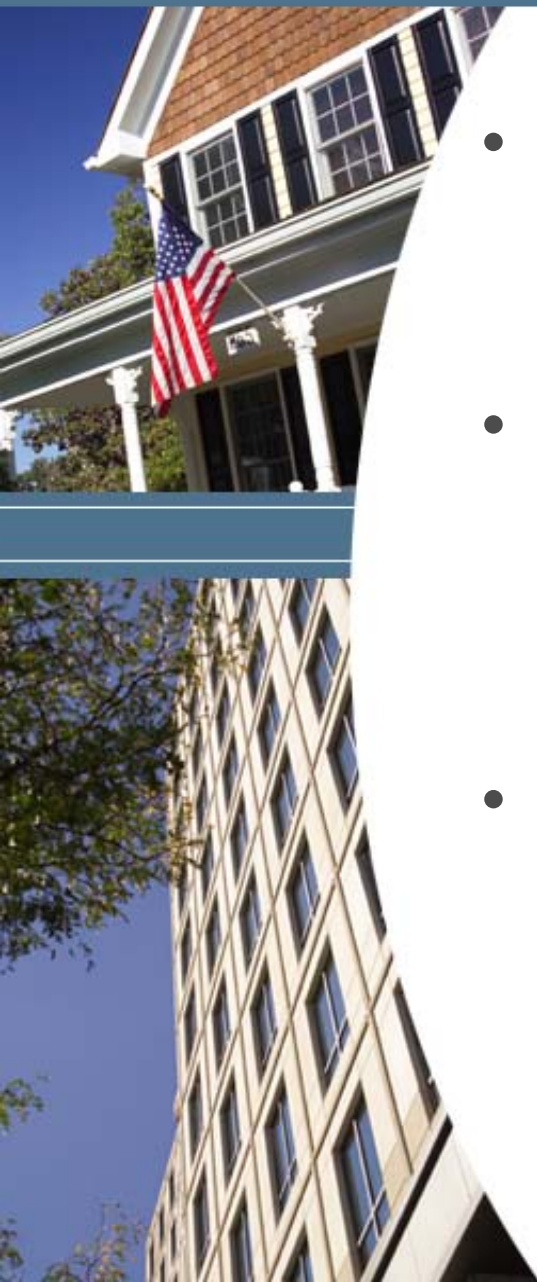





Anticipating & Responding to Repurchase Demands

Legal and Practical Solutions

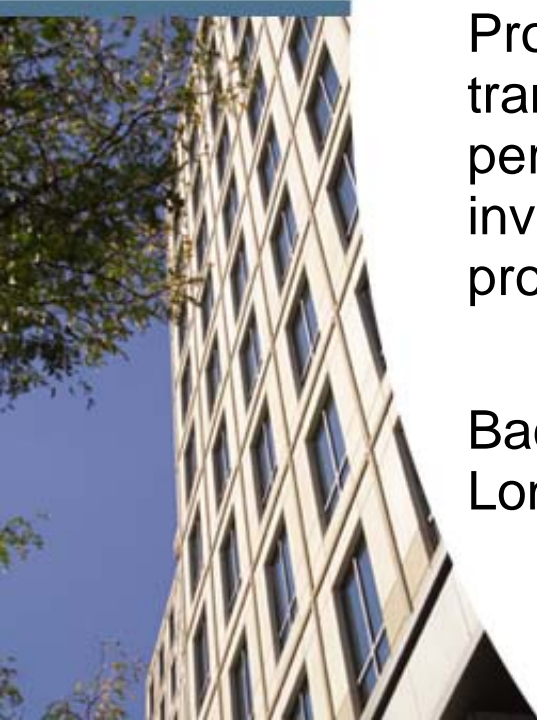


- 
- **PBIS Insurance Services, Inc.**
 - » Representations and Warranties Insurance program (Lloyds)
 - » Insured over 1,000,000 loans
 - » Processed over 3,000 claims, the insurance *pays claims in the event of a fraud within the policy terms.*
 - **American Mortgage Law Group, PC**
 - » Specialty is mortgage fraud cases, resolved hundreds of cases, collected over \$30 million in the past 4 years.
 - » Retained by PBIS Insurance to handle insurance claims
 - » Currently litigating major fraud scams across the country
 - » Represent major investors, warehouse banks, lenders, Wall Street firms
 - **TPG Diligence , LLC**
 - » Third-party reviews; audits for lenders and others
 - Over 2,000 lenders reviewed, audited, and/or consulted with
 - » Best practices reviews (lender level)
 - » Forensic file reviews
 - » Due diligence reviews



