



The Ever-Changing World of REO

Panel Members

- Caroline Reaves - Moderator
Mortgage Contracting Services
- Marc Hinkle
PHH Mortgage
- Kevin McCarthy
McCarthy & Holthus
- Miguel J. Gutierrez
Fannie Mae
- Eric “Bubba” Mills
Financial Asset Services, Inc.
- Tom Driver
Keystone Asset Management

Agenda

- 1) Industry Statistics, Past Experience, Future Expectations
- 2) Affects of Moratoria
- 3) Occupied Properties
- 4) Best Practices
- 5) New Agents in the REO Market
- 6) Carrying Costs



Western US Foreclosure Trends/Activity (Through December 2009)

CALIFORNIA

Month	Year	REO	Sold Third Party
January	2007	46.5%	9.1%
January	2008	76%	1%
January	2009	58.1%	3.9%
June	2009	63.8%	7.6%
December	2009	42%	13%

Arizona

Month	Year	REO	Sold Third Party
January	2007	25.3%	6.7%
January	2008	75%	1%
January	2009	68.9%	3%
June	2009	64%	7.8%
December	2009	49.2%	11.9%

Nevada

Month	Year	REO	Sold Third Party
January	2007	30%	3%
January	2008	79.7%	0.07%
January	2009	72.5%	3%
December	2009	32.6%	16.2%

Washington

Month	Year	REO	Sold Third Party
January	2007	13.6%	11.4%
January	2008	27.4%	3.1%
January	2009	50.3%	6.3%
June	2009	52.2%	6.4%
December	2009	26.1%	1.5%

California REO Volume

Quarter	Year	Units
1st	2006	1,223
1st	2007	11,032
1st	2008	41,171
1st	2009	43,620
3rd	2009	52,286

CA Closing Trends

Month	Year	Reinstated	Loss Mit	REO
January	2007	46.7%	5.1%	46.5%
January	2008	11.6%	8.1%	76%
June	2008	13.2%	13.7%	67.5%
January	2009	8.6%	25.9%	58.1%
June	2009	7.4%	16.3%	63.8%
December	2009	15.4	33.1%	39.8%

California NOD Recordings

Quarter	Year	Units
1 st	2006	18,856
1 st	2007	46,760
1 st	2008	113,809
1 st	2009	135,431
2 nd	2009	140,461
3 rd	2009	129,032
4 th	2009	92,123

Other State First Action Recordings/REO

September	First Action	REO
Arizona	10,830	4,090
Washington	1,684	1,372
Oregon	2,276	1,156
Texas	8,056	4,685
Idaho	1,122	356

Trends

- December 2009 filings down 15% from 2008
- December 2009 was up 15% from November 2009
- Fourth Quarter 2009 was down 7% from 3rd Quarter 2009
- Legislative and industry lead initiatives responsible
- 2009 still set foreclosure activity record in US

Trends continued

- December REO's were down 12% from November in CA
- Sold third party files were up 214% from December 2008. However, December saw a steep reduction in 3rd party sales over the rest of 2009 resulting from dramatic drops in opening bids.
- Strong push to get inventory to sale?

Where are We Headed?

- Higher % of NODs going to sale vs. reinstatement
- Strong foreclosure activity through 2012
- Significant increase in CA sales began in June 2009
- Rise in NOD recording expected in September 2009
- Significant increase in CA REO assets to follow
- Some indication that we are approaching “affordability”
- Home prices predicted to hit 2001 levels by 2010
 - Some believe that this is an over-correction
- Interest rates, employment, mod defaults and resets are the “wild cards”

Average REO Losses

- 2008 Average Percentage Loss: 38.7%
- 2009 Average Percentage Loss: 52.30%

Average Days on Market

- Redemption States:
 - ▶ 2008 Average DOM: **62** (after redemption)
 - ▶ Average Redemption Period: 97 days
 - ▶ 2009 Average DOM: **85** (after redemption)
 - ▶ Average Redemption Period: 95 days
- Non-Redemption States:
 - ▶ 2008 Average DOM: **87**
 - ▶ 2009 Average DOM: **76**

Affects of Moratoria

- