



MIDLAND LOAN SERVICES

A PNC Real Estate Finance Company

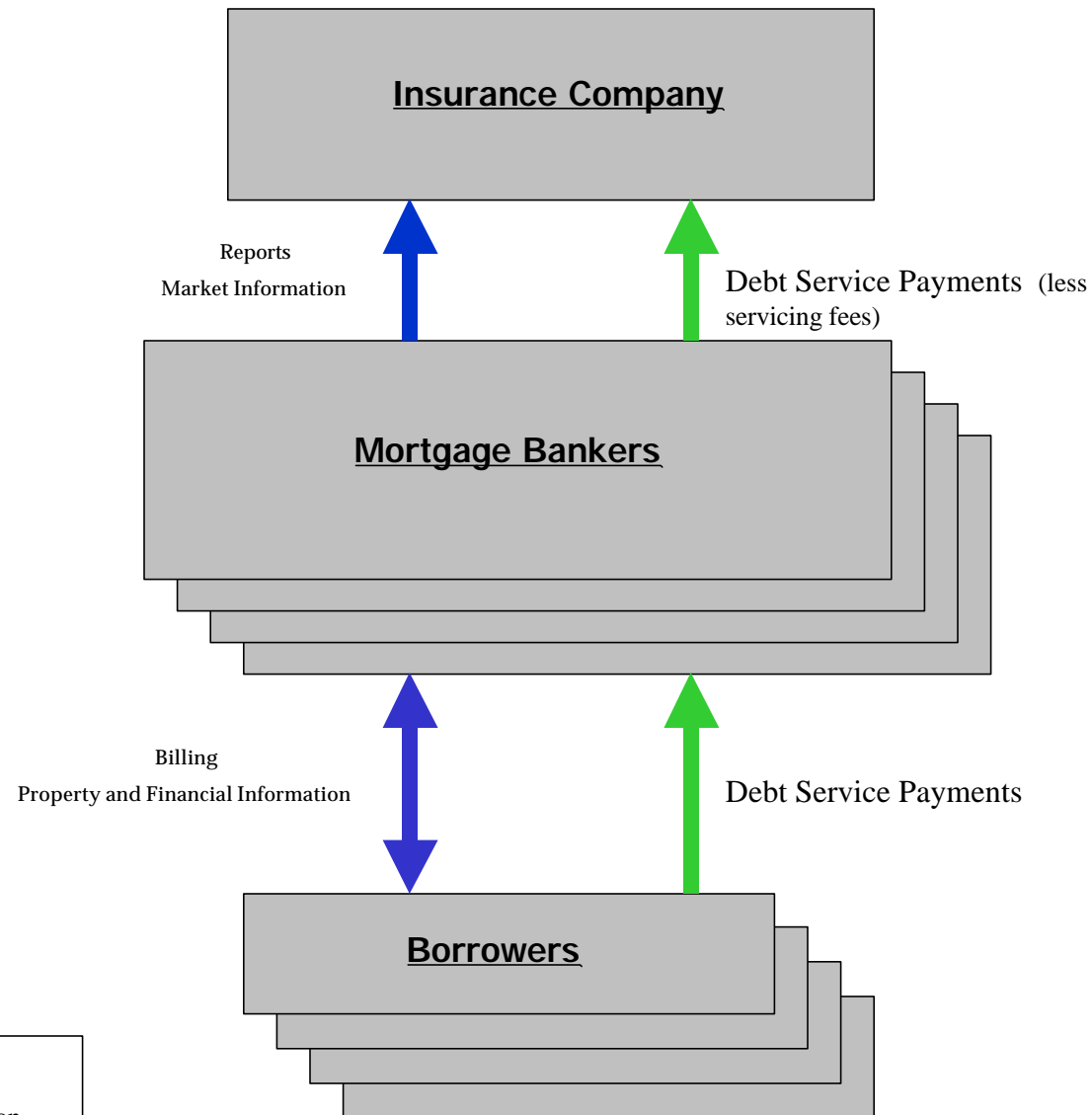
Outsourcing Trends

October 31, 2000

OVERVIEW

- **Traditional Mortgage Banking Model**
 - Loans originated for portfolio lenders one by one
 - Compensation
 - Origination Fees (paid by borrower)
 - Servicing Fees (paid by investor)
 - Float and ancillary income (paid by borrower)
 - Servicing Benefits
 - Predictable revenue stream
 - Ongoing relationship with borrower, investor
- **CMBS servicing has created a new benchmark**
 - Enhanced investor reporting at loan and property levels
 - Internet accessible data
 - Transparency in terms of servicing fees

Traditional Mortgage Banker Servicing Model



TRADITIONAL MODEL DEFICIENCIES

- Inefficient Business Model
 - Lack of scale to achieve efficiency
 - Expensive to service and administer
 - Cost of purchasing and maintaining new technology
 - Significant operating redundancies
 - Data is distributed among multiple parties
 - Lack of central data repository
 - Difficult and expensive to access
 - Inconsistent reporting formats
 - Mortgage banker to multiple investors
 - Investor from multiple mortgage bankers

