



Single-Family Mortgage Company Financial Performance

**MBA's 2009 Accounting, Tax and
Financial Analysis Conference
Dallas, TX
November 11, 2009**

Presented by:

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STRATMOR Group**

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MBA Research**



Agenda

- The MBA/STRATMOR Peer Group Program
- Production Trends and Results
- Servicing Trends and Results
- Technology and Corporate Costs
- Questions and Answers

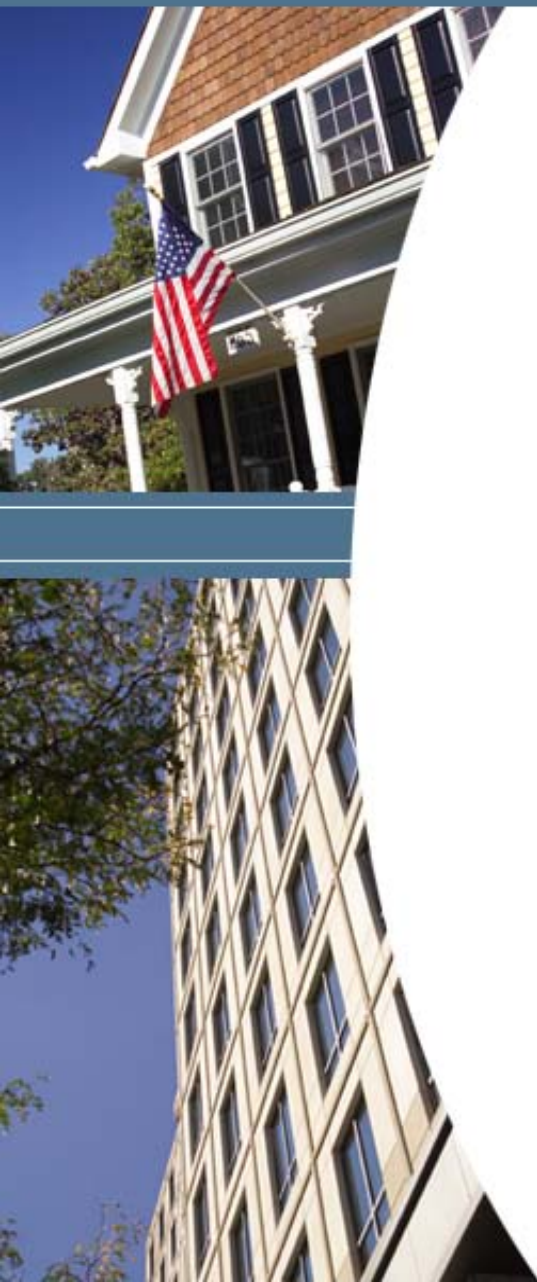
MBA/STRATMOR Peer Group Program

2008 / 1H2009 Participants included:

| | | |
|-----------------------------------|------------------------------------|-------------------------------|
| Advanced Financial Services, Inc. | Evergreen Home Loans | PHH Mortgage |
| AmTrust Bank | Fairway Independent Mortgage Corp. | Plaza Home Mortgage |
| BB&T | Fifth Third Mortgage | PrimeLending |
| Citizens Bank | FirstMerit Mortgage Corporation | Regions Mortgage |
| Chase | Golf Savings Bank | Seattle Mortgage Company |
| CitiMortgage, Inc. | Guild Mortgage | Shea Financial Services |
| Compass Bank | Hyperion Capital Group | Sidus Financial |
| Cornerstone Mortgage Company | MetLife Home Loans | Synovus Mortgage Corporation |
| Crescent Mortgage Company | Mortgage Investors Group | USAA Federal Savings Bank |
| EverBank Mortgage | National City | Wintrust Mortgage Corporation |

1H2009 Highlights – Large and Mega Prime Lenders

- **Exceptionally high refinances caused total production volume to surge. Among repeater companies, volume rose by 35 percent.**
 - **Refinances comprised 77 percent of total volume for this sample.**
 - **Ginnie Mae, Fannie Mae and Freddie Mac continued to buy the bulk of loan originations.**
 - **The share of Alt-Doc, ARM, interest only, and jumbo products declined further. Each of these product types represented less than 5 percent of total volume in the first half of 2009.**
 - **Average borrower FICO score rose to an average of 751 in 1H09 from 725 in 2008.**
- **Overall net production profits soared twelvefold to 93.9 basis points in the first half of 2009 from 7.7 basis points in 2008.**
 - **Net secondary marketing gain rose in all production channels.**
 - **Production expenses per loan also dropped in all production channels, as did production support and corporate expenses. Higher pull-through for refinancings was one contributing factor.**
- **Net Servicing Operational Income declined to \$341 per loan in 1H09 from \$363 per loan in 2008 due to lower fees and higher net interest losses. However, net losses from MSR valuation (net of hedging) dropped, resulting in higher Net Servicing Financial Income per loan.**

