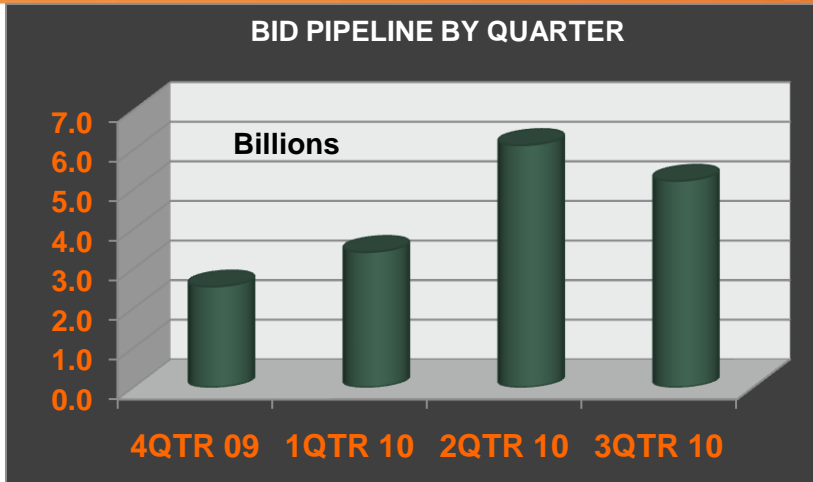


MBA's **97th** ANNUAL  
CONVENTION & EXPO  
OCTOBER 24-27 ATLANTA

# Whole Loan Trading

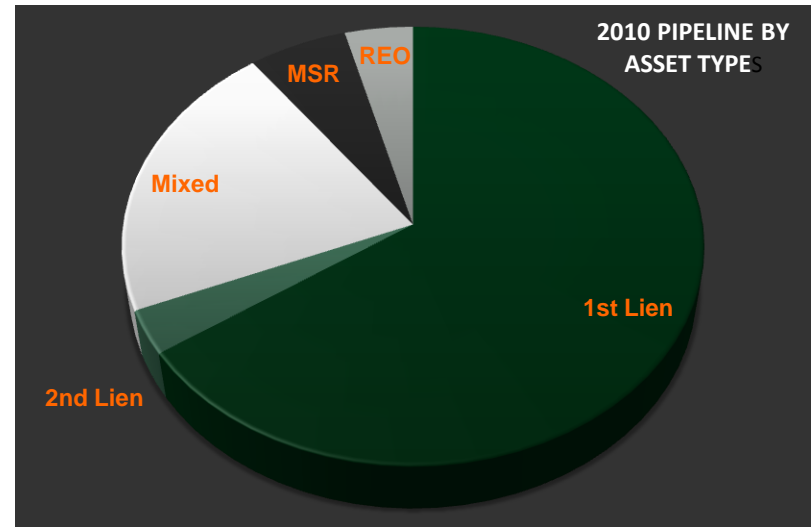
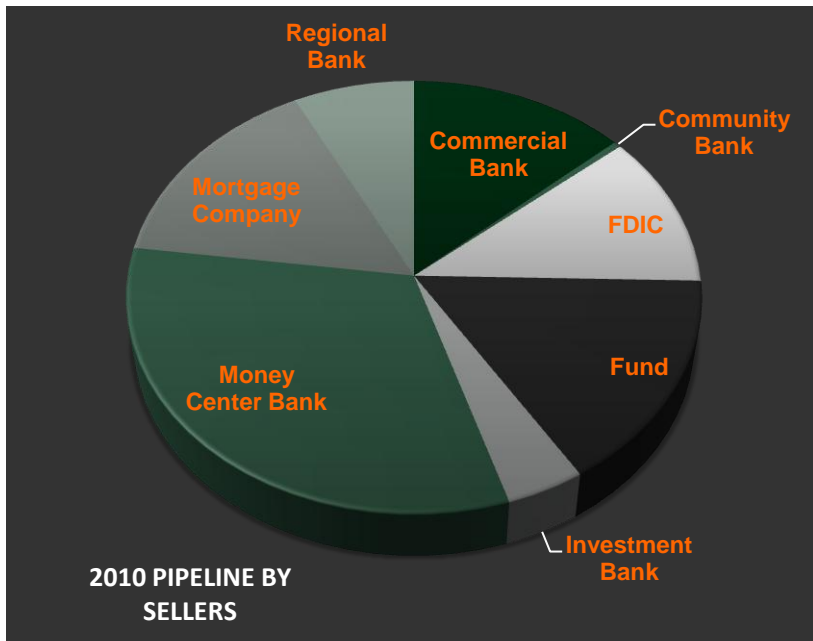
Challenges and Opportunities





### Geographical Concentration

FL	19%
CA	14%
WI	7%
IL	4%
NY	4%
AZ	2%
MI	2%
Other	48%



- Shawn Miller, President & CEO of Arch Bay Capital
- Matthew Fistonich, MD, Turning Point Asset Management
- Erik Rand, SVP Mortgage Finance, Stifel Nicolaus
- Phillip Seares, MD, Trading, CitiGroup

Outcome 1: Foreclosure problems are process oriented and can be fixed in the near term

Outcome 2: Foreclosure issues are deemed merely technical in nature and are successfully resolved but it takes at least a year to do so and all foreclosures are delayed by at least a year.

Outcome 3: Claims by banks that these issues can be resolved in a month are attributed to legal posturing. Litigation ensues and it takes years to sort out.

Outcome 4: Issues become a “systemic problem” which causes the mortgage market to grind to a halt as title insurers refuse to insure mortgages involving existing homes

## Challenges

- Pricing
- Trading volume, sellers don't sell, buyers don't bid

## Opportunities

- Risk reduction, money center banks sell to reduce exposure.
- Increase in REO values due to lack of volume



- Would you buy MERS note/mortgage endorsed in blank?
- A few buyers bidding for lower returns? Is the market overpriced?
- Increase in Shadow Inventory, when will the system become unclogged?
- Increase in governmental, legal and regulatory scrutiny on servicing, especially the default process?
- Exit of “specialty servicing” platforms, do you feel the infrastructure to manage risk exists to expectations?
- Capital Raise, are you able or do you want to use leverage?

- Do you anticipate increased deal flow?
  - Money Center Banks reducing exposure, de-leveraging
  - FDIC deals
  - Will FNMA / FHLMC / GNMA start selling
  - Agency put back estimated at 55-120 billion loss over 5 years
  - Release of current shadow inventory
  
- Are there other asset classes that you are looking into?
  
- Will there be immediate changes as a result of Republican wins in Nov?
  
- What are your current strategies?