Approval and monitoring through TPG Mortgage Operations Safety Assessment (MOSA™)

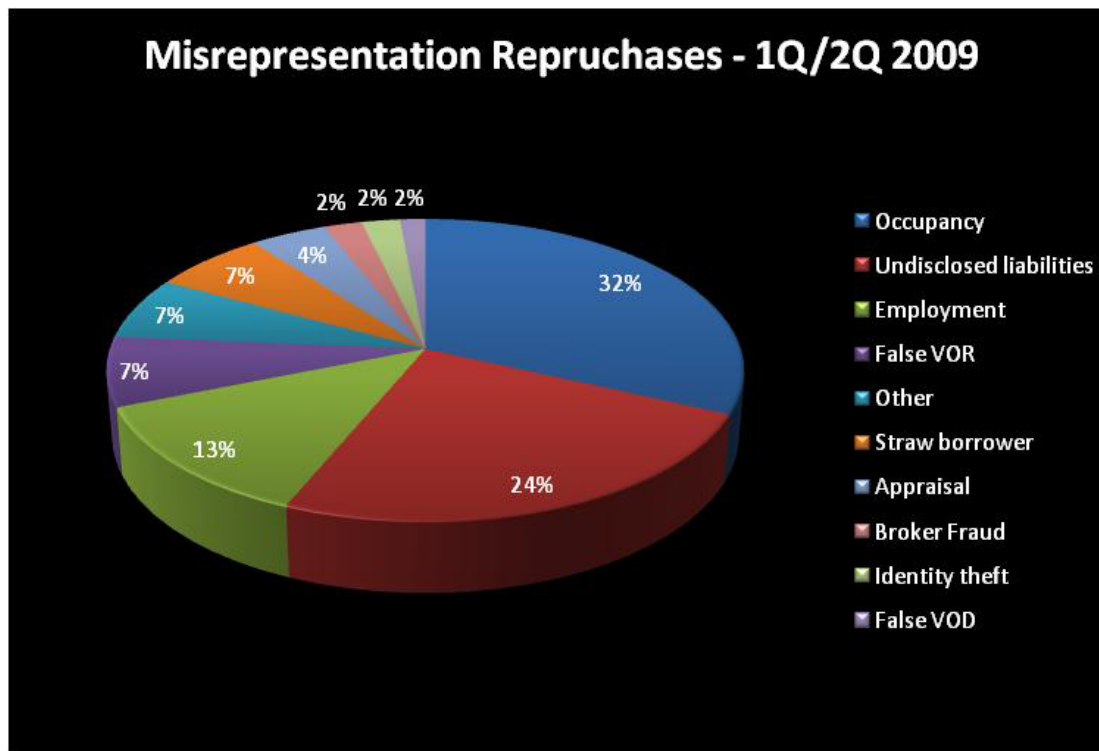
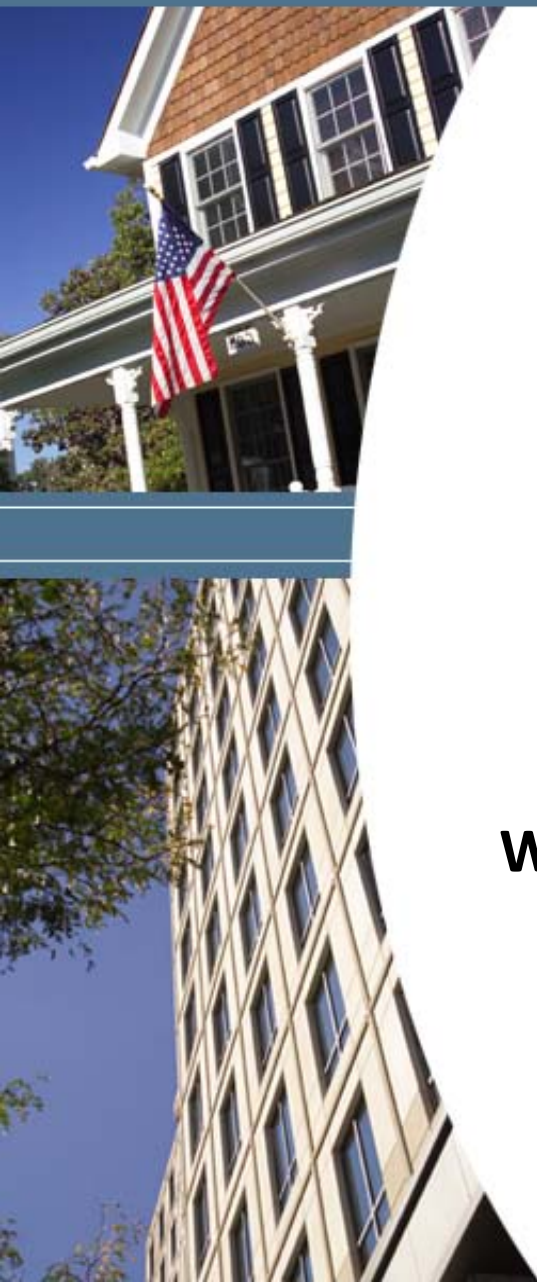
Training programs for staff



