



# Mortgage Risk Exposure for Options for Limiting Loss

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*Mortgage Risk Exposure for Options for Limiting Loss  
by Gregory S. Tornquist – Cenlar FSB*





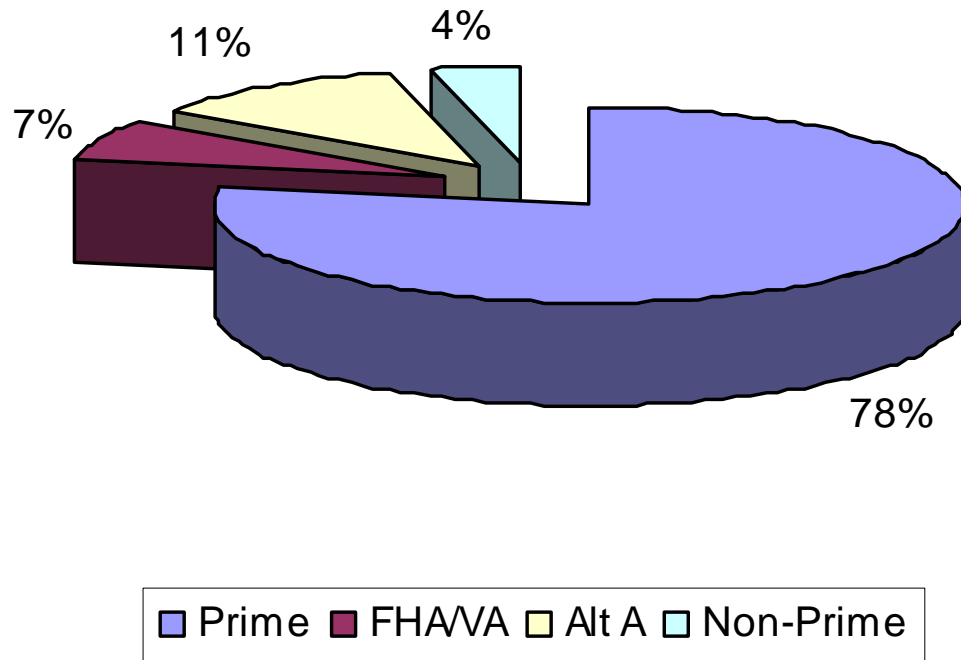
## Who is Cenlar

**Cenlar FSB** is a federally chartered savings bank. Operating as a wholesale institution, we focus our energy and resources on subservicing.

