

What Next?

Five Trends in the Housing Finance Recovery



REAL PROPERTY
INSIGHT

BETTER RESULTS THROUGH REAL INSIGHT

Five Trends

1

Defaulted Loan Work-out: The Big Boys at Scale

2

The Refinance Recovery?

3

GSE Reform: Something Washington Can Agree On

4

The Private RMBS Comeback

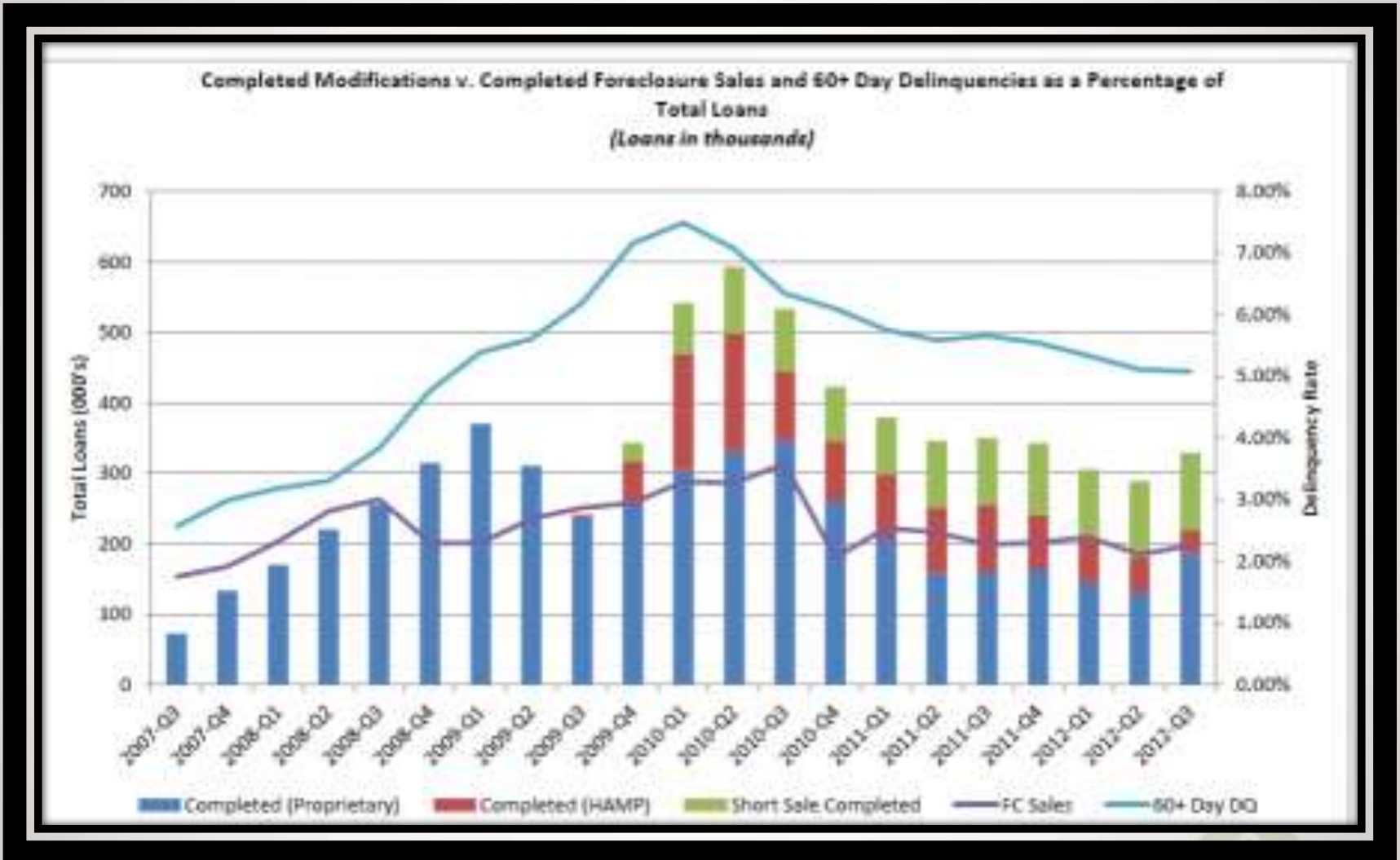
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Mortgage Technology Finally Arrives

