# distressed SERVICING 2009

CREATED, PROGRAMMED AND PRODUCED BY EUROCATALYST

WITH THE SUPPORT AND ASSISTANCE OF HOUSINGWIRE

16-17 NOVEMBER 2009 | BARTON CREEK RESORT | AUSTIN, TEXAS | www.distressedservicing.com

PROGRAM CONTENT and MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com



## PROGRAM FOR REGISTERED DELEGATES

**A PRIMER |** by TONI MOSS

We realize that today nearly everyone in the housing finance industry is drowning in one way or another; therefore, we've done our best to create a program that avoids merely describing the water. If you're willing to tread with us, we'd like for you to understand why the globalization of mortgage markets continues to be the context of this event since its launch in Madrid in 2002, and how that understanding might clarify your thoughts about the housing finance system and impact your strategy moving forward. In that process, we hope that some of you might become better swimmers and that everyone will be far more proficient at navigating the tide. We refer to globalization as the expansion of social, political, and economic activities around the world; the intensification of the interconnectivity of trade, finance, migration, and culture; the acceleration of global interaction and the magnification of local development that lead to enormous and sometimes disproportionate global consequences. In the context of housing finance, whereas most discussions refer to the local nature of housing, ours refers to the global nature of funding and asks which factor is more important in determining its future.

The fundamental philosophy of this event is our belief that the only way to understand housing finance, mortgage markets and related investments is to focus on the entire system in order to understand its parts. This "holistic" approach explains why we feature all sessions in one room, in one continuous dialogue that builds progressively from beginning to end. If you miss a session or two, you might miss the point. The words in session titles have purpose and the session titles themselves are maps. These maps lead you to draw your own conclusions about where the industry stands today to better anticipate where it might be tomorrow. Our intent is to create an atmosphere that is challenging, inspirational and interactive. And this is why we call the event a "dynamic, peer-to-peer think tank". The content and ideas generated are as valuable as those who participate in the process, which is why the event remains invitation-only and limited in number to maintain the intimacy and authenticity of the community. The opposite of a holistic approach is the belief that the parts of a system are more valuable than the system itself. The natural outcome of this "reductionist" approach is commoditization, whereby a product is transformed to such an extent that brand becomes meaningless and consumers buy on price alone. Considering the profound significance and systemic importance of mortgages from individuals to governments to global capital markets, it is only in the context of globalization that it becomes clear why mortgage markets would be the epicenter of the global economic fault-line.

Now that the fault line has ruptured, the economies of scale that once drove financial profits have led to diseconomies of scale that have crippled operations, increased regulation and eroded public trust. We begin this year's program with "Apocalypse Now: The impact of globalization on mortgage markets." Where does one even begin to look for solutions and opportunities in such rapidly declining conditions? If you can't change the conditions, you can change the way you think about them. Even if it means "Thinking the Unthinkable" and reframing your assumptions about risk and opportunity.

Our program lays out a structure of topics that address issues from a global perspective and across all industry sectors. The role of servicing and mortgage administration is placed at the center of the mortgage lifecycle, and as the program unfolds you will understand why we view these activities as the axis around which the lending and credit cycle revolves. This year's discussion picks up from where we left off in London in 2008, offering five perspectives on the fate and future of servicing as the sector evolves at the front line of the crisis.

We are frequently asked why we deliberately chose to name the event "Distressed Servicing". And our answer is that regardless of where you stand in this epic struggle of capital Darwinism – taxpayer, consumer, lender, regulator, investor or anything in between – we are *all* special servicers now. The ultimate irony, however, is the fact that as taxpayers and citizens, we're all distressed asset investors now, too.

Distressed Servicing 2009 | EuroCatalyst 2009: Live from Austin, the dialogue continues . . .

PROGRAM CONTENT and MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

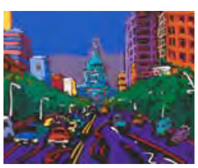
PROGRAM CONTENT and TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com

**VERSION 5.1**
First public release to registered delegates only. **Expect edits**, as well as adds to photos, lineups and descriptions.

**SESSION TIMING**
Please note that session timing may change +/- 30 minutes.

**SUNDAY EVENING BBQ AND KELLY WILLIS CONCERT**
All delegates are invited to join a **Welcome BBQ** sponsored by **First American** on Sunday evening, 15 Nov, in the Pavilion at Barton Creek. The BBQ begins at 6 p.m. and will be immediately followed by an **SWBC-sponsored concert** by legendary Austin singer **Kelly Willis** starting at around 7 p.m.