Provides tracking and transparency into lender performance for your investors and warehouse providers

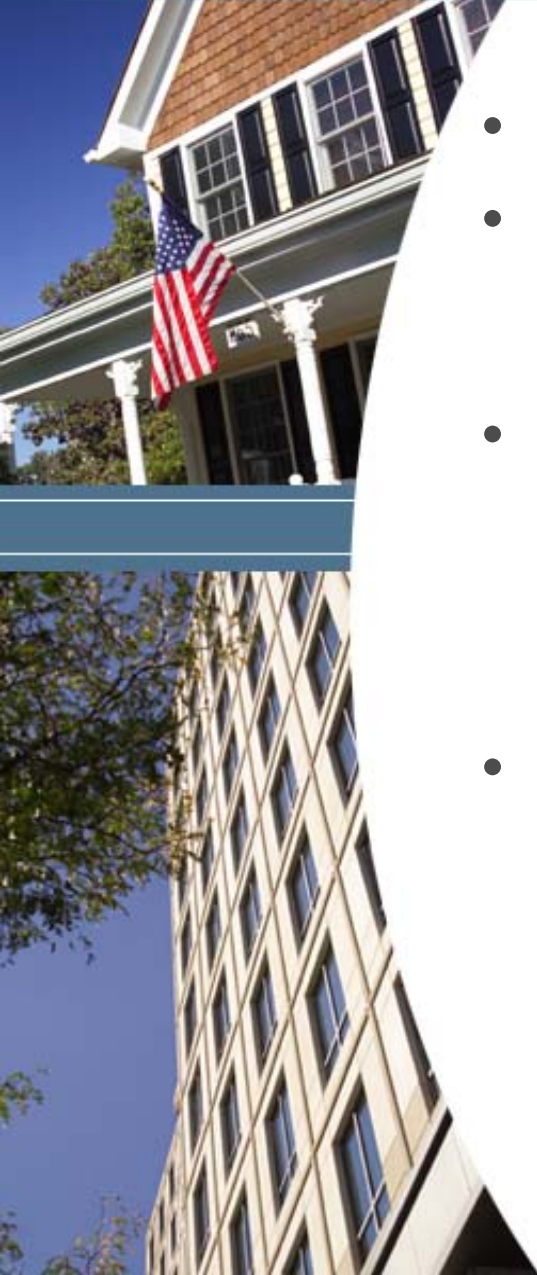
Backing of Lloyds of London Insurance Policy