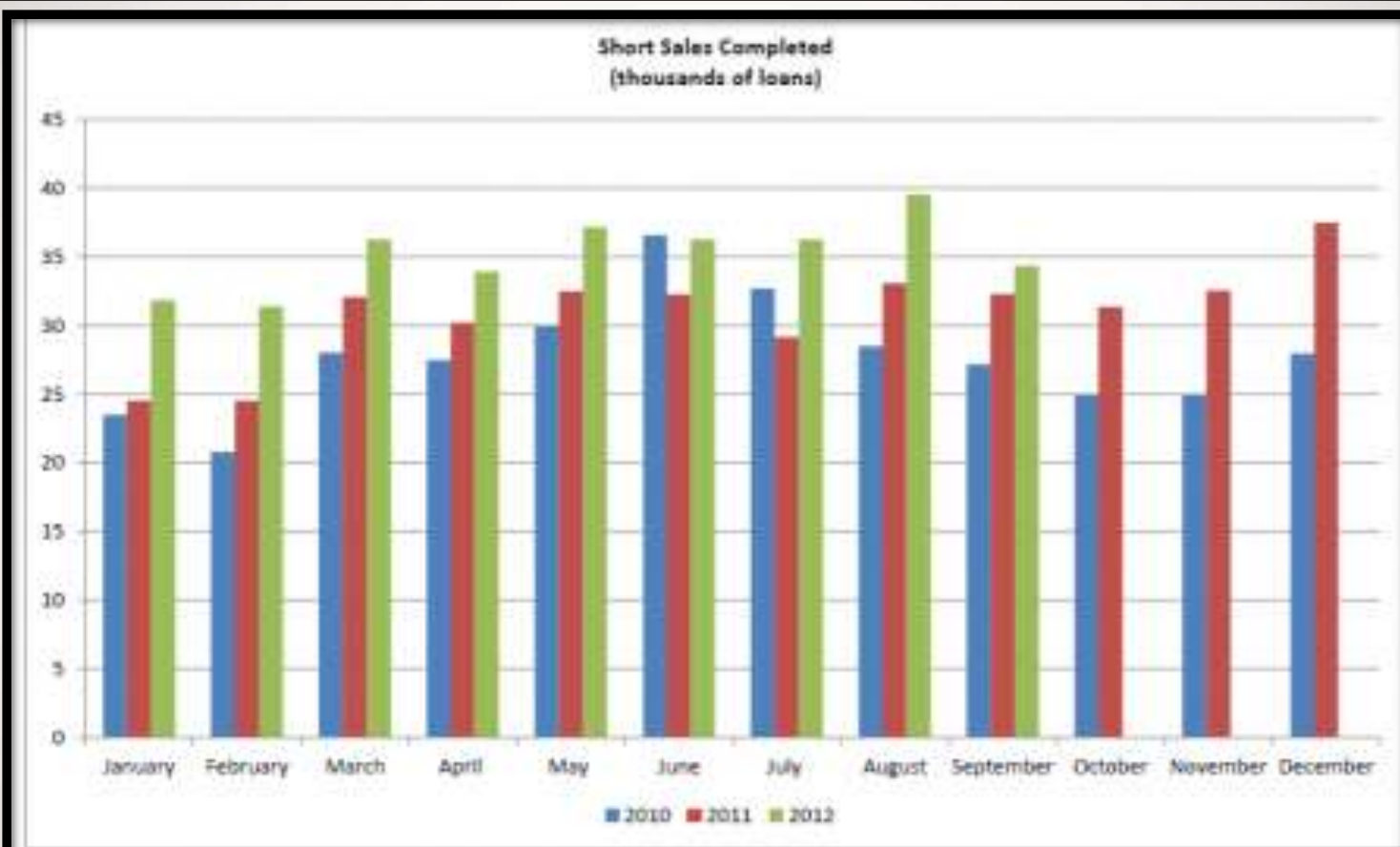
1. Defaulted Loan Work-out: The Big Boys at Scale