**'AUSTIN PURPLE CONGRESS'**
We will be holding a quick auction during the BBQ/concert to raise funds for **Cheryl Lang's "No Paws Left Behind"** charity by auctioning off a giclée reproduction of the print "Austin Purple Congress Avenue" by Austin painter Linda Dumont, whose work is considered to be "quintessential Austin." The print, signed by the artist, measures 3.5' x 3.5'.



**BREAKS**
Refreshment service is available throughout the day in the outer reception area immediately beyond the main session ballroom; as such, "breaks" in program are intended to give participants time to breath and take stock of the sessions.

**MONDAY EVENING COCKTAIL**
**Butler&Hosch** invites all delegates to a **cocktail reception** in the outer reception area immediately upon the conclusion of the last session of Day 1.

[ * Asterisk after a name indicates panelist is pending or to be confirmed ]

## MONDAY, 16 NOVEMBER 2009

### 08:00 – 08:15 INTRODUCTION AND WELCOME BY TONI MOSS

### 08:15 – 08:45 SESSION 1

**TAKE FIVE**

## We're *all* special servicers now

Whereas servicing has historically been viewed as the originator's back office, EuroCatalyst has dedicated years of effort to repositioning the servicing sector as the consumer and investor's front office. Call us crazy, but we have always believed that collecting the payments on mortgage loans and maintaining the collateral behind them was just as important as, if not more important than, distributing and delivering the loans. When we dedicated a separate event, EuropeServicing, as a communication platform to promote these ideas, we joked about the fact that servicers got so little attention in the industry they could not even get arrested. Today, so much blame, pressure and importance is placed on servicers that everyone actually wants to arrest them.

It is clear that the linear "value chain" approach to mortgage functions, which places servicing as the last (and least important) activity of the lending process, is fundamentally flawed. A complete restructuring of the industry is needed to place servicing considerations and capabilities as the first and central priority in all lending and investment activities. At the same time, servicers themselves must make the transition from administrative and fiduciary service providers to sophisticated asset managers capable of managing borrowers and collateral as equal assets. We suggest that the true role of servicing is to acquire, manage, distribute and protect information as currency, yet how well do servicers manage information?

The opening comments offer five perspectives on the role of servicers in the current crisis and the prospects for a changing role in the future. These perspectives will take on more meaning as the day unfolds, culminating in the final session and debate of the day, "Controlling Interest: Optimal servicing strategies for distressed mortgages".

**Ingrid Beckles,** *SVP Default Asset Management,* **Freddie Mac**
**Tom Marano,** *Chairman and CEO,* **Residential Capital, LLC**
**Paul Miller,** *Managing Director, Group Head of Financial Services,* **FBR Capital Markets**
**Toni Moss,** *Founder and CEO,* **EuroCatalyst BV**
**Seth Wheeler,** *Senior Adviser,* **U.S. Department of the Treasury**

# distressed SERVICING 2009

CREATED, PROGRAMMED AND PRODUCED BY EUROCATALYST

WITH THE SUPPORT AND ASSISTANCE OF HOUSINGWIRE

16-17 NOVEMBER 2009 | BARTON CREEK RESORT | AUSTIN, TEXAS | www.distressedservicing.com

PROGRAM CONTENT and MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com


Toni Moss


Todd Groome


Susan Lund


Kyle Bass


Doug Duncan


Ron d'Vari


Mark Fleming


Tom Marano


Alex Pollock


Seth Wheeler

**08:45–10:45 SESSION 2**

**APOCALYPSE NOW**

## The impact of globalization on mortgage markets

**HOST** **Toni Moss,** *CEO,* **EuroCatalyst BV**

**CO-HOST** **Todd Groome,** *Managing Director,* **Diversified Global Asset Management,** *non-executive Chairman,* **AIMA (Alternative Investment Management Association)**

**SPECIAL PRESENTATION** **ENTERING A NEW ERA**

## Global capital markets and housing finance

The latest research by the McKinsey Global Institute (MGI) on the evolution of the world's financial markets assesses the effects and implications of the current financial crisis and economic downturn through the lens of global financial assets and capital flows. Although the crisis will take years to play out fully, the research illustrates how the financial landscape has already shifted in several important ways. In this session, MGI project leader Susan Lund presents the findings of this sixth annual report, "Mapping Global Capital Markets: Entering a New Era". Susan tailors her discussion to address McKinsey's latest research on projections of credit losses anticipated in Western countries, where future growth will come from in emerging markets and current views on the future of housing finance.