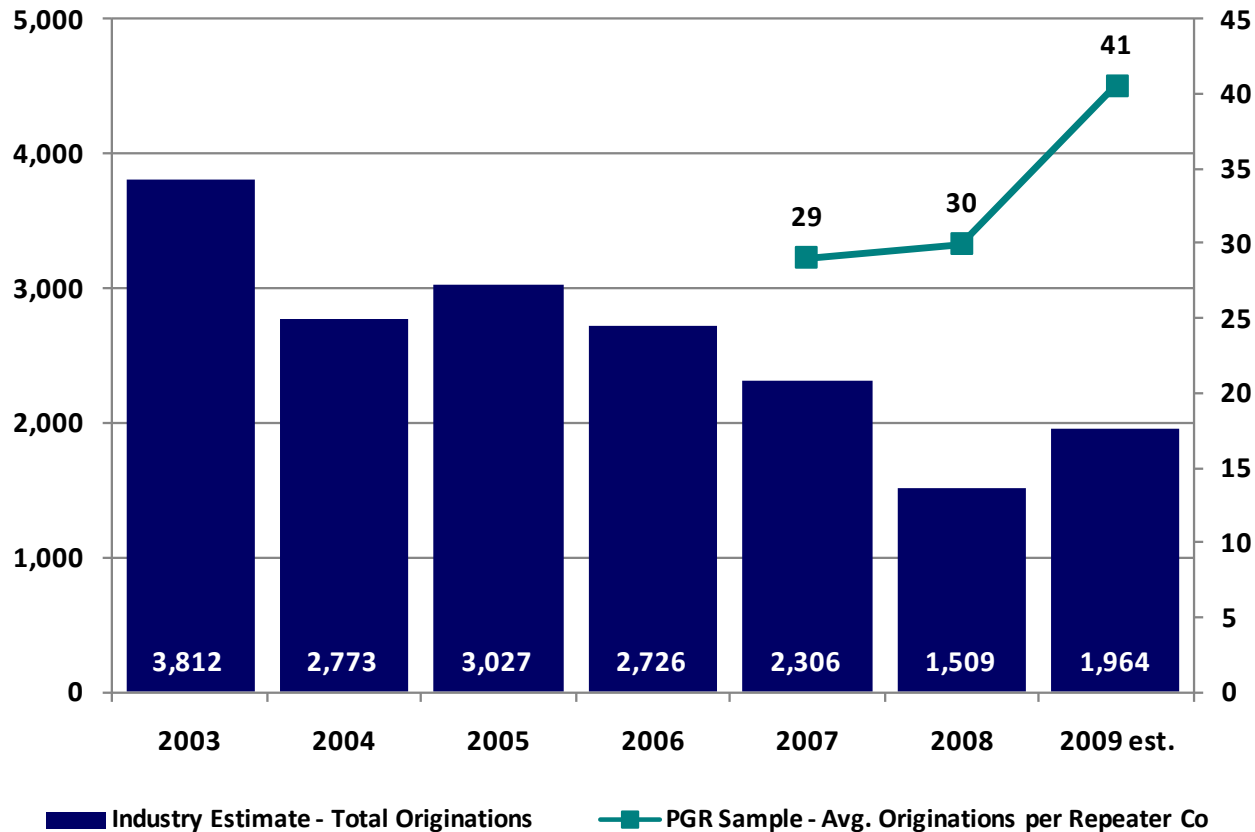


Production Trends and Results

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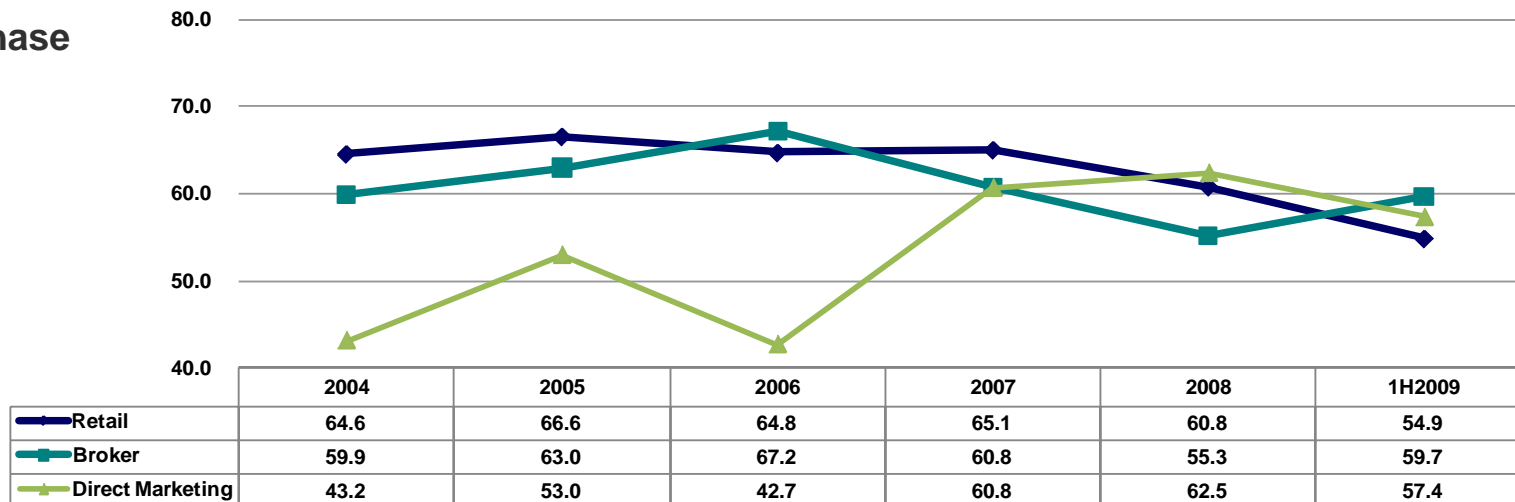
MBA'S Estimate of Origination Volume and PGR Origination Volume per Repeater Company (\$B)



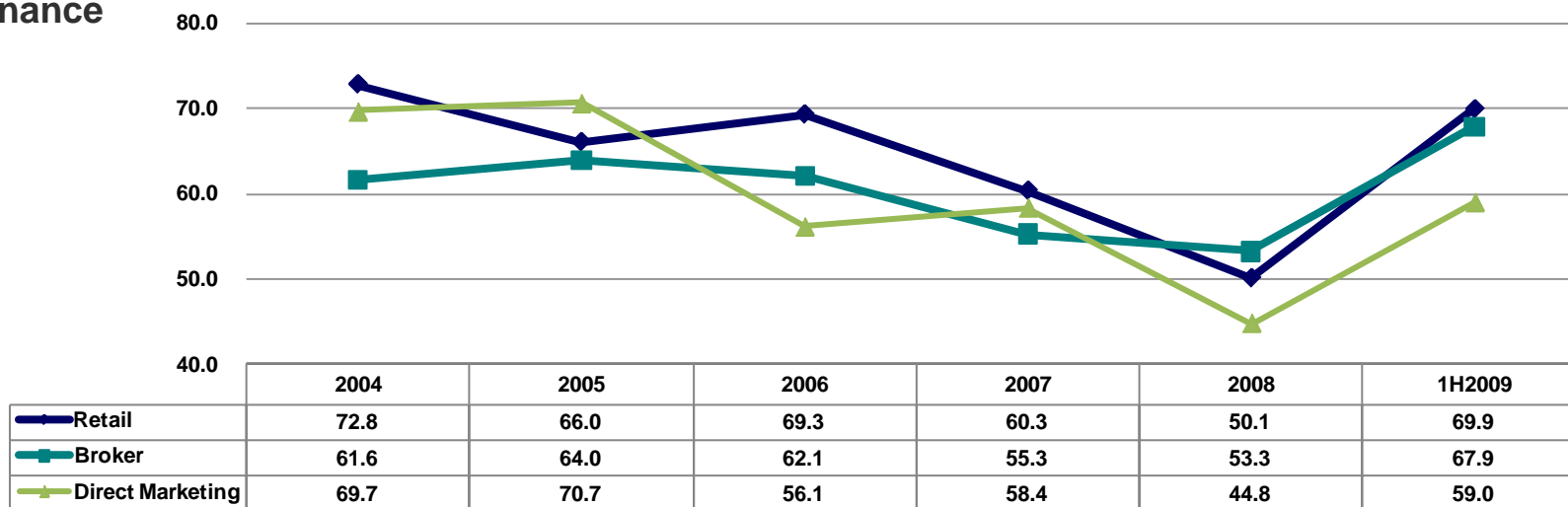
Weighted Average Pull-Through

(Closings/Applications based on #)