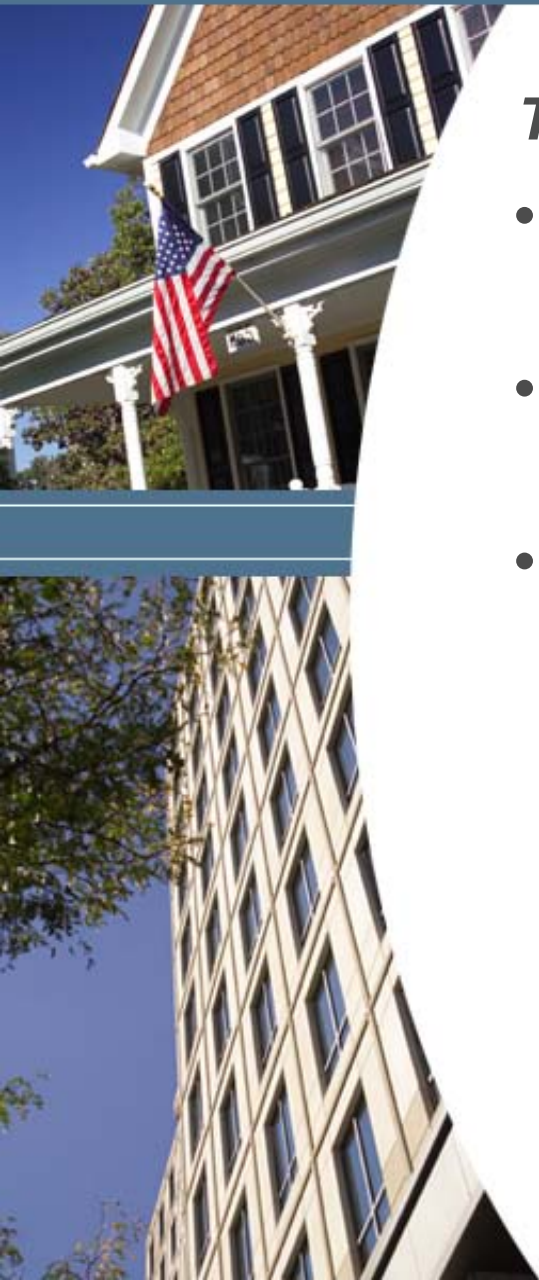




What to expect in 2009-10:

- Straw borrowers
- Income
- Occupancy
- Flipping
- Employment Fraud
- Early Payment Defaults

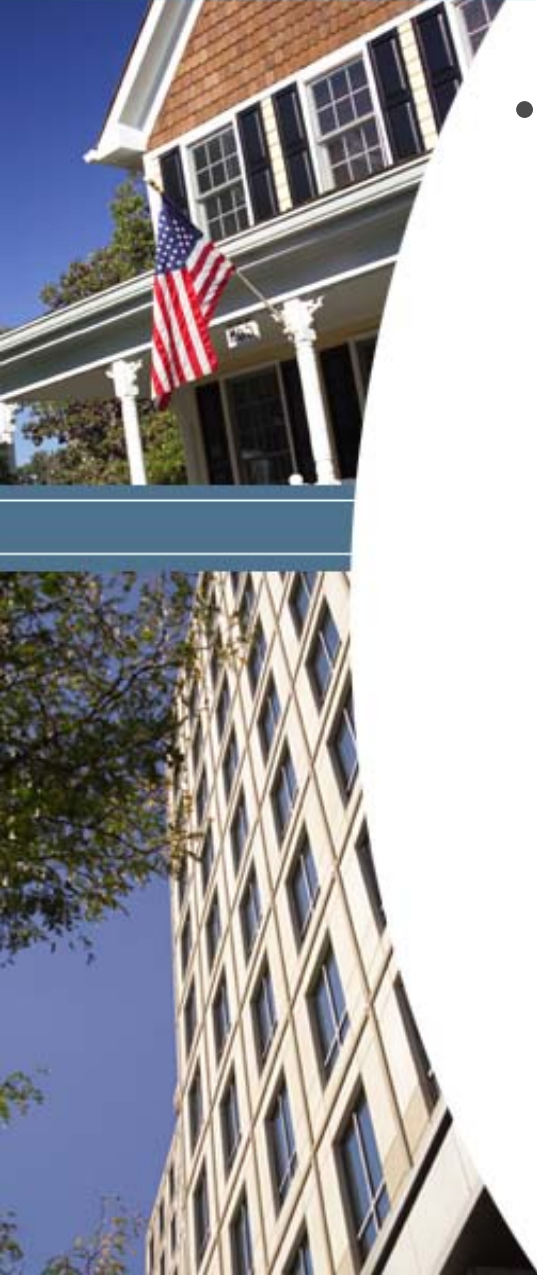
- 
- Mortgage Fraud Up as Credit Tightens
 - Mortgage put-backs are on the rise
 - » GSE's are expanding their reviews
 - » For lenders it is not over
 - *The Wall Street Journal* reports that the GSEs recently "said it is reviewing every loan that defaults -- and seeking to force lenders to buy back loans that failed to meet promised quality standards."
 - Institutional investors under pressure to manage risk and counterparty performance



Think again.