**Susan Lund,** *Director of Research,* **McKinsey Global Institute**

**PANELISTS**
**Kyle Bass,** *Managing member,* **Hayman Capital Advisors**
**Doug Duncan,** *Chief Economist,* **Fannie Mae**
**Ron d'Vari,** *co-founder and CEO,* **NewOak Capital**
**Mark Fleming,** *Chief Economist,* **First American CoreLogic**
**Susan Lund,** *Director of Research,* **McKinsey Global Institute**
**Tom Marano,** *Chairman and CEO,* **Residential Capital, LLC**
**Alex J. Pollock,** *Resident Fellow,* **AEI | American Enterprise Institute**
**Seth Wheeler,** *Senior Adviser,* **U.S. Department of the Treasury**

Behavioral economist Andrew Lo describes the current crisis "an unavoidable aspect of modern capitalism, a consequence of the interactions between hardwired human behavior and the unfettered ability to innovate, compete and evolve." This session refers to that "unfettered ability", as globalization and its forces have exponentially accelerated and magnified risk, introducing new kinds of unpredictability, risk and uncertainty, not only to financial markets, but to every aspect of our lives, in particular, how we live, where we live and how we finance our lifestyles.

In this context, it should be no surprise that this crisis originated in the housing finance sector. A mortgage is generally the centerpiece of every homeowner's financial portfolio. It is the anchor product for most financial institutions. As an industry, mortgage markets continue to comprise the largest ratio of GDP in most countries. And the housing finance and real estate sector has been the single largest asset class in global capital markets. In the context of globalization, the implosion of mortgage markets occurred at a speed that no one could predict, and was magnified in proportions that no one could have anticipated. Ironically, the uncertainties today came from the very sources that were supposed to make the world predictable. This is why we so often hear the phrase, "unintended consequences".

With no historic precedent upon which to guide our future, we are left with nothing more and nothing less than a grand social experiment, one worth pursuing but one with an unpredictable outcome. Experts do not have the answers, which is why every individual has a role to play in its

PROGRAM CONTENT and MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com

outcome. Perhaps the beginning of the solution is to change the way that we think about mortgage markets and embrace the idea that the world has permanently changed, or what Bill Gross calls, "The New Normal".

We now know that mortgage markets around the world vary in form but not function. We also know that although housing is local, its funding is a global activity indifferent to national borders. And we now know that housing finance is the epicenter of the global economic fault-line.

This session takes a wider view of the complex issues occurring around the world from the magnification of systemic risk generated by the housing finance sector, to growing fears that the U.S. dollar is headed for a sharp decline, to changing the incentive structure that has driven the industry, to calculating the costs of the crisis, to threats to existing structures that could provide a way out of the crisis, to best guesses on navigating the way forward. The question is whether the mindset of the housing finance industry will change, which is crucial to avoid repeating the same mistakes.

**RECOMMENDED READING**

- *Global capital markets: Entering a new era,* McKinsey Global Institute (September 2009)
- *The Return of Depression Economics and the Crisis of 2008,* Paul Krugman
- *Globalization and its Discontents,* Joseph Stiglitz
- *Anatomy of a Murder - Who Killed America's Economy,* Joseph Stiglitz
- *The Shock Doctrine: Rise of Disaster Capitalism,* Naomi Klein
- *Freakonomics,* Stephen Dubner and Steven Levitt
- *Against the Gods,* Peter Bernstein
- *The Crisis of Global Capitalism,* George Soros
- *When Prophecy Fails,* Leon Festinger

# distressed SERVICING 2009

CREATED, PROGRAMMED AND PRODUCED BY EUROCATALYST

WITH THE SUPPORT AND ASSISTANCE OF HOUSINGWIRE

16-17 NOVEMBER 2009 | BARTON CREEK RESORT | AUSTIN, TEXAS | www.distressedservicing.com

PROGRAM CONTENT and MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com


Paul Jackson


Ingrid Beckles


Ken Blevins


Paul Hayman


Robert Klein


Dale McPherson


Lorenz Schwarz


Dean Williams

**10:45-11: 00 BREAK**

## Triage, arbitrage, and espionage: Navigating the distressed environment

**11:00–13:00 SESSION 3**

**WHEN A HOUSE IS NO LONGER A HOME**

### Mitigating collateral risk and maximizing recovery of REOs

HOST **Paul Jackson,** *Publisher,* **HousingWire**
CO-HOST **Robert Jackson,** *Managing Partner and CEO,* **Jackson & Associates**

PANELISTS **Ingrid Beckles,** *Senior Vice President, Default Asset Management,* **Freddie Mac**
**Ken Blevins,** *CEO,* **PMH Financial**
**Paul Hayman,** *CEO,* **TenantAccess**
**Robert Klein,** *Chairman,* **Safeguard Properties**
**Dale McPherson,** *President and Chief Executive Officer,* **Field Asset Services**
**Lorenz Schwarz,** *President,* **Phoenix Asset Management**
**Dean Williams,** *CEO,* **Williams & Williams**

When all loss mitigation efforts fail and foreclosure occurs, servicers – operating from a loss management position – navigate a minefield of obligations and increasing regulatory obstacles to reach the final goal of asset liquidation and limited investment recovery. No longer a loan, the underlying asset is now real estate, management of which requires an entirely different set of skills different from traditional loan servicing. And it's this unique skill set that tends to explain why outsourcing is far more prevalent in this sector of the mortgage value chain than at any other point in the process.