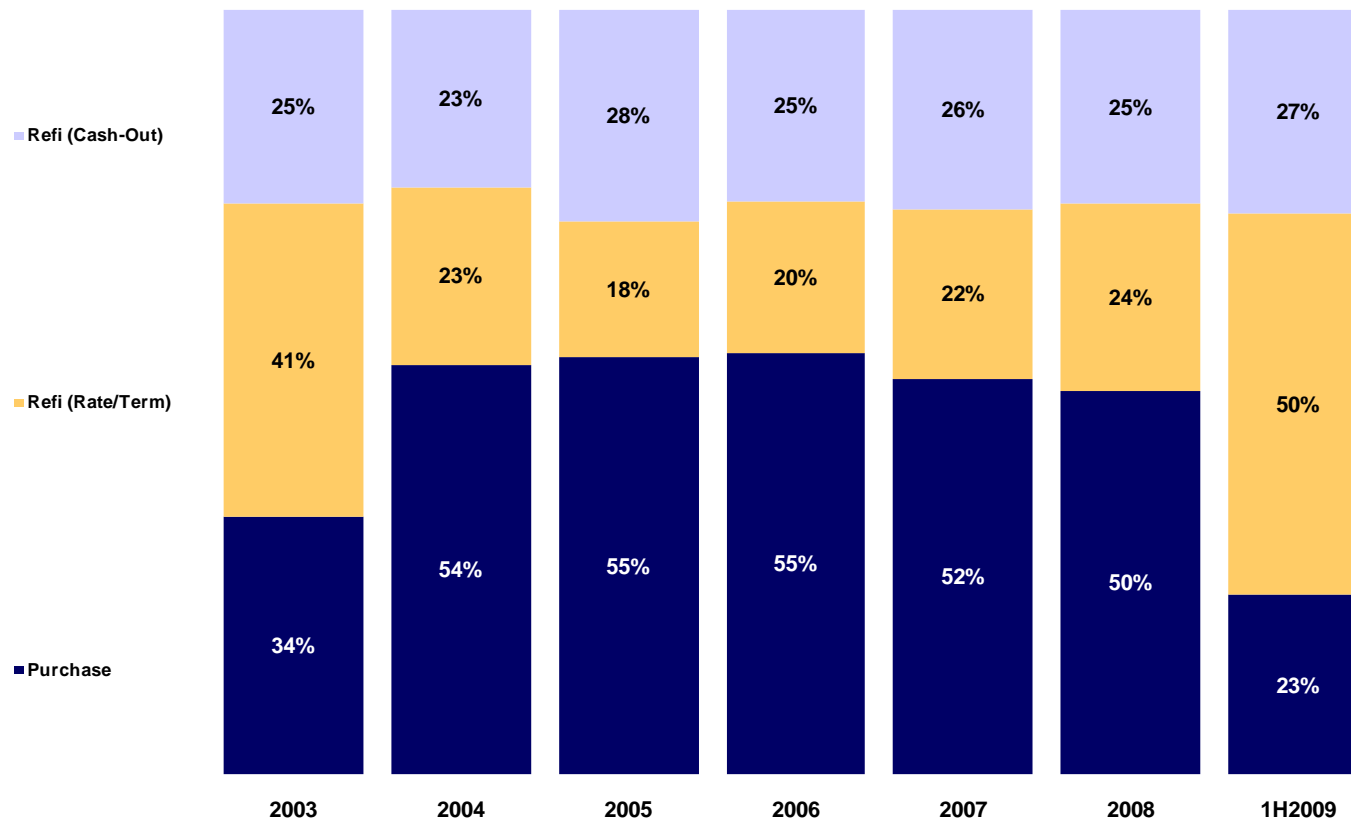
Purchase



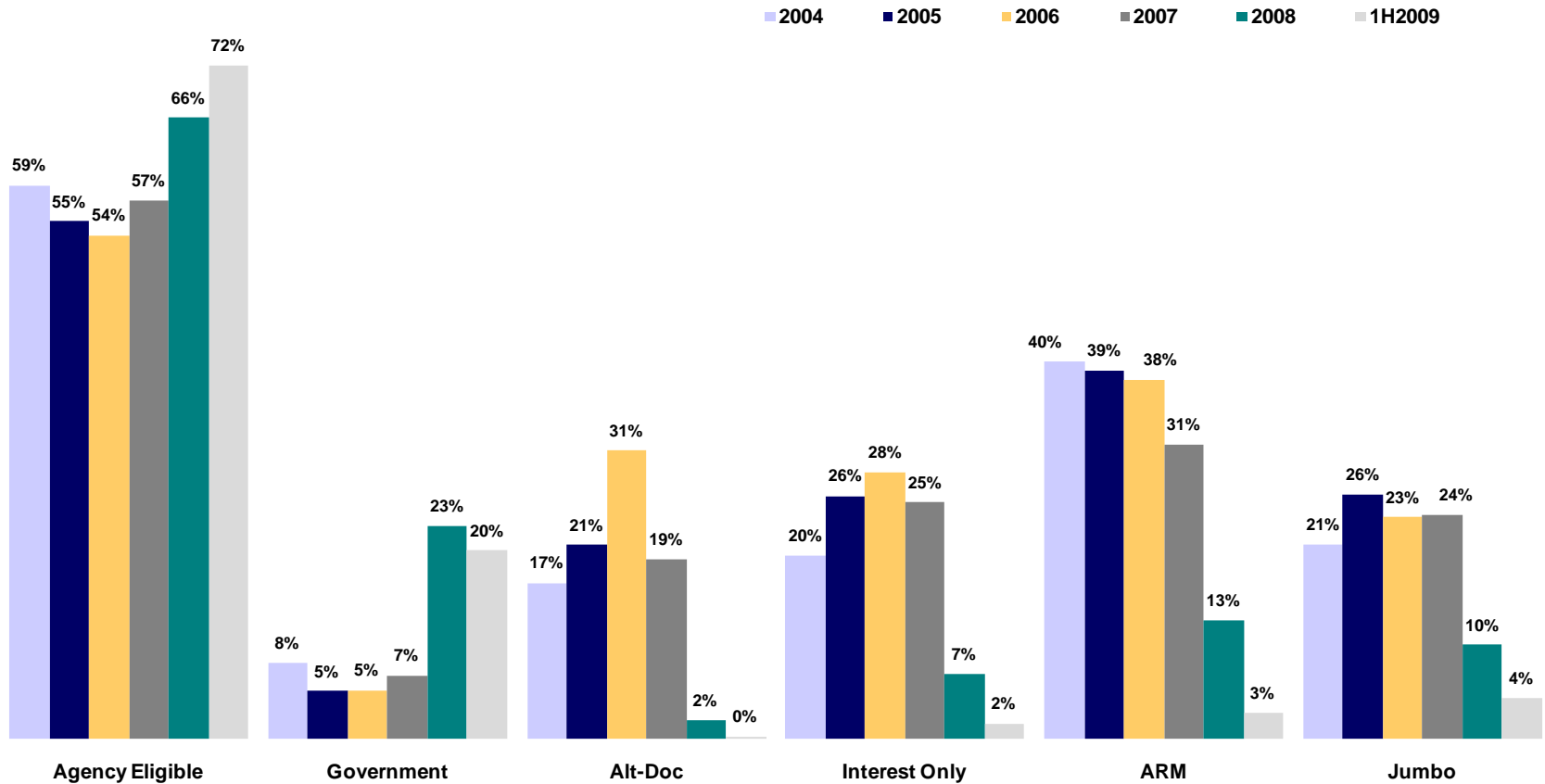
Refinance



Purchase vs. Refinance (% based on \$)

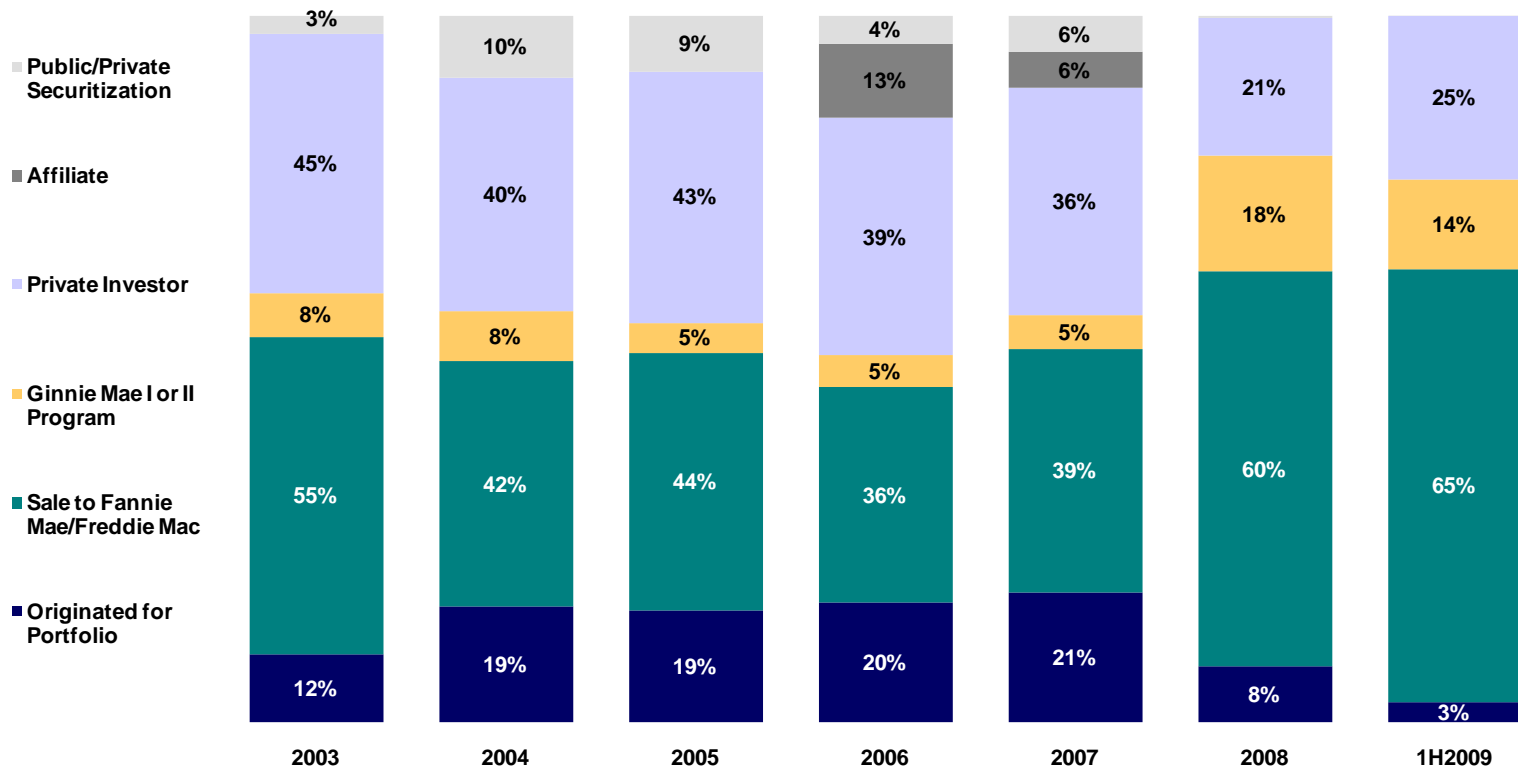


Product Type as Percentage of Total Originations (\$)