- “*Every one has a plan until they get hit*”, philosopher – Mike Tyson
- As loan defaults and foreclosures continue to climb you will be faced with more repurchase demands.
- Lawsuits involving repurchase demands are up.

Why are loans returned?

- 
- Loans are returned for many reasons, even in the face of sound underwriting:
 - » early default;
 - » the alleged violation of representations and warranties under which the loans were sold;
 - » failure to occupy non-investment property;
 - » fraud;
 - » inflated appraisals;
 - » incomplete and/or inaccurate loan documentation;
 - » legal non-compliance, and even new governmental policies.

All these scenarios represent contingent and future liabilities.

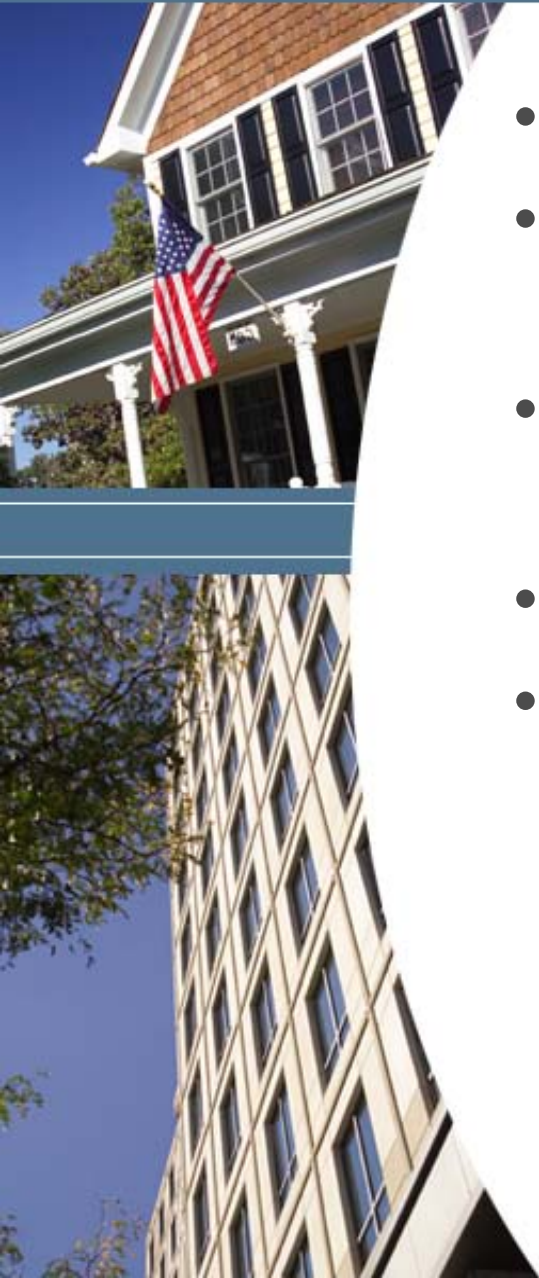
It is a function of:

- » Who is making the demand;
- » The terms of your contracts;
- » Choice of law provisions;
- » The contract laws in your state;
- » The location and status of the property or collateral;
- » The articulated reasons for the buyback demand;
- » The business relationship between you and the purchaser;
- » Your stomach for litigation.