> For a hot-seat discussion, we'll take a look at the emerging short sale market and how servicers and REO vendors are integrating the short sale process into the REO side of the business. We'll ask the questions: do short sales matter? Will they really take off, and if so, what does that mean for the makeup of the REO marketplace?

**Part 1 – Risky Business.** REO sales aren't about profit, after all; they are about limiting an assured loss, especially in markets where home prices have been hit hardest. This session will take a look at key issues relevant to the risk holder and risk manager alike – How can success be measured and monitored? What strategies are best for managing risk? Where are REO property volumes headed in the next year?

**Part 2 – Crowded Houses.** We also provide an update on the impact of increased regulatory activities, both at the Federal and more localized level; in particular, we address the impact of a recent law that now requires a servicer to work with tenants living in recently foreclosed properties (Protecting Tenants at Foreclosure Act of 2009). We also look at the issue of community stabilization within the context of occupied versus vacant real estate.

**Part 3 – If It's Broke, How Do We Fix It?** Lastly, we ask a more general question: is the REO sales process broken? If so, where and what can be done to fix it? After all, much of the existing process used to sell bank-owned real estate arose during the last real estate crisis in the late 1980s and early 1990s. Are the models we use today, and have developed in previous eras of real estate turmoil, applicable to the distress we're now seeing in many real estate markets? Or are other approaches needed?

**13:00-14:00 LUNCH**

# distressed SERVICING 2009

CREATED, PROGRAMMED AND PRODUCED BY EUROCATALYST

WITH THE SUPPORT AND ASSISTANCE OF HOUSINGWIRE

16-17 NOVEMBER 2009 | BARTON CREEK RESORT | AUSTIN, TEXAS | www.distressedservicing.com

PROGRAM CONTENT and MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com


Toni Moss


Ingrid Beckles


Ron Faris


Laurie Goodman


Allen Jones


Jay Loeb


Diane Pendley


Faith Schwartz


Thomas Showalter


John Vella

**14:00-16:00 SESSION 4**

## YOU CAN'T GO HOME AGAIN
## The impact of loan modification and loss mitigation on foreclosures

**HOST** **Toni Moss,** *CEO,* **EuroCatalyst BV**
**CO-HOST** **Ingrid Beckles,** *Senior Vice President, Default Management,* **Freddie Mac**

**PANELISTS**
**Ron Faris,** *President,* **Ocwen Financial Corp.**
**Laurie Goodman,** *Managing Director*, **Amherst Securities**
**Allen H. Jones,** *Default Management Policy Executive,* **Bank of America**
**Richard Koch,** *Director,* **Standard & Poor's**
**Jay Loeb,** *VP, Strategic Business Development,* **National Creditors Connection, Inc.**
**Diane Pendley,** *Managing Director, Operational Risk,* **FitchRatings**
**Faith Schwartz,** *Executive Director,* **HOPE NOW Alliance**
**Thomas Showalter,** *Senior Vice President, Products and Analytics, FASLO,* **First American CoreLogic**
**John Vella,** *Senior Vice President, Head of Special Servicing,* **ResCap, LLC**

Foreclosures are depriving families of their homes, destabilizing property values and adversely affecting economies at the local, state and national levels. For servicers and investors, loan modifications are the most dynamic, complex and problematic issue of the mortgage crisis today. For regulators and homeowners, federally mandated loan modification programs including HAMP/MHA and Hope for Homeowners (H4H) appear to be regarded as the only remaining alternative to foreclosure. Most social and political initiatives are beyond investor control. They also affect servicers caught between conflicting responsibilities to shareholders, securities investors, and borrowers; compliance with increasing regulation at city, state and federal levels as well as executing federally mandated modification programs on an unprecedented scale. The widespread use of loan modifications overall – and the type of modification executed – has introduced massive conflicts of interest between parties in securitization transactions to such a degree that many refer to it as "bare-knuckle tranche warfare". Meanwhile, the threat of judicially ordered cramdowns has returned, providing a greater impetus for servicers to modify loans collateralizing securities through principal forgiveness. And lest we forget, borrower equity is a major driver of credit performance - and the majority of borrowers are in a negative equity position based on mark to market CLTVs.