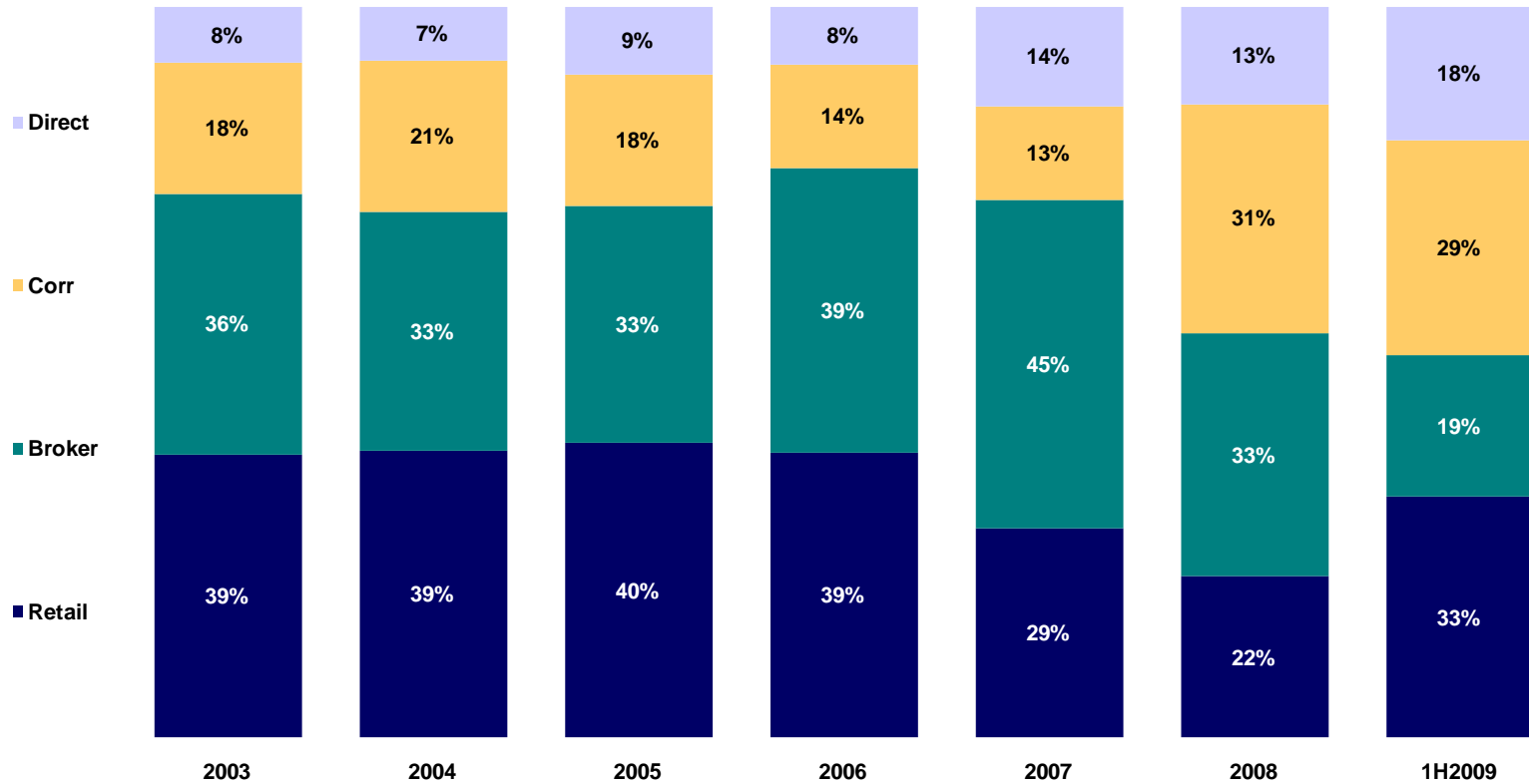


Agency eligible and government loans were the “only games in town” comprising 92 percent of mortgage originations in 1H09.

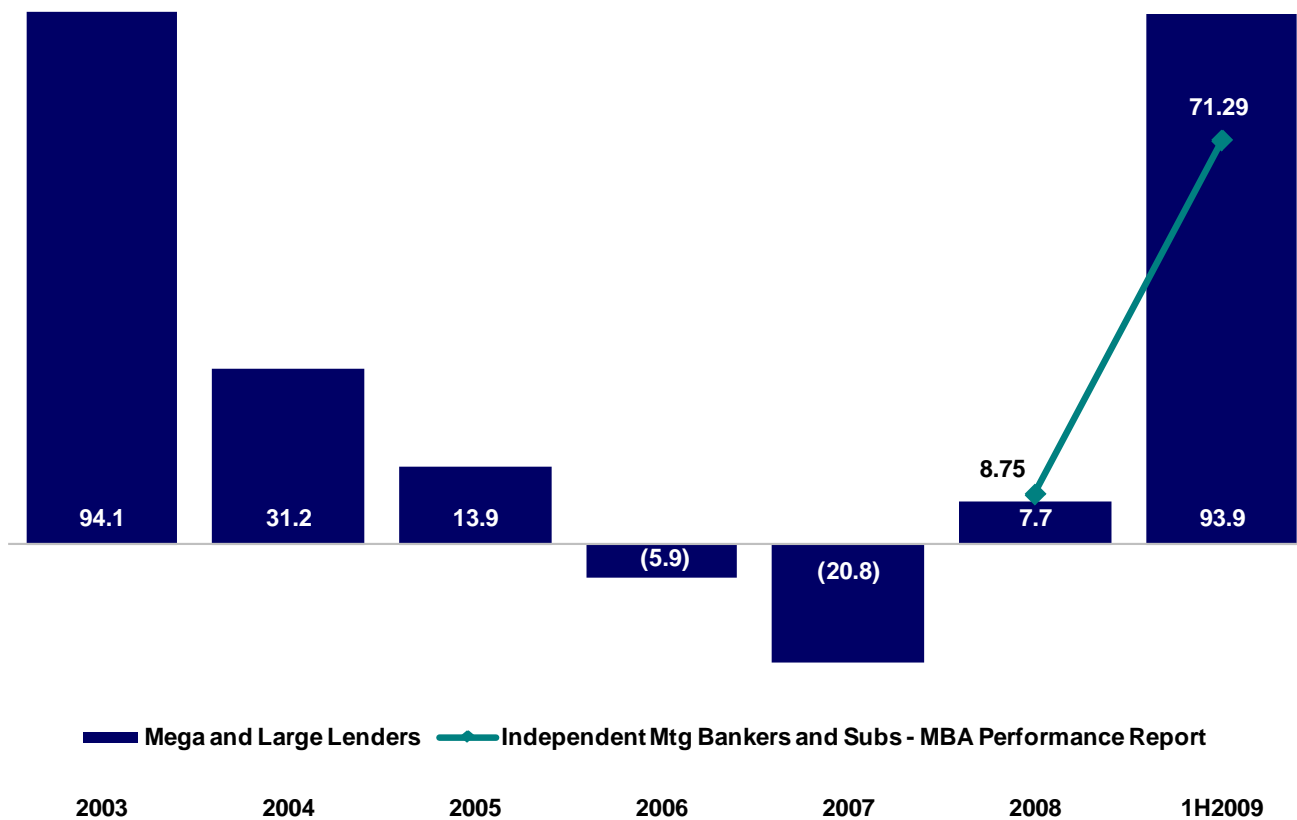
Investor Mix (% based on \$)



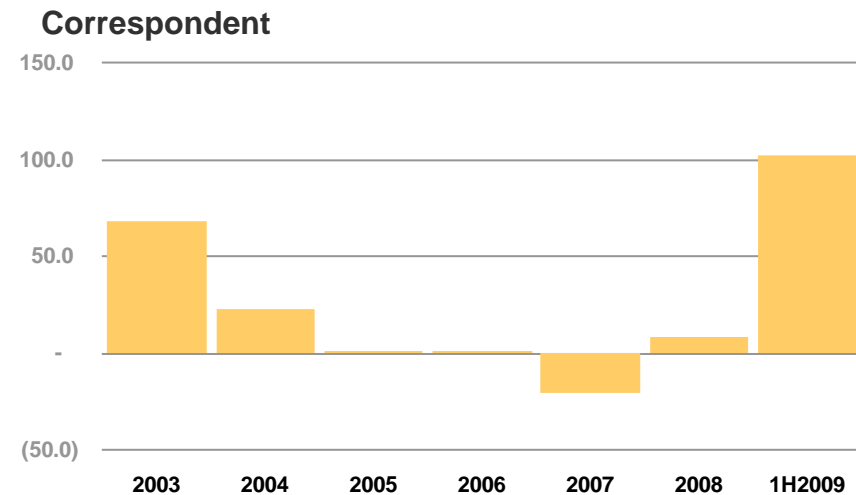
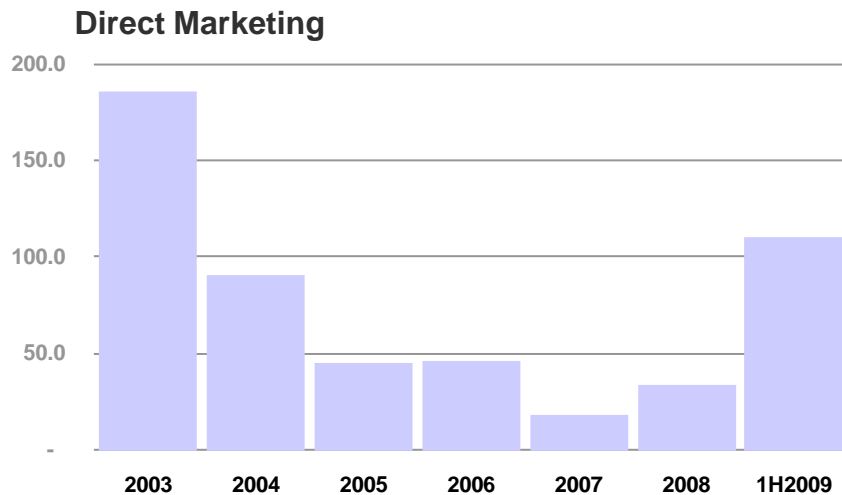
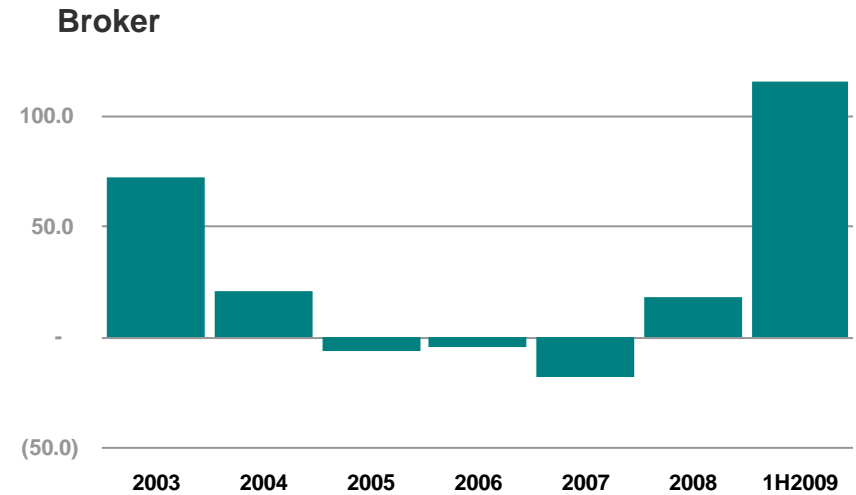
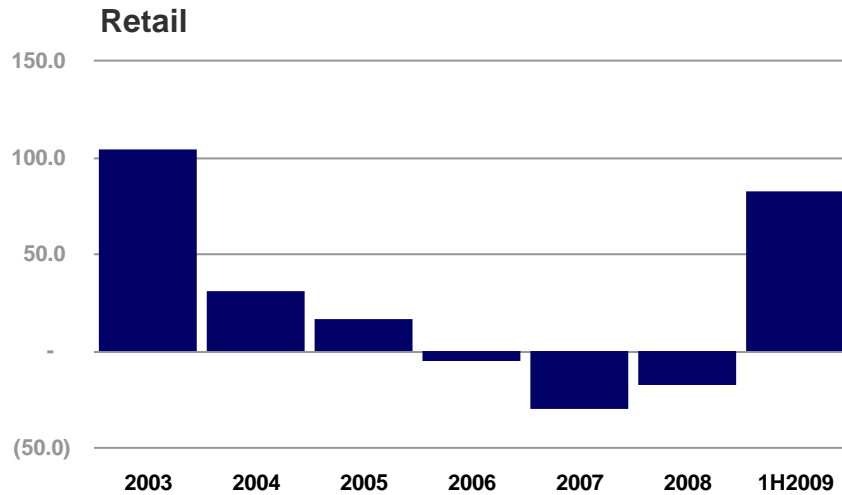
Weighted Avg. Production Channel Mix (based on \$)