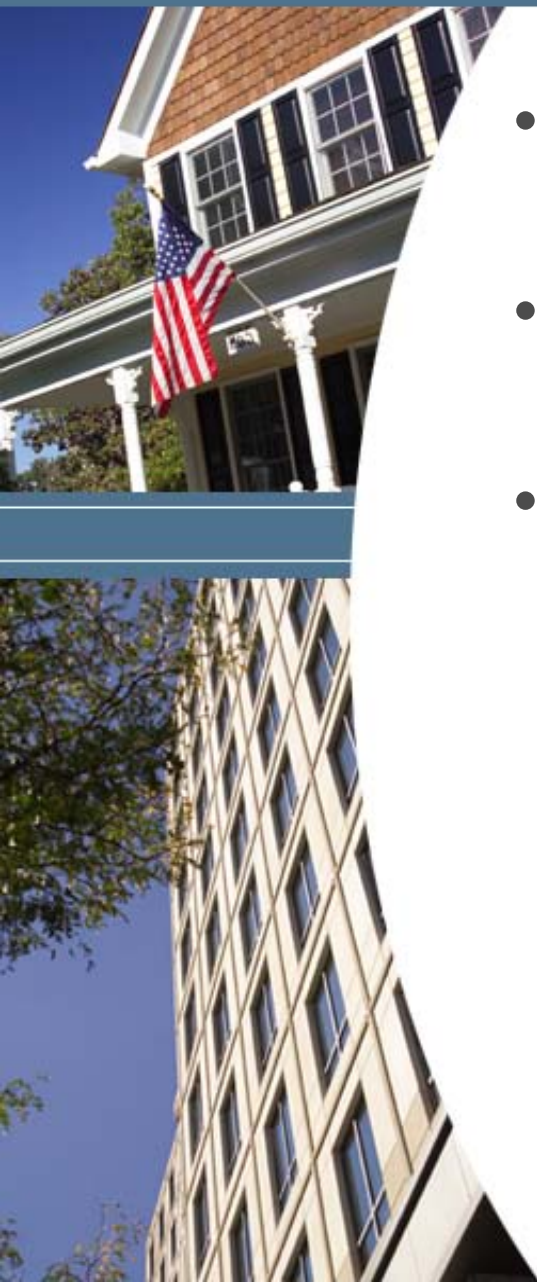
YES!!

- Re-evaluate your situation.
- Conduct an audit of your loan repurchase exposure.
- Take affirmative and defensive action now.
- The sooner the better!!
 - » You will be in a better position to respond
 - » An audit is the key to preventing and effectively responding to repurchase demands.
 - » Going forward, lenders and borrowers will be required to go through more hoops and provide more documentation.

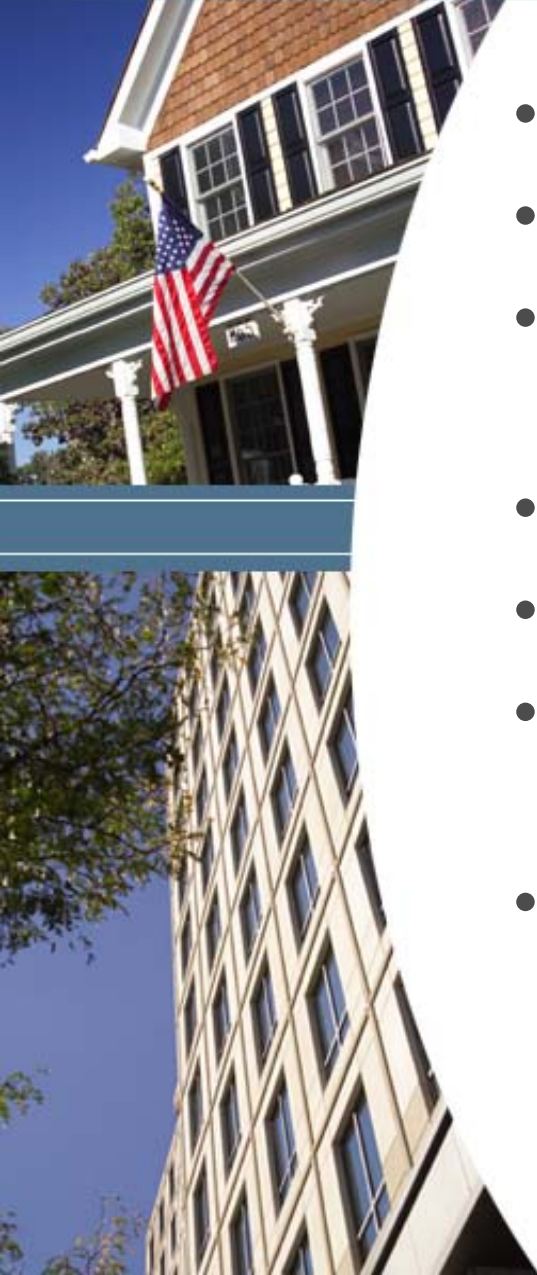
Repurchase defense fears?