The economies of scale that drove record servicing revenues prior to the crisis have turned into dis-economies of scale as servicers lack the volume of staff and training needed to comply with evolving federal mandates and different guidelines and requirements for Fannie, Freddie, non-GSE and FHA borrowers. [Warning - plot spoiler]: Industry statistics showing high re-default rates on modified loans to date, as well as increasing negative equity due to continuing house price declines, have convinced most industry participants that loan modification programs in their current form are just not working. The pull-through rate of most government programs are between 3% and 8%, leaving almost 90% of the problem unsolved. At stake is the threat of 10 to 13 million foreclosures through 2012 with an incalculable impact on the social, structural and economic stability of the U.S. as well as the global economy.

This session focuses on foreclosure prevention options with an emphasis on loan modifications and their impact on borrower psychology and behavior, investor value and servicer capabilities and capacity. In particular, we focus on the increasing volume of current federally mandated loan modification and refinance initiatives*, the impact of Treasury and industry scorecards and how servicers are changing operational and vendor strategies to cope with these demands. As the pressure to turn distressed borrowers into successful homeowners increases, we will show the impact of that pressure at the GSE level as they begin to buy back loans and transfer servicing to redistribute capacity and effectiveness. We also discuss a change in mindset to credit risk by showing how the asset value of borrowers can be quantified similarly to the asset value of real estate collateral. At the ground level, we discuss the psychology and behavior of homeowners facing foreclosure based on the experience of service providers knocking on doors in the field.

PROGRAM CONTENT and MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com

* HAMP / MHA, Hope For Homeowners (H4H), The Homeowner Affordability and Stability Plan and the "Helping Families Save Their Homes Act of 2009" and the Preserving Homes and Communities Act of 2009, Treasury scorecard

**RECOMMENDED READING**

- 2009-10-20| *U.S. RMBS Servicers' Loss Mitigation and Modification Efforts Update*, Diane Pendley, Mary Kelsch, Thomas Crowe, FitchRatings Special Report
- 2009 | *Willingness: The Tie that Binds,* Thomas Showalter, First American, Inc.
- 2009-03-05 | *Loan Modification Guidelines: Detrimental to the Non-Agency Market*, Laurie Goodman and Roger Ashworth, Amherst Mortgage Insight
- 2009-02-22 | *Homeowner Affordability and Stability Plan – Market Implications*, Laurie Goodman and Roger Ashworth, Amherst Mortgage Insight
- 2009-01-22 | *The Implications of Bankruptcy Cramdowns*, Laurie Goodman and Roger Ashworth, Amherst Mortgage Insight
- 2009-05-27 | *Conflicts of Interest & Tranche Warfare Move Front and Center*, Laurie Goodman and Roger Ashworth, Amherst Mortgage Insight
- 2009-08-18 | *Treatment of Principal Forbearance and Triggers in Modifications and Securitizations is not resolved*, Laurie Goodman and Roger Ashworth, Amherst Mortgage Insight
- 2009-07 | *Below the Line: Estimates of Negative Equity among Nonprime Mortgage Borrowers*, FRBNY Economic Policy Review
- 2008-11-14 | *State Mortgage Foreclosure Policies and Counseling Interventions: Impacts on Borrower Behavior in Default*, J. Michael Collins, University of Wisconsin-Madison, Ken Lam, Abt Associates, Cambridge MA, Chris Herbert, Abt Associates, Cambridge MA, Draft date: November 14, 2008
- 1961 / *A House for Mr. Biswas*, V.S. Naipaul
- JP Morgan's weekly update on loan modification program progress

distressed SERVICING 2009

CREATED, PROGRAMMED AND PRODUCED BY EUROCATALYST

WITH THE SUPPORT AND ASSISTANCE OF HOUSINGWIRE

16-17 NOVEMBER 2009 | BARTON CREEK RESORT | AUSTIN, TEXAS | www.distressedservicing.com

PROGRAM CONTENT and MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com


Dave Hurt


Paul Miller


Laurie Goodman


Sadie Gurley


Dominic Swan


Dennis Stowe

**16:00-17:00 SESSION 5**

## HIDE 'N' SEEK
## Finding relative value in distressed RMBS and (finding) whole loans

**HOST** **David Hurt,** *Senior Vice President, Business Development,* **First American CoreLogic Loan Performance**
**CO-HOST** **Paul Miller,** *Managing Director, Group Head of Financial Services,* **FBR Capital Markets**

**PANELISTS** **Laurie Goodman,** *Managing Director,* **Amherst Securities**
**Sadie Gurley,** *Managing Director,* **Marathon Asset Management, LP**
**Steven Katz,** *Chief Investment Officer,* **Arbor Residential Mortgage***
**David Reedy,** *SVP, Head of Whole Loan Trading*, **Ranieri Partners***
**Terry Smith,** *Senior Managing Director,* **Roosevelt Management Co.**
**Dennis Stowe,** *President and CEO,* **Residential Credit Solutions, Inc.**
**Dominic Swan,** *Global Head of Fixed Income, Halbis Capital Management,* **HSBC Asset Management**