Net Production Income (bps)



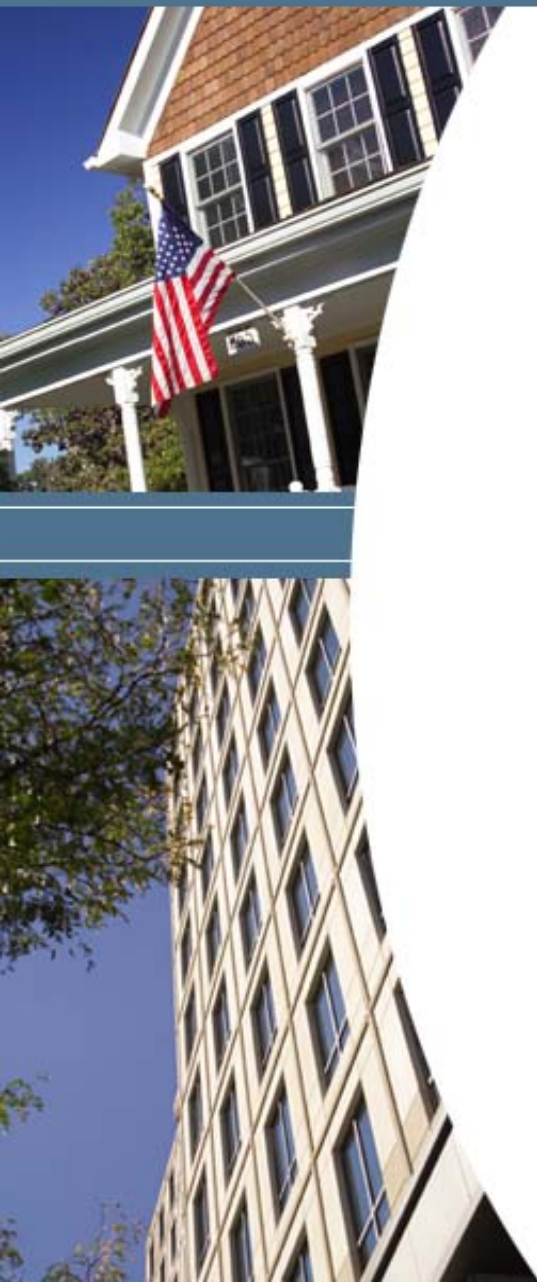
Net Production Margins by Channel



* Charts are not on same scale

Production – The Big Issues

- **Uncertainly over Future of Government Purchase Programs – What Happens in March 2010?**
- **Matching Personnel to Industry Demands (Temps, Contract Labor, Outsourcing, Part-Time Workers)**
- **Future of Sales Compensation – Proposed Rule by Federal Reserve**
- **Increased Regulatory Compliance**
 - **Recent – HVCC and MDIA**
 - **Future – RESPA 2010, Federal Reserve proposed Reg Z revision, CFPA**
- **Broker Licensing and Compensation – Will There be a Viable Broker Channel?**
- **Fulfillments Costs and New Underwriting Environment**
- **Technology – Integration of Disparate Production Operations**
- **Ongoing Repurchase challenges**
- **For independent mortgage lenders, ongoing warehousing constraints and increased scrutiny**