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# Portfolio Statistics

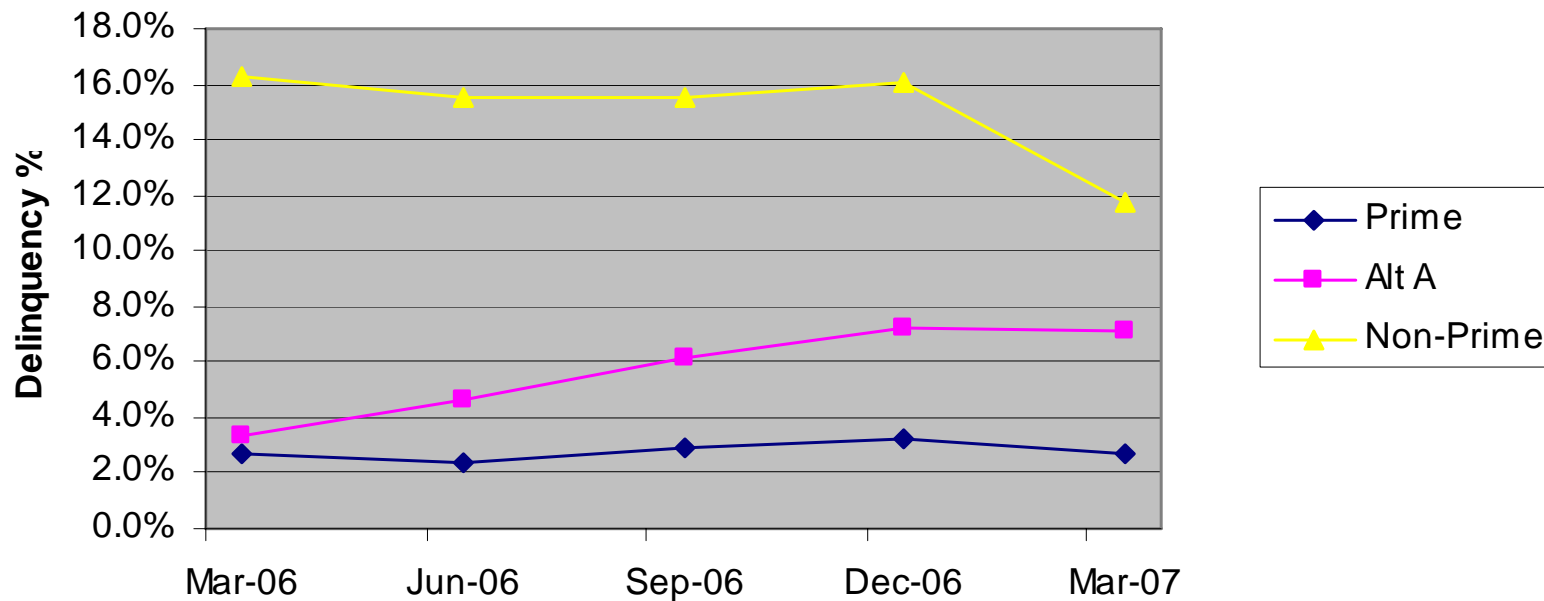
## Portfolio - Loan Type



# Delinquency Statistics



## Total Delinquency by Loan Type



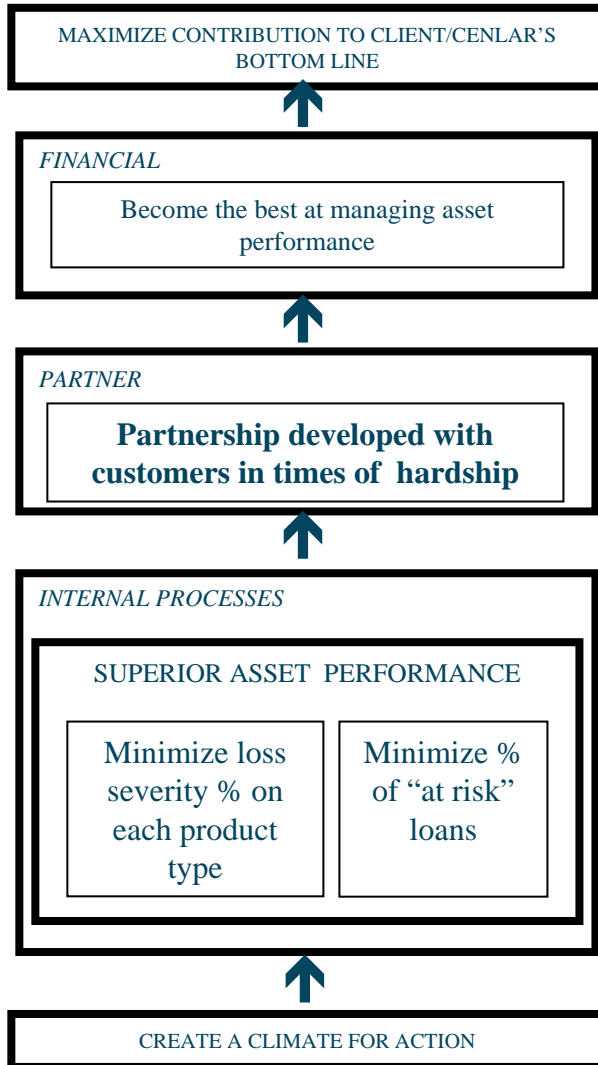
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# Boarding Process

- **Data Integrity Process**
  - Confirm data
  - Confirm contact information
- **Welcome Calls**
  - Confirm mortgage information with borrower
  - Insure they know where to make payment

# Default Administration Philosophy



- Default Administration understands when the customer loses, the investor loses.
- We cultivate a partnership between the customer and the investor/client to ensure a mutually beneficial relationship.
- Default Administration is everyone's responsibility (all areas impact this strategic theme).

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# Loan Counseling

## Philosophy

- Cenlar as a partner approach
- Maintain customer self-esteem
- Open lines of communication with customer
- Firm and fair collection approach
- High level of service and professionalism
- Anticipate and act (*e.g., impact of economy downturn on our portfolio*)
- Innovative problem resolution

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# Loan Counseling



## Objectives

- Partner with customer to bring loan current
- Determine reason for default and ability to pay
  - Intermediate hardships
  - Long-term hardships
- Optimize right party contact
  - Quality
  - Quantity
- Obtain solid agreements with past due customers
- Monitor agreements (*promises*) closely
- Prompt recognition of potential loss mitigation candidates

# Collection Strategies



*Two collection groups – product-focused*

## **Prime Loans**

- Follows Fannie Mae/Freddie Mac work rules
- Use both scoring models to establish applicable calling campaigns

## **Non-prime Loans**

- More Aggressive campaigns (*early and often*)
- Use Freddie Mac Early Indicator to score portfolio (*subprime recommended calling campaign*)
- Call multiple times daily until contact is made
- Contact made
  - Determine ability to pay
  - Arrange to collect payment
  - Accept Short Payment
  - Post-dated ACH
- Refer to Loss Mitigation Department
- Collection efforts will continue parallel with Loss Mitigation

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# Loss Mitigation

## Philosophy

- What makes sense?
  - Does the customer want to retain ownership of property
- Gather all information relevant to the situation
- Avoid “opportunity fallout”
  - Prompt response
  - Proactive
  - Pre-approval
  - Tailored workout opportunities
- Analyze and Evaluate
  - Situation
  - Equity (*or lack thereof*)
  - Credit History
  - Financial documentation
  - Determine Optimal workout
  - Target and follow-up on those loans that exhibit workout characteristics (*value, credit, history, etc.*)