At EuroCatalyst 2005 in Rome, Alan Boyce of The Soros Group made an astute prediction about the U.S. subprime sector and the state of U.S. mortgage market investments: "By the first quarter of 2007, the sh*t will really hit the fan!" And so it did. Mid-2007 brought the first round of distressed selling, which was brought on by deleveraging, extreme mark-to-market volatility, forced liquidations and redemptions, which in turn led to a significant increase in risk premiums. With risk premiums and risk aversion both at unprecedented highs, the non-agency residential mortgage securitization market literally shut down. Today, secondary trading volume remains high from forced selling, but marginal buyers are scarce. In many cases, technical pressures (including more broad and severe rating agency actions) have lead to valuations that are dislocated from asset quality and fundamental performance, presenting a unique opportunity for investors to earn attractive yields by buying distressed RMBS at prices far below their fundamental intrinsic values. Despite the clear government intent to support the housing market to recovery, the timing of their implementation calls for caution. On the other hand, RMBS have progressed further through the credit cycle versus other asset types, but as the previous session will have shown, loan modifications play a significant role in the relative value of distressed RMBS and whole loans.

This session looks at options and opportunities for investors across the spectrum of distressed mortgage markets including undervalued RMBS assets vs. whole loans vs. bulk REO purchases. In the current "moving target" environment, the problem of valuing the assets is more crucial now than at any other time in history. For lower tranche buyers, one thing is certain - you must know who your servicers are, and monitor them closely.

**RECOMMENDED READING**

- *Climbing out of the Distressed Hole: A Frank Look at Distressed Asset Disposition, Purchases, TARP and Alternative Strategies,* Dave Hurt, First American CoreLogic, Presentation

# distressed SERVICING 2009

CREATED, PROGRAMMED AND PRODUCED BY EUROCATALYST

WITH THE SUPPORT AND ASSISTANCE OF HOUSINGWIRE

16-17 NOVEMBER 2009 | BARTON CREEK RESORT | AUSTIN, TEXAS | www.distressedservicing.com

PROGRAM CONTENT and
MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and
TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com


Toni Moss


Amy Brandt


Bob Caruso


Jon Daurio


Jeff Hoberman


Steven Horne


Bill Erbey


Robert Meachum


Eddie Register

**17:00-17:15 BREAK**

**17:15-18:15 SESSION 6 | CHAMPAGNE DEBATE SPONSORED BY BUTLER & HOSCH**

**CONTROLLING INTEREST**

## Optimal servicing strategies for distressed mortgages

**HOST** **Toni Moss,** *CEO,* **EuroCatalyst**
**CO-HOST** **Amy Brandt,** *CEO,* **Vantium Capital**
**PANELISTS** **Bob Caruso,** *Executive Vice President, Strategy and Business Development,* **LPS**
**Jon Daurio,** *CEO,* **Kondaur Capital**
**Bill Erbey,** *Chairman of the Board and Chief Executive Officer,* **Ocwen Financial Corporation**
**Jeff Hoberman,** *CEO, Recovery Group,* **Southern Financial Partners**
**Steven Horne,** *CEO,* **Wingspan**
**Robert Meachum,** *Executive Vice President,* **Saxon Mortgage**
**Edward Register,** *Senior Director, Operational Risk,* **FitchRatings**

**THE CHAMPAGNE DEBATE WILL BE FOLLOWED BY A COCKTAIL RECEPTION SPONSORED BY BUTLER & HOSCH IN THE ATRIUM LOUNGE IMMEDIATELY OUTSIDE THE MAIN SESSION BALLROOM. ALL DELEGATES ARE WELCOME TO JOIN.**

# distressed SERVICING 2009

CREATED, PROGRAMMED AND PRODUCED BY EUROCATALYST

WITH THE SUPPORT AND ASSISTANCE OF HOUSINGWIRE

16-17 NOVEMBER 2009 | BARTON CREEK RESORT | AUSTIN, TEXAS | www.distressedservicing.com

PROGRAM CONTENT and MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com

## TUESDAY, NOVEMBER 17

**08:00-08:15 INTRODUCTION | OPENING COMMENTS**

**08:15-09:30 SESSION 1**

**TOO BIG TO FAIL**

### Government as lender, investor, risk manager of last resort

**HOST** **Todd Groome,** *Managing Director,* **DGAM,** *non-executive Chairman,* **AIMA**
**CO-HOST** **Toni Moss,** *CEO,* **EuroCatalyst BV**

