

**MBA'S NATIONAL MORTGAGE
SERVICING
CONFERENCE & EXPO 2009 / TAMPA**

**Disposition of REO Properties:
Altruistic or Standard Solutions?**

Moderator: Marc J. Hinkle, PHH Mortgage Vice President

Panelists:

- Lance Kornicker, VA Realty Officer
- Kevin R. McCarthy, McCarthy & Holthus Partner
- Caroline Reaves, MCS President & Chief Operations Officer
- Robert Klein, Safeguard Properties Chief Executive Officer
- Cary Sternberg, American Home Mortgage Servicing, Inc. Senior Vice President

Industry Statistics

Lance Kornicker/Kevin McCarthy

Western United States Foreclosure
Trends/Activity
through 12-2008

ARIZONA

Month	Year	REO	Sold Third Party
January	2006	5.9%	9.3%
January	2007	25.3%	6.7%
June	2007	32.3%	3.7%
January	2008	75%	1%
June	2008	67.9%	3%
4 th QTR	2008	71%	3.4%

WASHINGTON

Month	Year	REO	Sold Third Party
January	2006	14.7%	12.5%
January	2007	13.6%	11.4%
June	2007	13.8%	9.3%
January	2008	27.4%	3.1%
June	2008	36.3%	10%
4 th QTR	2008	32.5%	5.8%

CALIFORNIA

Month	Year	REO	Sold Third Party
January	2006	7.4%	11.5%
January	2007	46.5%	9.1%
June	2007	60.6%	5.6%
January	2008	76%	1%
June	2008	67.5%	3.4%
December	2008	61%	4.6%

CALIFORNIA NOD ACTIVITY

Quarter	Year	NODs
1 st	2006	18,856
1 st	2007	46,760
4 th	2007	81,550
1 st	2008	113,809
2 nd	2008	121,341
3 rd	2008	94,240
4 th	2008	75,230 (SB1137)
October and November 2008		35,237
December 2008		39,993
January 2009 will be largest in history!		

CALIFORNIA REO VOLUME

Quarter	Year
1st	2006
1st	2007
4th	2007
1st	2008
2nd	2008
3rd	2008
4th	2008

Units
1,223
11,032
31,676
41,171
63,031
79,511
46,153

CALIFORNIA CLOSING TRENDS

Month	Year	Reinstated	Loss Mit	REO
January	2006	83%	3.7%	7.4%
January	2007	46.7%	5.1%	46.5%
June	2007	32%	12.1%	60.6%
January	2008	11.6%	8.1%	76%
April	2008	11.7%	10.5%	73.3%
June	2008	13.2%	13.7%	67.5%
4 th QTR	2008	5.5%	24.2%	61%

2008 REO Numbers:

- Are up 228.4% from 3rd Quarter 2008
- CA REO's account for 47.6% of the market compared to 9.5% one year ago
- SoCal median price down to \$285,000 11/08 from \$505,000 on 6/07
- In 2008, 2.8% of the CA housing stock was foreclosed

Where are we headed?

- Strong foreclosure activity through 2012
- Significant increase in CA Sales beginning March 2008
- Significant increase in CA REO assets to follow
- Some indication we are approaching the “affordability” level
- Home prices predicted to hit 2001 levels by 2010 - some believe this is an overcorrection
- Rates, employment and resets are the wild card

Property Condition

Caroline Reaves / Cary Sternberg

- Repairs
- Sell As Is
- Lendable Condition

Marketing Strategies

- Auctions, Bulk Sales and Other Strategies – Marc Hinkle
- Gifting and City Negotiation – Robert Klein
- Home Managers and Staging – Caroline Reaves and Kevin McCarthy

Affects of REO Properties on the Industry

Caroline Reaves/Lance Kornicker

Tenant Occupied Properties

Kevin McCarthy

Code Compliance

Robert Klein

- Greater Community Outreach
- Innovative Enhancements to Industry Practices
- Public/Private Partnerships towards Neighborhood Revitalization