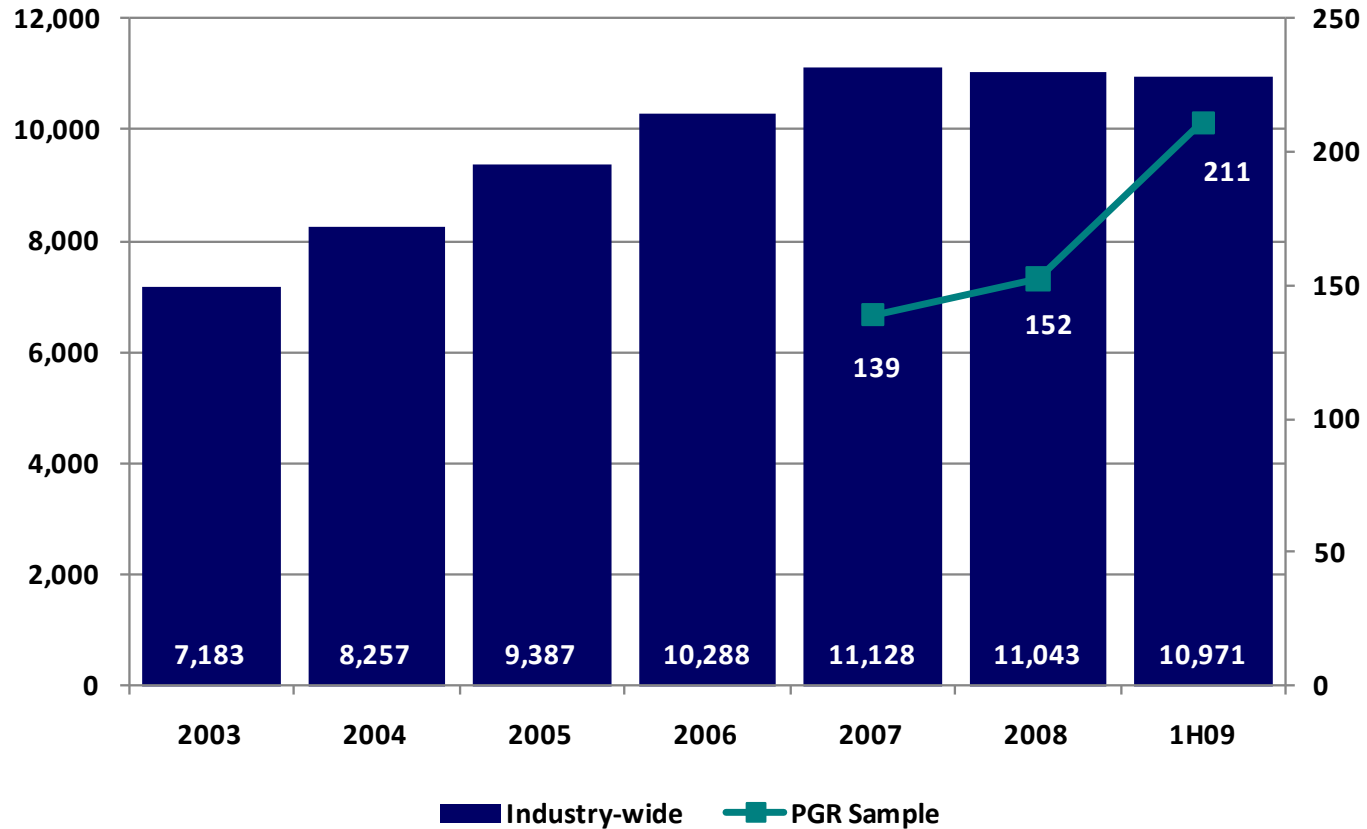


Servicing Trends and Results

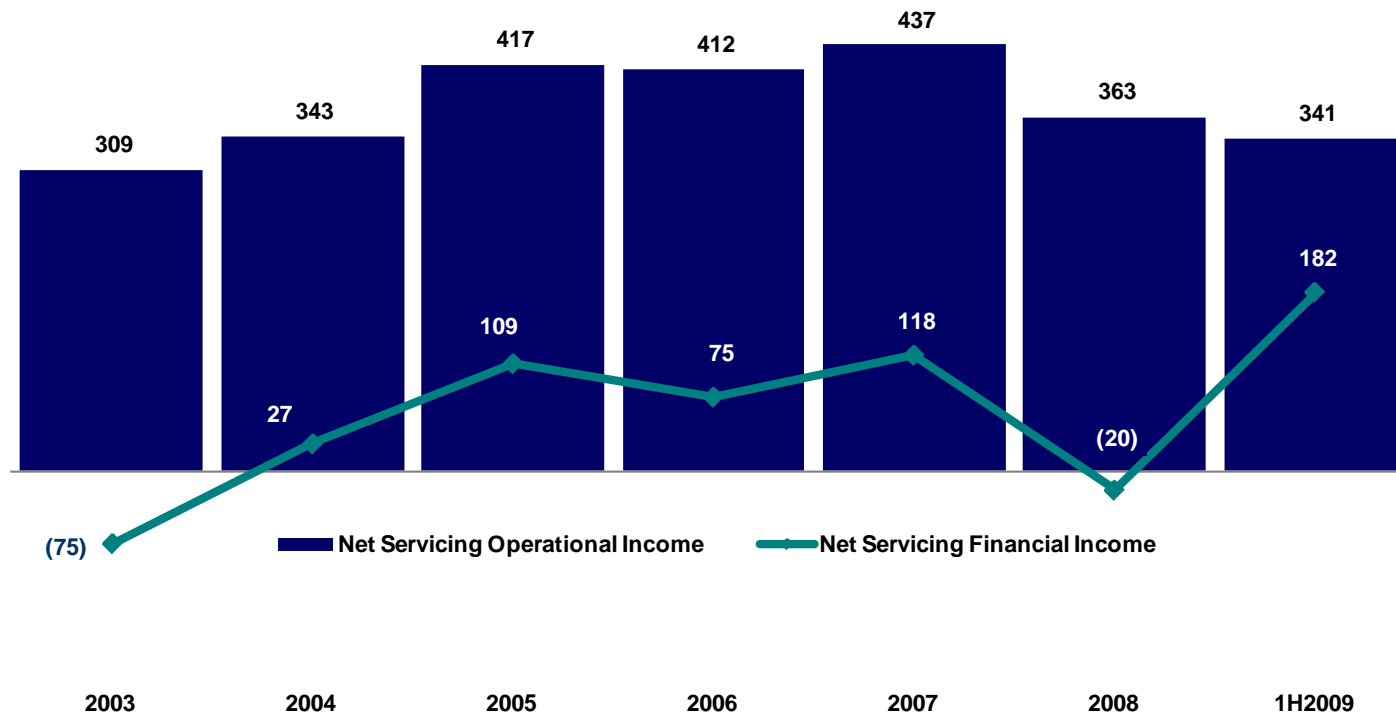
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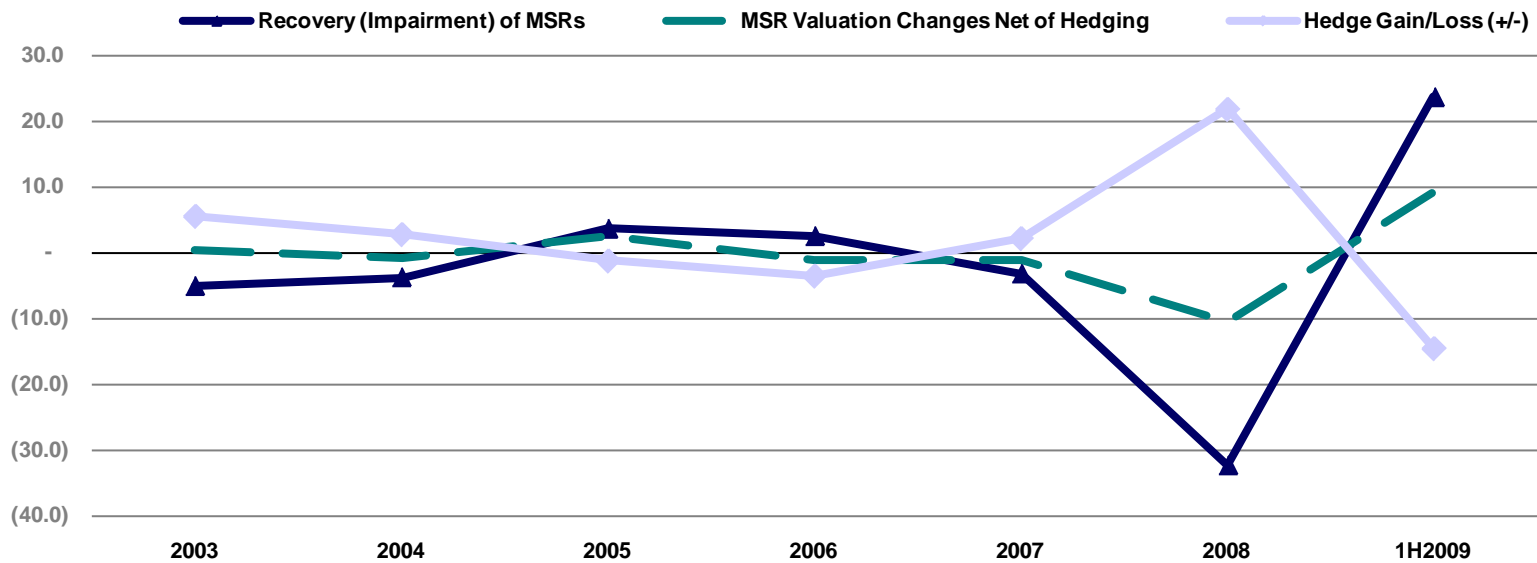
Avg. Servicing Volume (\$B)



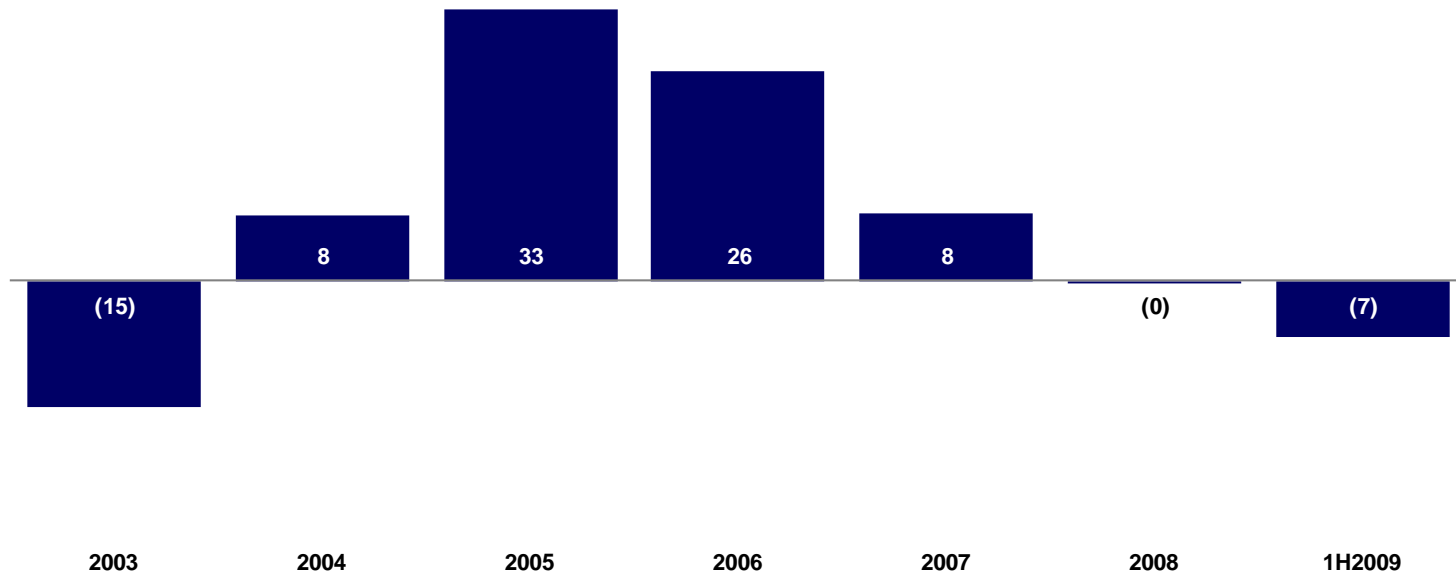
Net Servicing Operational and Financial Income (\$ per loan)



