mortgage-backed securities at the offering price during the initial public offering period. We receive a selling fee, which is incorporated into the initial offering price. You will see the selling fee displayed as a new issue payment line item in the trade confirmation.

Secondary mortgage-backed securities

Secondary mortgage-backed securities are transactions involving previously issued securities. When you buy or sell secondary mortgage-backed securities, Edward Jones may act as either an agent or a principal. If we act as an agent, your trade confirmation will display the commission you pay, which may be up to 2% of the dollar amount you buy and up to .75% of the dollar amount you sell.

If you buy securities from our inventory or sell securities that we purchase directly from you, we act as a principal. You will see the markup or markdown, which is included in the price, displayed as a line item in the trade confirmation. The markup may be up to 2% of the dollar amount you buy and the markdown may be up to .75% of the dollar amount you sell. The price is also adjusted to reflect changes in interest rates and market prices that have occurred since we bought the security. As a result of these changes, Edward Jones can earn revenue or incur losses from buying or selling securities as principal.

In addition to either a commission or markup or markdown, Edward Jones generally charges a transaction fee when you buy or sell a secondary mortgage-backed security through our brokerage services. If the security's principal is \$1,000 or less, you will not be charged a transaction fee.

How is your financial advisor compensated?

Your financial advisor receives a percentage of any commissions, markups or markdowns for mortgage-backed securities. In addition, our revenue affects Edward Jones' overall profitability and thus may affect any branch bonus your financial advisor receives.