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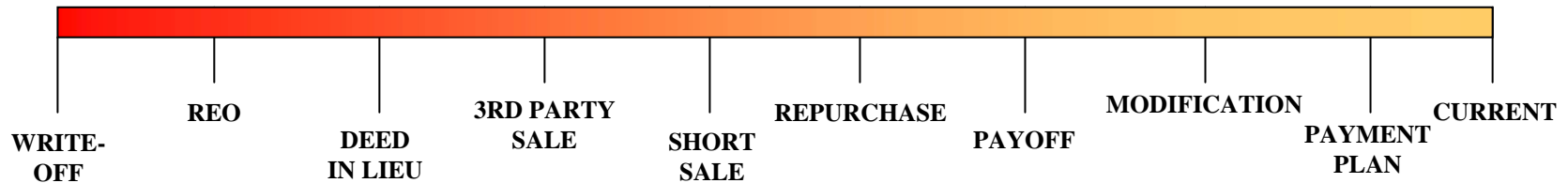
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# Loss Mitigation



## OBJECTIVES

### Optimal Resolution Path



- **Analyze & evaluate**
  - Situation
  - Equity
  - Credit history
  - Financials
  - Determine optimal workout
- **Program opportunity approach**
  - Short sales
  - Incent customer to follow Optimal Resolution Path
  - Repayment plan
- **Be proactive**
  - Educate credit risk customer
  - MELITA call campaigns
  - Clear communication channels
  - Workout programs
  - Education
  - Mailings to bankruptcy accounts

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# Loss Mitigation

## Repayment Plans

- Dividing DQ payments over a short period of time to allow the borrower to catch up
- GSEs/Investors typically limit the term of plans to 18 months
- Master Services on private securitizations will entertain longer terms on a case by case basis
- If they are going to get a five-year plan in bankruptcy, why not consider longer terms?

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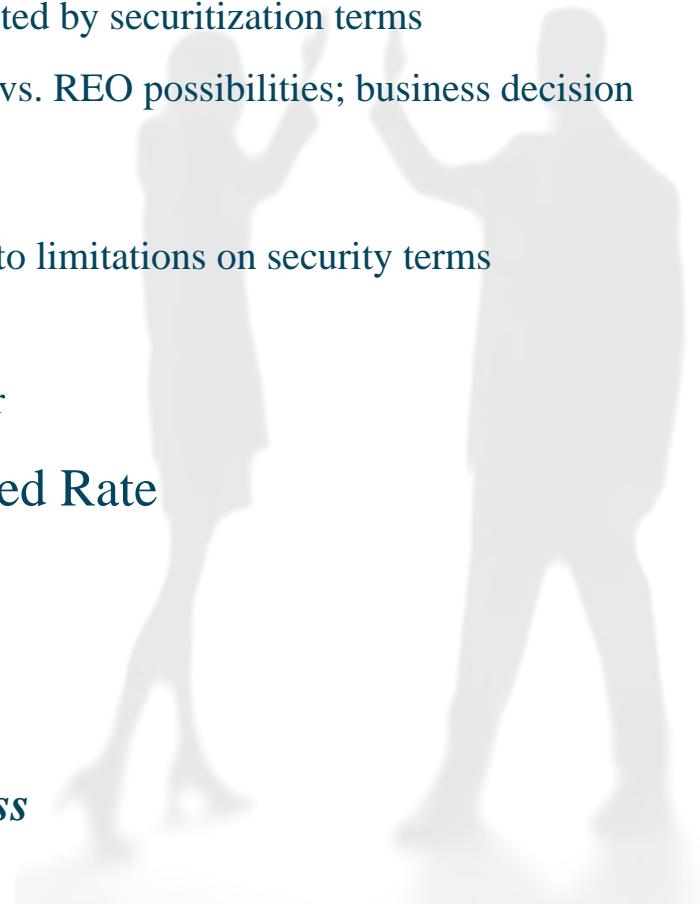
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# Loan Modifications

- Interest Rate Reduction
  - Widely available with all investors
  - GSEs/Master Servicers – Flexible but limited by securitization terms
  - Portfolio lenders – more flexible; evaluate vs. REO possibilities; business decision
- Extending Maturity Date
  - Master Services not likely to consider due to limitations on security terms
  - GSE will use on a limited basis
  - Portfolio Lender – most willing to consider
- Changing Loan Type – ARM to Fixed Rate
  - GSEs – case by case
  - Master Service – will consider
  - Portfolio Lender – will consider



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# Short Sales

- Case by Case Decision Based Upon:
  - The valuation of the property
  - Expected proceeds from REO
  - Timeframe to receive cash

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## Deed in Lieu

- Need to Run Title to Clear Junior Liens
- Encourage Borrower to Sell the Property First
  - Need them to set a realistic price
- All Investors Limit the Use of this Option
  - GSEs are becoming more flexible



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# Questions & Comments



*Presented by:*

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**Cenlar FSB**

**Thank You for Joining Us!**

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