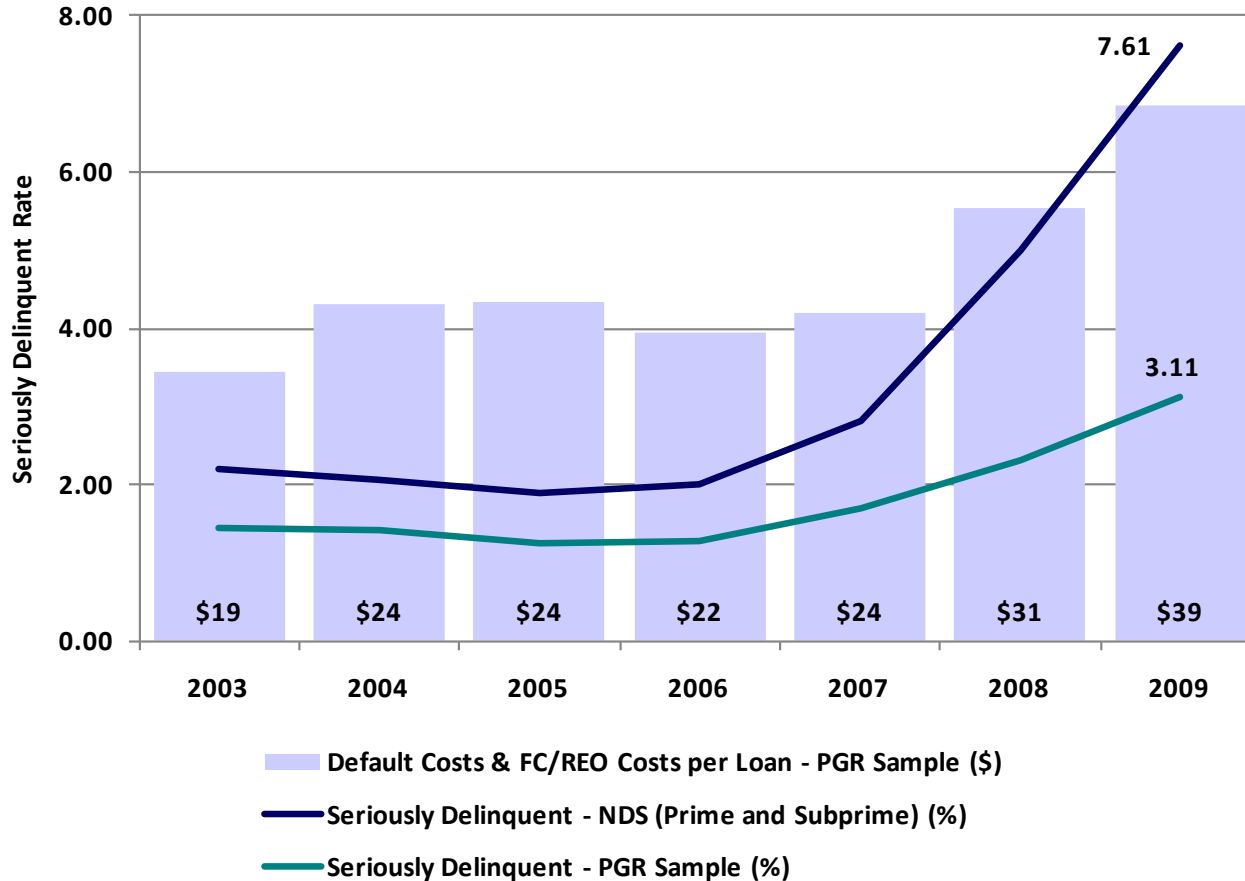
MSR Valuation Changes and Hedge Gains/Losses (bps)



Net Interest Income (\$ per loan)

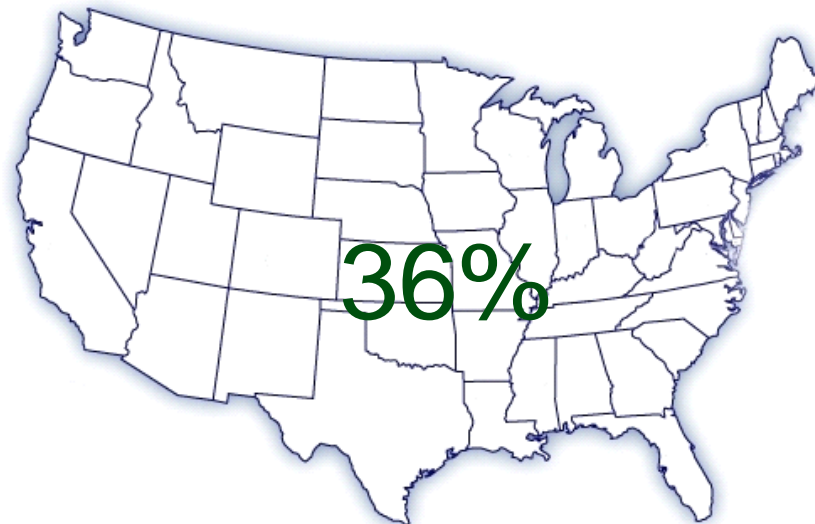


Default Expense (\$ per Loan) vs. Seriously Delinquent Rate



Data from Freddie Mac on Vacant Properties and Foreclosures

| State | Percent Vacant |
|--------------|----------------|
| Arizona | 41 |
| California | 32 |
| Florida | 56 |
| Georgia | 41 |
| Illinois | 34 |
| Michigan | 41 |
| Nevada | 45 |
| New York | 34 |
| Ohio | 46 |
| Pennsylvania | 39 |
| Texas | 44 |



*Vacancy Rate for Key States¹
(Overall Rate for 90+Foreclosure Loans for 07/31/2009)*

1: Vacancy Rate based on vacant/unknown properties, excludes any REO acquisitions.
Source: Freddie Mac

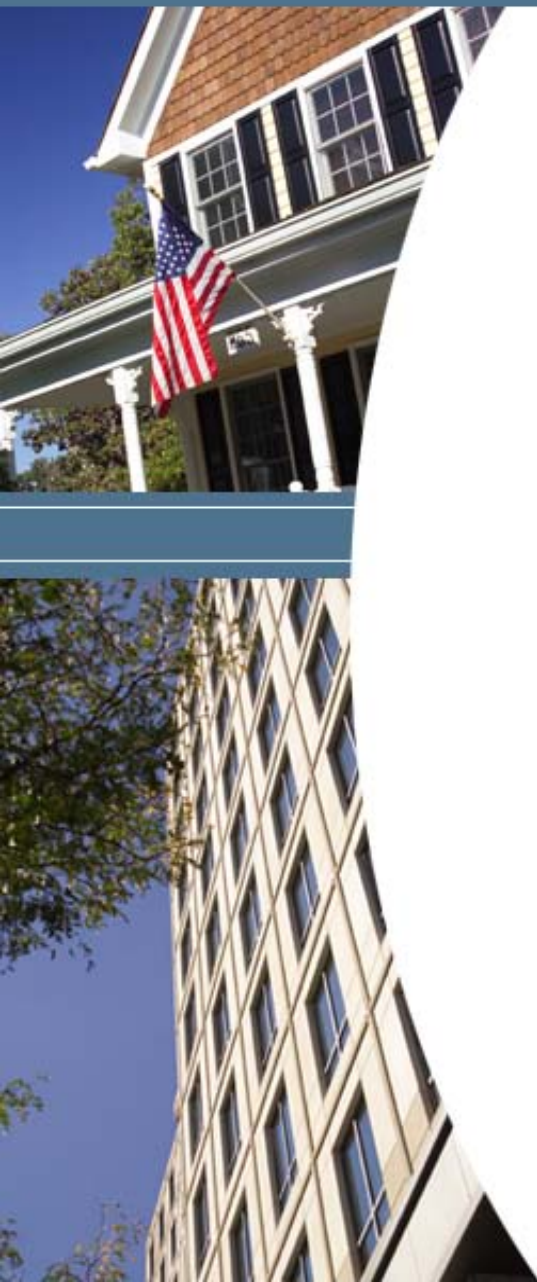
Snapshot: Property Preservation Costs

| | |
|------------------------------------------------------|-----------------------|
| Estimated Spending on Pre-Sale Properties | \$2.20 billion |
| Estimated Spending on REO Properties | \$1.30 billion |
| Total Spending (10/1/08 – 9/30/09) | \$3.50 billion |
| <i>Percent Increase in Spending from 2008</i> | 78% |

Source: Mortgage Bankers Association

Servicing – The Big Issues

- **Increased Cost to Service and Further Default Activity as Long as Unemployment Rate Remains High**
- **Foreclosure Moratoriums**
- **Property Preservation – To What Extent will Servicers be Responsible?**
 - **State and local ordinances**
 - **Community and neighborhood demands for property maintenance**
- **Home Preservation Initiatives**
 - **New programs for unemployed workers being considered and/or already in implementation**
 - **Deed-for-lease programs**
 - **HAMP and non-HAMP modifications**
 - **Non-HAMP alternatives: Shorts sales, cash for keys**
- **Government Scrutiny – Revisions of FHA, Fannie, and Freddie policies**
- **Media Relations**
- **Litigation / Legal Vulnerabilities**