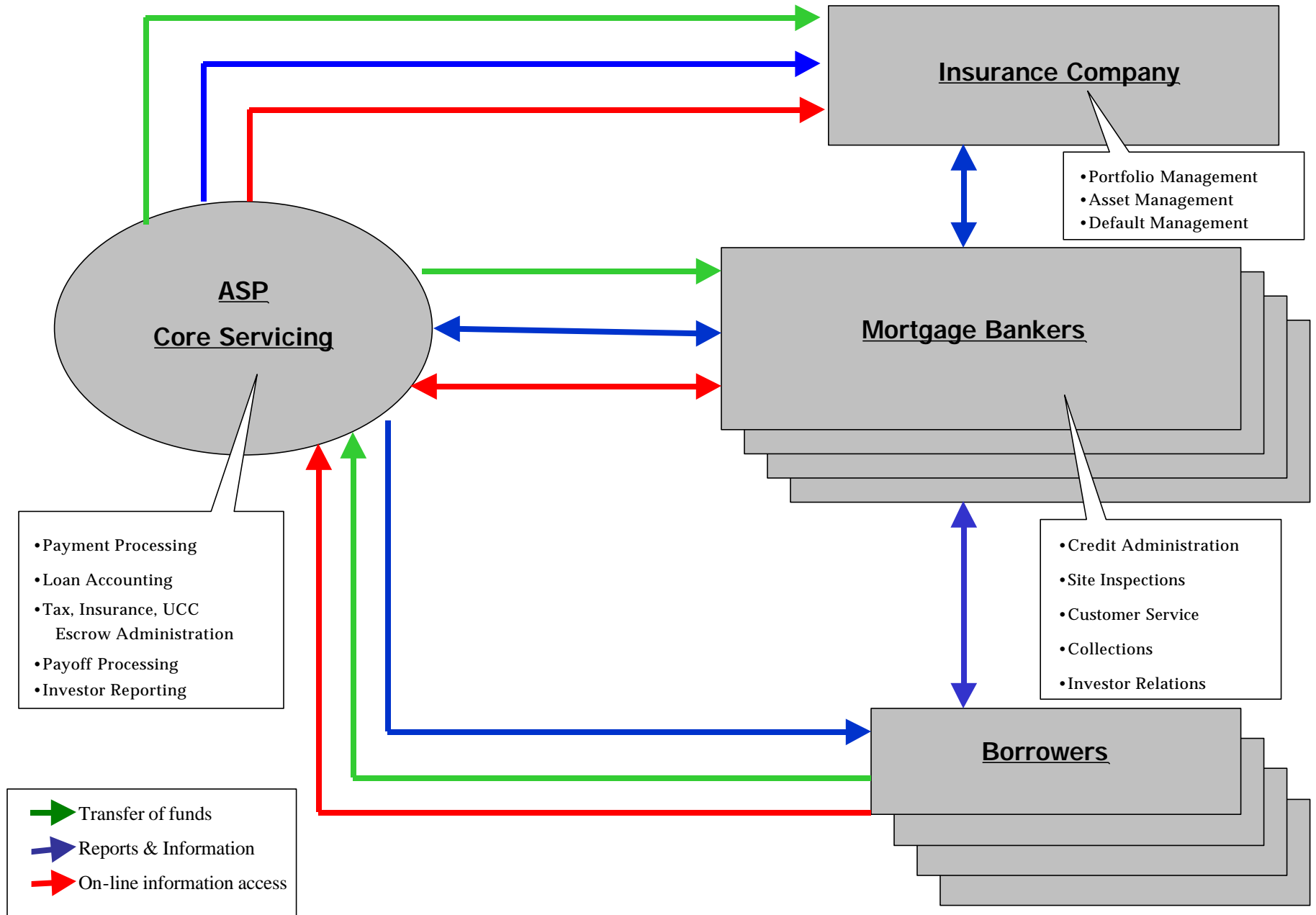
TRADITIONAL MODEL DEFICIENCIES

- Servicing Economics
 - Mortgage banker fees are higher than market for third-party servicer
 - Value of interest earnings is not maximized
- Defaulted Loan Issues
 - Mortgage banker has increased responsibilities and reduced compensation
 - Adverse relationship with borrower
- Portfolio Management Issues
 - Model does not support loan sales, securitization

WHAT DO MORTGAGE BANKERS' WANT

- Maintain borrower relationships
- Maximize revenue stream
 - Servicing fees
 - Float
 - Compensating balances
- Reduce servicing costs and administrative burden
- Maintain investor relationship
- Market presence
- Market intelligence

Shared Servicing Model for Mortgage Bankers



SHARED SERVICING MODEL BENEFITS

- Reduced costs and better cost structure
 - Fixed versus variable
- Enhanced information availability-online, real time
- Increased value of float, investment income
- Consistent reporting formats
- Access to advanced technology
- Enhanced portfolio management strategies and increased liquidity