**PANELISTS** **Ron d'Vari,** *Co-founder and CEO,* **NewOak Capital**
**John Kiff,** *Senior Financial Sector Expert,* **International Monetary Fund**
**Peter Monroe,** *chairman and CEO,* **National Real Estate Ventures**
**Laurence E. Platt,** *Partner,* **K&L Gates**
**Tim Skeet,** *Head of DCM,* **Bank of America Merrill Lynch**


Toni Moss


Todd Groome


Ron d'Vari


John Kiff


Peter Monroe


Larry Platt


Tim Skeet

The increase in uncertainty, unpredictability and risk introduced by globalization doesn't mean giving up hope to influence, shape and control it. As globalization increasingly transforms our nations, basic institutions, and personal lives, expect government to play a much larger, rather than lesser role through regulation designed to manage and control risk on behalf of its citizens.

In 1971 U.S. President Richard Nixon effectively replaced the "gold standard" with a new "information standard". Within a short period of time all fiat currencies were no longer based on tangible commodities but on intangible information flowing about a currency to support its value. Propelled by the rise of the information age, electronic currency has flowed across and beyond national borders at the speed of a mouse click, going, as former Citibank CEO Walter Wriston famously stated, "where it is wanted and is well-treated". If free market enterprise is the virus, the Internet is the host. Thus the free flow of information has transcended national boundaries, forcing nations to reinvent their identity by asserting their authority. Today, we see governments asserting their authority to gain control over economic boundaries that have been exposed and exploited by all of the unknowns of the shadow banking system.

Because the housing finance crisis has been close to catastrophic on a global scale, most Western governments have become lenders to and investors in most systemically significant financial institutions, creating a new reality in which these institutions now benefit from an implicit federal government guarantee. With no "exit plans" in sight, we should expect these guarantees and oversight of them to continue long after the immediate crisis has passed. This past June the Obama Administration announced its intent to create a "21st century regulatory regime" sophisticated enough to address a globalized economy to prevent further crises. But consider the fact that the same power that allows governments to compel, withhold, and tax also allows them to spread risks broadly (even onto generations that have not yet been born) and overcome failures in the private marketplace. Therefore, the role that governments play is really that of the ultimate risk manager, when everyone else fails.

This session provides an update of current government and regulatory intervention and increased prudential regulation in capital markets, and how they impact current programs targeted to address the U.S. housing finance crisis. In addition to a detailed analysis of current U.S. programs that impact liquidity (TARP, TALF, PPIP, CPP), we take a close look at HAMP, MHA and other programs and the opportunities – and obstacles – they present. Finally, we consider programs yet to be announced and discuss ideas for programs that could work more effectively to bring investors and stability back into the markets.

PROGRAM CONTENT and MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com


Tim Skeet


Todd Groome


Andrew Davidson


John Kiff


George Miller


Scott Stengel

**09:30-10:30 SESSION 2**

**THE DRY FOREST**

## The future of capital market funding for mortgages

**HOST** **Tim Skeet,** *Head of Debt Capital Markets*, **Merrill Lynch**
**CO-HOST** **Todd Groome,** *Managing Director*, **DGAM,** *non-executive Chairman*, **AIMA**
**PANELISTS** **Andrew Davidson,** *President,* **Andrew Davidson & Co.**
**John Kiff,** *Senior Financial Sector Expert,* **International Monetary Fund**
**Phoebe Moreo,** *partner, Securitization Transactions Team*, **Deloitte & Touche**
**George Miller,** *Executive Director,* **American Securitization Forum**
**Scott A. Stengel,** *partner,* **Orrick, Herrington & Sutcliffe LLP**
**OTHER PANELISTS TO BE ANNOUNCED**

One of the most promising alternatives to financing mortgages through the issuance of agency securities or the FHLB system is the potential for U.S. banks to issue covered bonds. Covered bonds are full recourse debt obligations of the issuing financial institution, secured by a pool of performing eligible assets that remains on the balance sheet of the issuer. If the issuer becomes insolvent, the cover pool is separated from the issuer's other assets for the benefit of the covered bondholders.

Offering a relatively cheap cost of funding compared to senior, unsecured debt, covered bonds can increase the stability of U.S. banks by tapping into a more broad and consistent global investor base. While legislative steps have been taken to remove current impediments to enable U.S. covered bonds to grow, they have been incremental and slow, and the development of U.S. covered bonds faces strong political hurdles due to their perceived limitations on borrower flexibility and affordability. What is needed is for more information on covered bonds across the continuum of U.S. mortgage market constituents.

This session focuses on the prospects of the return of securitization and the entry of covered bonds (or structured covered bonds) as funding tools for mortgages and poses the ultimate question, "will there ever be a private market for mortgage funding again?"