- Carrot, Stick and Time combining to really move the needle on the Present (and Potential!) Shadow Inventory
 - ◆ AG Settlement: April 2012
 - ◆ Compliance date: October 2012
- Shadow Inventory:
 - ◆ 2010: 6 million
 - ◆ June 2012: 4 million

1. Defaulted Loan Work-out: The Big Boys at Scale



1. Defaulted Loan Work-out: The Big Boys at Scale



Source: Making Home Affordable and HOPE NOW

HOPE NOW has collected data on Completed (Proprietary) Modifications since 2007. Data for Completed HAMP loans began in

1. Defaulted Loan Work-out: The Big Boys at Scale

- So What?

- ◆ No Housing Recovery without the Responsible Resolution of the Shadow Inventory...

....and it's happening

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2. The Refinance Recovery

- Record low interest rates sitting at the trough
- HARP 2.0 Refinances lifting big bank profits, enabling broader work-outs, litigation settlements
- For Consumers: Improved cash flow and now, help for the underwater

2. The Refinance Recovery?

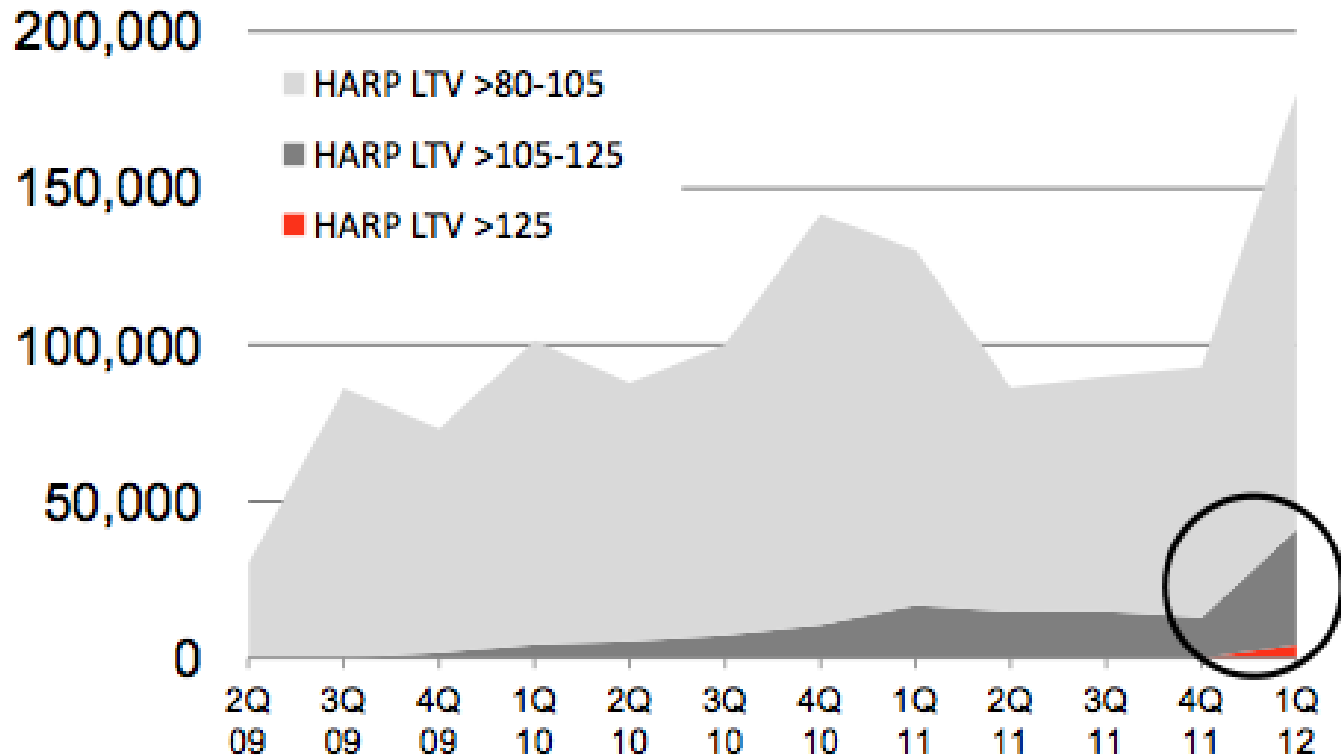
HARP Activity

	2012, Through August	All of 2011	Since Inception
Total HARP	618,217	400,024	1,640,068
LTV >80% to 105%	361,697	340,033	1,292,932
LTV >105% to 125%	138,050	59,991	228,666
LTV >125%	118,470	0	118,470

2. The Refinance Recovery?

HARP is reaching more underwater borrowers.

HARP Volume by LTV



So What?

- Benefit for the 90%...
- Lower pressures that lead to default...
- Critical boost to consumer confidence...

...all critical to a recovering economy that enables profitable lending

Expect Expansion as this becomes a lever for government economic stimulus

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3. GSE Reform: Something Washington Can Agree On

- Post-Election: At least they're talking about ending the stalemate
- Both parties know it needs to happen, so this becomes a topic that can enable consensus
 - ◆ And technical nature of the topic make it ripe for backroom wrangling
- Until then, the Administration will continue to work its plan

So What?

- Government's role in housing finance is going to change...
- It will impact everything...

...GSE Reform is the key to answering multiple other questions impacting the future of housing finance

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4. The Private RMBS Comeback