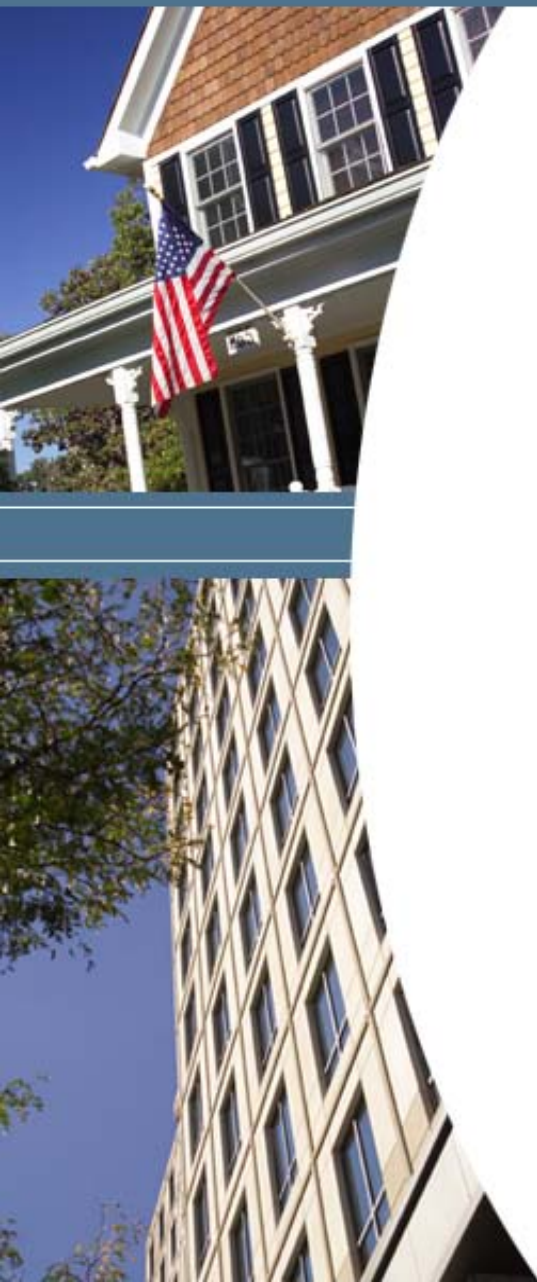


- Will you or the purchaser have the upper hand?
- Are there "defenses" to repurchase demands?
Yes.
- Can you be aggressive in responding to them?
Yes.
- Can you afford to buy back the loan?
- Will you be forced to close your doors?

- 
- Identify troublesome language in the sale and loan purchase agreements
 - Determine how many of your outstanding loans are subject to those contracts and provisions.
 - Utilize available solutions:
 - Assessment and monitoring of practices
 - Errors and omissions insurance coverage
 - Rep and Warranty Insurance (victimization insurance) – includes repurchase defense lawyers
 - Set aside appropriate reserves
 - Legal counsel support (internal/external)

- 
- Organization
 - Production Risks
 - Third Party Originators
 - Pre & Post-funding QC
 - Controls, Job Aides, Tools
 - Counterparty Risk Controls
 - Repurchase History
 - Best Practices Recommendations
 - Staff training
 - Random Loan Testing
 - Appraisal Management
 - Regulatory Compliance
 - Investor Requirements
 - Monitoring and Surveillance

- 
- Repurchase demands cost real money.
 - Repurchase demands are here to stay
 - Lawsuits involving repurchase demands are up.
 - Not all sellers repurchase demands are valid.
 - Prepare for the unexpected. Third party audit.
 - Act quickly, investigate, and develop a loss mitigation and litigation strategy.
 - The worst thing you can do is ignore the demand.



Thank you,

Justin Vedder

Principal, Managing Director

Sales and Marketing

(415) 472-7500 e.103

(415) 205-6530 cell

jvedder@priestongroup.com



The Prieston GroupSM