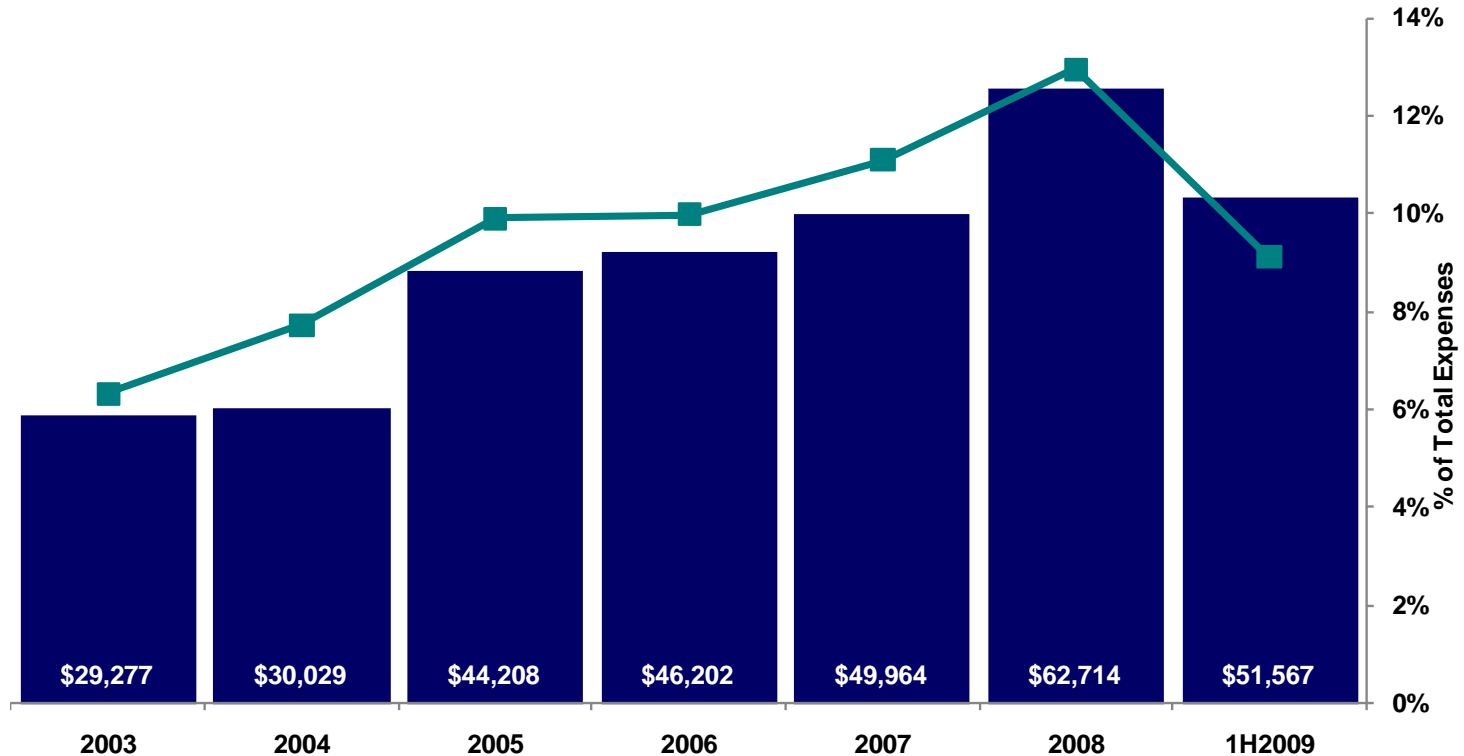


Mortgage Company Technology and Corporate Administration Trends

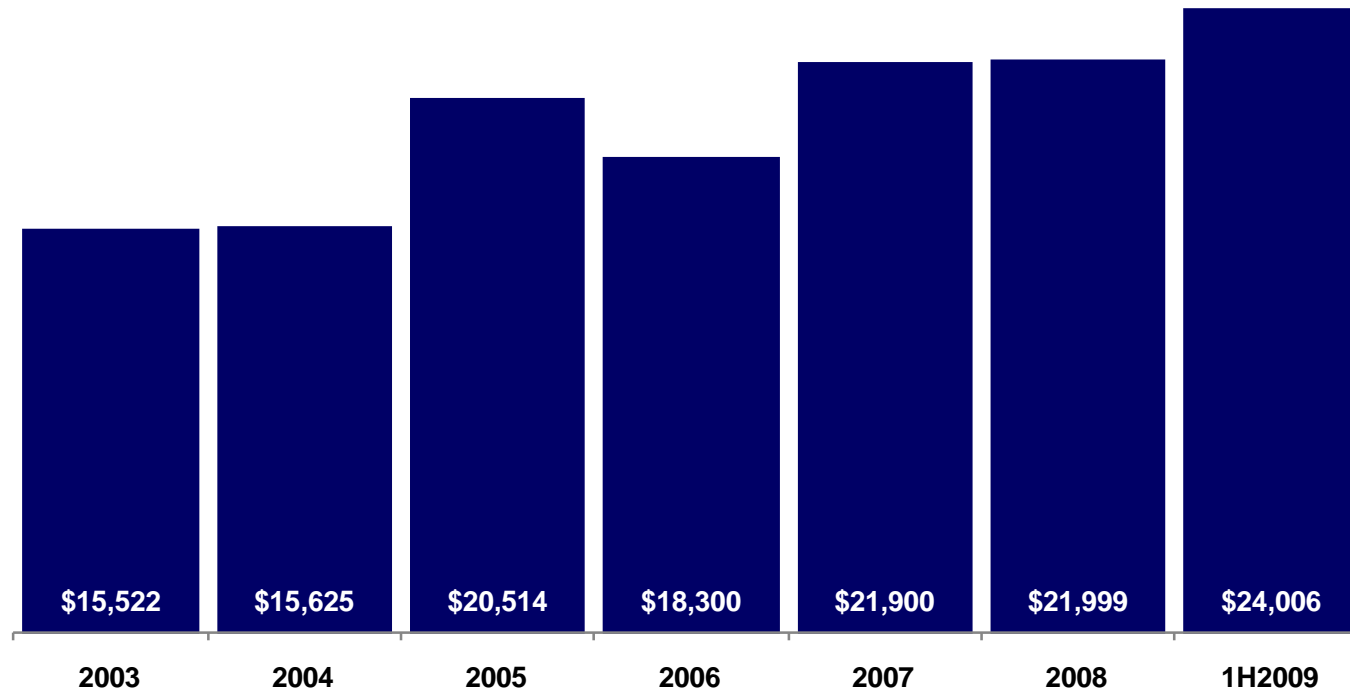
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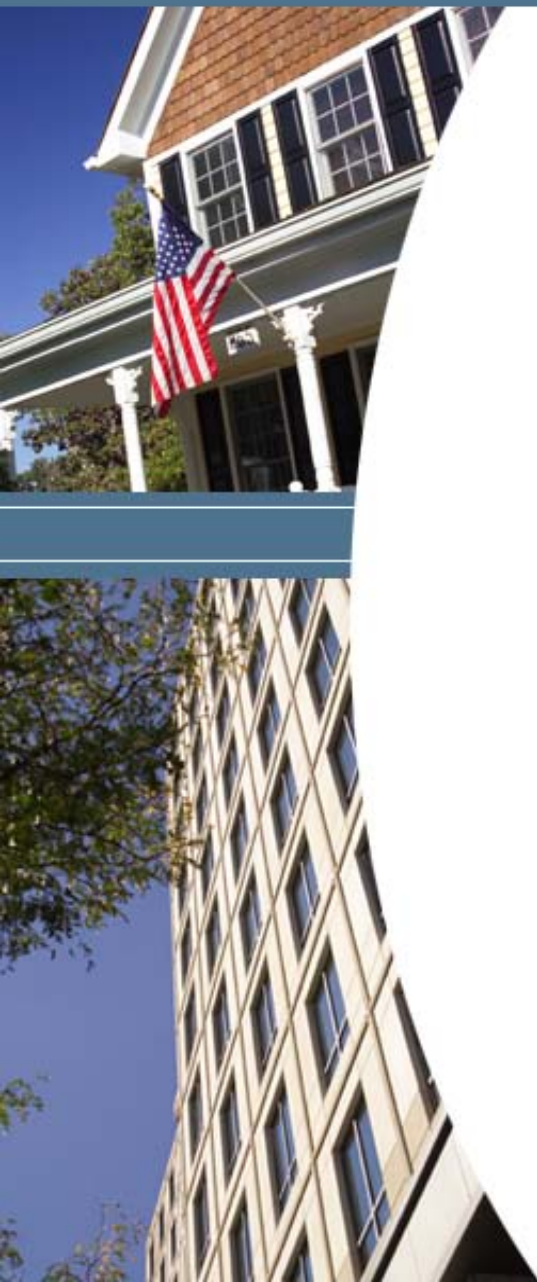
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Average Firm Technology Spending (\$000s)



Corporate Admin Load Factor (Expense per Employee)





Questions and Answers

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