- Redwood Trust: The Last and First of the Mohicans
- Lewis Ranieri: Beginning Again

So What?

- These are signs of the housing recovery – if you think Wall Street is the “smart money”
- Clear intent to shift the weight from Government to Private Markets, so movement means progress
- Wall Street makes deals, not standards

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5. Mortgage Technology Finally Arrives

- An \$11 Trillion Industry...with the technology of a third world country
- Without trust, there has to be transparency
 - ◆ Digital mortgage: we have to come to grips with our data
 - ◆ MISMO yes, but what about servicing?
 - ◆ Unlock the forms!
- Without the GSE and their standards, there must be consistency

Mortgage Origination: Pre-Crisis

Compliance:

Random
Sampling

DU

LP

Total
Scorecard

CREDIT

CAPACITY

COLLATERAL

FICO

Paystubs

Appraisal

Credit Report

W-2

Bank
Statements

Mortgage Origination: Post-Crisis

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Undisclosed
Debt Detection

Verify Job
Status

Order
Independence

Obtain Tax
Transcripts

QC Reviews

Verify Deposits

Repurchase risk and new regulations have changed mortgage processing from “point in time” validation to a “double- and triple-check” verification process.

How do you incorporate the myriad of third party information products into your underwriting decision making? How do you manage compliance?



Mortgage Originations: Overture Technology

*Overture
Technology*

DU

LP

Total
Scorecard

CREDIT

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Statements

Your Rules, Your Process

Overture's underwriting engine incorporates lender risk overlays to investor guidelines, enables rules for third party verifications and results, and powers risk-based workflow and reviews

Undisclosed
Debt Detection

Verify Job
Status

Order
Independence

Obtain Tax
Transcripts

QC Reviews

Verify Deposits

Result: Consistent, defensible credit decisions – every time

Compliance: Embedded Process Controls, Risk-based Sampling

PROPERTY
RIGHT

So What?

- Investments in technology are usually “have-to” choices...we’re in that period now
- SaaS models are coming to the mortgage industry...

....so you can “have it your way” at much lower cost

Five Trends – Questions?

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