**10:30-10:45 BREAK**

PROGRAM CONTENT and MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com

**10:45-12:15 SESSION 3**

**ARTIFICIAL INTELLIGENCE**

## Finding relative value in house prices

**HOST** **Kyle Lundstedt,** *Managing Director,* **LPS Applied Analytics**
**CO-HOST** **Toni Moss,** *CEO and founder,* **EuroCatalyst BV**

**PANELISTS** **David Feldman,** *President,* **First American Valuation and Property Solutions**
**Mark Fleming,** *Chief Economist*, **First American CoreLogic**
**Andrew Leventis,** *senior economist,* **Federal Housing Finance Agency | FHFA**
**Keith Murray,** *President and CEO,* **PCV Murcor**
**Todd Wallace,** *EVP, Capital Markets and Analytics,* **Vantium Capital**
**OTHERS TO BE NAMED**

While blame for the current crisis continues to shift among policymakers and the general public, one thing is clear: The crisis gained traction when house price appreciation ground to a halt. Although we know that the most important variable in the entire lending process is the valuation of collateral and the surveillance of collateral risk, we also know that despite the most advanced technology and modeling techniques, all valuation is subject to human behavior and opinion. The ultimate "price" is the price that a potential buyer is willing to pay for it. Thus, the value of house prices is relative to your position in the market. In particular, which side of the risk you are on – the buy side or the sell side? Of the many factors that add fuel to the current fire, the increase in the number of homeowners in negative equity positions directly impacts prospects for house price recovery. How will the inevitable rise in the number of foreclosures further depress house prices? A recent report by Deutsche Bank suggests that the continued decline of U.S. home prices will contribute to rapidly rising rates of negative equity and projects that over the next two years, an additional 11 million households will be underwater, bringing the total to as many as 25 million households. Which came first? The chicken or the egg? Or is the housing boom and bust of the last decade, as suggested by a recent report by the New York Fed, more the result of shifts in economic fundamentals – especially, swings in labor productivity – than of "bubbles" and credit market irregularities. The most important question may perhaps be the most difficult to answer: When will we hit the bottom?

PROGRAM CONTENT and MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com

**12:15-13:45 SESSION 4**

**THINKING THE UNTHINKABLE**

## Recalibrating risk and opportunity

| | |
|---|---|
| HOST | **Toni Moss,** *Founder and CEO*, **EuroCatalyst BV** |
| CO-HOST | **Tim Skeet,** *Head of Debt Capital Markets, Covered Bonds,* **Bank of America Merrill Lynch** |
| PANELISTS | **Dr. Howard Botts,** *Executive Vice President and Director of Database Development*, **First American Spatial Solutions**<br>**Mark Fleming,** *Chief Economist,* **First American CoreLogic**<br>**Todd Groome,** *Managing Director*, **DGAM,** *non-executive Chairman*, **AIMA**<br>**Paul Jackson,** *Publisher,* **HousingWire**<br>**Kyle Lundstedt,** *Managing Director,* **LPS Applied Analytics**<br>**Paul Miller**, *Managing Director and Group Head of Financial Services,* **FBR Capital Markets** |

Due to the historically local nature of housing, our industry is uniquely myopic. In general, all organizations tend to take a narrow view of risk and believe that the greatest disruptions and surprises will come from within the boundaries of their industry or geography. As everyone in the global mortgage and investment industry have learned the hard way, the most significant strategic challenges have emerged from a larger ecosystem of forces – behavioral, social, technological, economic, environmental, and political – that are creating constant change. Which brings us back to our first session, "Apocalypse Now," where we started this year's program. The forces of globalization accelerate and magnify that change in ways that have paralyzed the market and undermined the industry as well as the global economy. Events that have happened took the entire industry by surprise and their impact continues to create dissonance among even the most astute intellectuals in the industry. We simply never asked the right questions, and we never thought to think the unthinkable. Organizations that do not have a system or practice of monitoring these exogenous forces of globalization are especially vulnerable to surprise. This is why we need to start thinking . . . the unthinkable.

This session combines the leading industry intellects (and authorities) to engage in an onstage discussion about risk and opportunity as we go forward.

**13:45 CLOSING COMMENTS | TONI MOSS AND PAUL JACKSON**

distressed SERVICING 2009

CREATED, PROGRAMMED AND PRODUCED BY EUROCATALYST

WITH THE SUPPORT AND ASSISTANCE OF HOUSINGWIRE

16-17 NOVEMBER 2009 | BARTON CREEK RESORT | AUSTIN, TEXAS | www.distressedservicing.com

PROGRAM CONTENT and
MAIN HOST
**Toni Moss**
512-461-6340
toni.moss@eurocatalyst.com

PROGRAM CONTENT and
TRAFFIC COP
**Shirley Jackson**
512-431-6310
sjn@eurocatalyst.com