

Effective Warehouse Management

Kin Eckert
Senior Vice President
Capital Markets Loan Operations



Washington Mutual



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Effective Warehouse Management: The Collateral Management Process

- **Outstanding collateral:**
 - » Monitor to ensure timely receipt of closed loans by post closing.
- **Unsalable loans:**
 - » Identify and resolve unsalable loans immediately upon receipt.
 - » Develop root cause analysis and feedback reporting to minimize closing errors.
- **Unresolved errors:**
 - » Develop a process for delivering loans to alternate, non-agency investors at a discounted price.
 - » Develop a permanently unsalable loan process to transfer loans to held for investment that includes charge-back of losses to ensure accountability.

Effective Warehouse Management: Aged Inventory Monitoring

- **Aged Warehouse Reporting:**

- » Define aged warehouse (ie; loans in warehouse greater than 90 days).
- » Establish thresholds and tolerances for aged warehouse (ie; should not exceed xx% of total warehouse.)
- » Develop follow-up process to ensure loans are moving out of the warehouse in a timely manner.

Effective Warehouse Management: Warehouse Cycle Time

- **Cycle Time Metrics:**

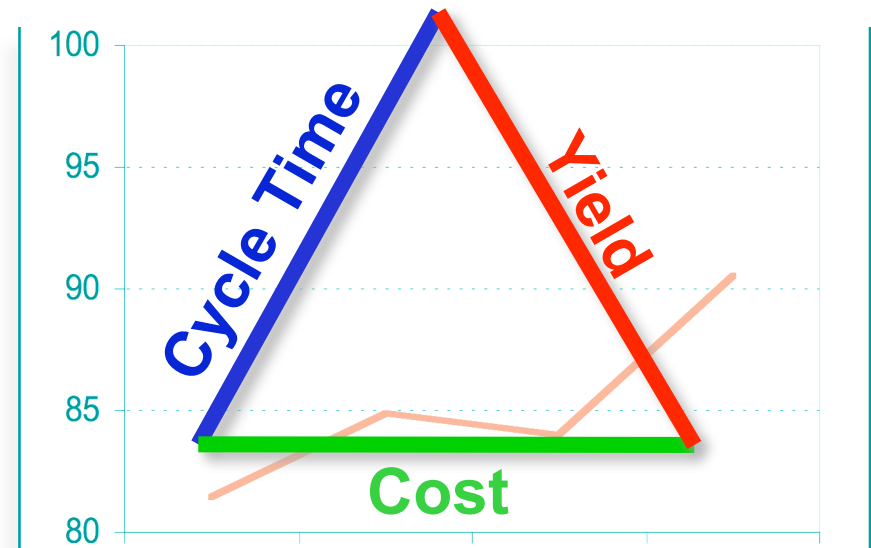
- » Develop baseline metrics and trend reporting around the following cycle times within the warehouse:
 - Closed-to-Ready
 - Ready-to-Pooled
 - Pooled-to-Sold
- » Develop on-line dashboards and reports to monitor trends and provide management data.

Effective Warehouse Management: Benefits to Secondary Marketing

- **Improved Gain-on-Sale \$\$\$\$:**
 - » Reduced roll costs.
 - » Better predictability of warehouse behavior.
 - » Improved trading decisions.
 - » Better execution.
 - » Reduced volatility.
 - » Reduced risk.

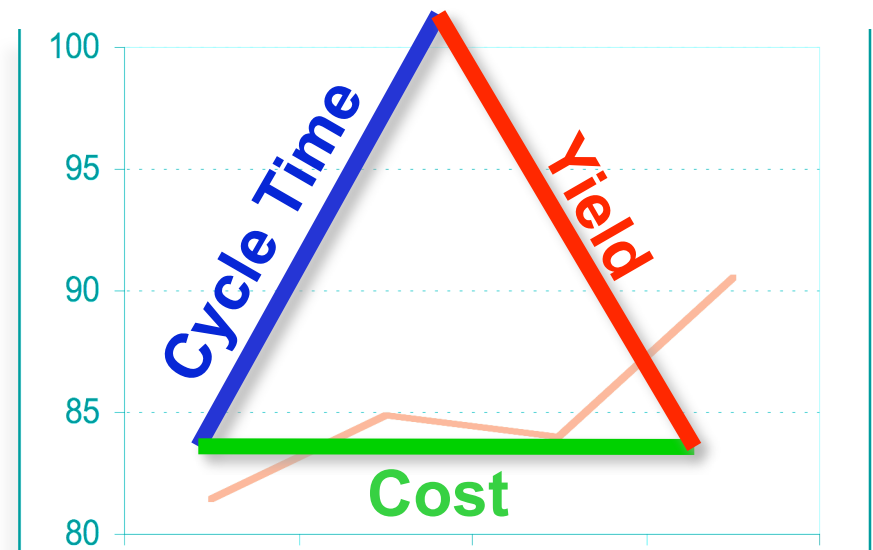
Putting Metrics to Work

- » Find and track levers that can influence performance through strategic and tactical focus.
- » Gain a balanced perspective of operations to stay proactive rather than reactive.
- » Work closely with upstream partners to ensure targets aligned to the needs of Secondary Marketing and understood.



Putting Metrics to Work

- » Cycle Time: Cycle time helps us to track and manage all of the sub-processes along the critical path of the collateral wallet, and ensures each group understands “time is money”.
- » Yield: Yield gives us an understanding of how well we are doing this the first time, for example how many temp unsaleable we have impacts the yield.
- » Cost: Tracking and assigning costs enables proactive prioritization to the critical areas, and a charge back process for accountability.



Putting Metrics to Work

- **Basic Deployment**

- » Work closely with upstream partners to ensure targets aligned to the needs of Secondary Marketing and understood.
- » Create accountability to the metrics in the form of incentives and charge backs.
- » Align process improvement projects to investigate root cause and minimize errors.