



**MBA's NATIONAL SECONDARY MARKET
CONFERENCE & EXPO 2011**
MAY 1-4, 2011, NYC

**New Rating Agency Rules for Due Diligence and
What They Will Mean to Lenders and Issuers**

Date: Tuesday, May 3, 2011
Time: 3:30pm - 4:45pm

CLAYTON



- **Overview of Changes in Due Diligence**
 - » Rating Agency Requirements for Third-Party Reviews
 - » Dodd-Frank SEC Due Diligence Regulations
- **Impact of Proposed Changes:**
 - » Originators
 - » Issuers
 - » Investors
- **Outlook & Expectations**
 - » Restarting the RMBS Market
 - » What New Requirements Can be Expected
- **Q&A**



Overview of Changes in Due Diligence



» Rating Agency Requirements for Third-Party Review

- Due Diligence Provider – Qualification and Approval
- Scope and Sample Selection
- Difference in Requirements for New Origination and Other Products (Seasoned or NPL)
- Timing for Due Diligence Reviews

» Dodd-Frank SEC Due Diligence Regulations

- Who Conducts Loan Level Review of Assets to be Placed in a Security
- Any Conflicts with Rating Agency Requirements for Third-Party Review Provider

Impact of Proposed Changes



» Originators

» Issuers

» Investors

- **Impact of features such as Reps & Warranties on Level of Due Diligence Performed**
- **Increase or Decrease in Use of Third-Party Due Diligence Firms by Issuers**
- **Impact of Dodd-Frank SEC Proposal on an Underwriter's Due Diligence Defense if Third-Party Due Diligence Firm is not Named as "Expert"**



» Restarting the RMBS Market

» New Requirements To Expect

- **Rating Agency and SEC Dodd-Frank Requirements Will Help to Restart RMBS Market**
- **Impact of Changes on Root Cause of The Issues**
- **Future Requirements Expected**

Panel Participants



Moderator: Vicki Beal, Clayton, Senior Vice President



- Ms. Beal is a Senior Vice President in Transaction Management at Clayton Holdings LLC. Clayton is an industry leader in transaction and credit risk management. Her current leadership responsibilities include advisory support for due diligence projects and for Clayton's proprietary due diligence platform. She is currently an active participant in several ASF, SIFMA and MBA committees and working groups.
- With more than 35 years of experience in the mortgage banking industry, Ms. Beal possesses an extensive background in this business. At Clayton, Ms. Beal also served as the manager of the Deal and Operations System Support department. In that role she managed the maintenance and updates of Clayton's due diligence platform. She previously served as the manager of the client service management team for due diligence projects. Prior to that, she was a Client Service Manager, responsible for working with several of Clayton's largest due diligence clients. Ms. Beal was also a project lead for many years, working on field due diligence assignments.
- Prior to joining Clayton, Ms. Beal contracted with Coopers & Lybrand/Resolution Trust Corporation (RTC) Gulf Coast Regional Office in Houston, TX. She reported directly to the Chief Resolution Assistance Contractor (RAC) with Coopers & Lybrand. Ms Beal was also a Vice President at First Federal Savings and Loan Association of Beaumont, TX. During her 18 years at First Federal, she was manager of the residential and commercial loan servicing and REO departments.

Panelist: Kathy Kelbaugh, Vice President/Senior Analyst



- Kathy Kelbaugh, Vice President/Senior Analyst, Ms. Kelbaugh is a seasoned professional with over 27 years of experience in all facets of the mortgage industry.
- Kathy joined Moody's in August of 2007 primarily to evaluate mortgage originator practices. Her role has grown to include efforts to restart the RMBS market by working with industry participants to enhance transparency through improved data sets, representations and warranties and due diligence.
- Prior to Moody's, Ms. Kelbaugh was the Managing Director of GMAC Mortgage's Direct Lending Center in Mt. Laurel, NJ, a nationwide mortgage lending platform for phone and internet leads and Senior Vice President of the Customer Relationship Strategies Group responsible for the oversight of GMAC's customer retention activities and ancillary product sales.



Panelist: Diane Pendley, Managing Director

- Diane Pendley is the managing director of Fitch Ratings' operational risk group within its structured finance division. Her responsibilities include program development and oversight of global residential and commercial servicer ratings and ABS seller/servicer ratings. Her group is also responsible for global trustee evaluations and more recently, domestic residential originator/issuer reviews. In addition, she manages various other special projects related to servicing, origination, operational performance, and surveillance.
- Diane joined Fitch in 1997. From 1990 to 1996, she was chief of MBS administration, Office of Securitization in the Resolution Trust Corp.'s Washington, D.C. national headquarters. She has worked in various commercial and residential mortgage banking positions for several companies for more than 35 years.
- Diane received the Mortgage Bankers Association's designation as Certified Mortgage Banker (CMB). She earned a BFA and an MA in psychology from Stephen F. Austin State University.

Panelist: Peter Sack, Managing Director

- Peter Sack is a Managing Director in Credit Suisse's Structured Products Group, based in New York. Mr. Sack leads Credit Suisse's RMBS structuring, mortgage securitization and resecuritization efforts. Credit Suisse ranked #1 in RMBS underwriting and secondary trading for 2009 and 2010.
- Prior to joining Credit Suisse First Boston in 2001, Mr. Sack was an attorney with Orrick, Herrington & Sutcliffe LLP, where he advised clients in regard to residential and commercial mortgage securitizations and derivative transactions.



Panelist: **Steven S. Kudenholdt, Partner** SNR DENTON

- Steve Kudenholdt is co-chair of SNR Denton's Capital Markets practice. His areas of practice include residential and commercial mortgage-backed securities, and other asset-backed securities (ABS), primarily focusing on residential mortgage loan securitization as well as resecuritization transactions involving various classes of mortgage-backed securities (MBS).
- Steve has helped develop many transaction structures and formats that have become industry standards, including shifting interest subordination techniques. He represents issuers, underwriters, loan sellers and other entities in public offerings and private placements. Steve's recent transactional work includes representing both issuers and underwriters in the securitization of distressed assets by federal agencies.
- Recently, Steve served as counsel to the American Securitization Forum in the preparation of their letter to the SEC addressing proposed regulations for credit rating agency reform. Steve has served as a member of the Board of Directors of the American Securitization Forum.
- Steve is a frequent writer and public speaker on regulatory developments affecting securitizations. He was formerly with the law firm of Thacher Proffitt & Wood LLP.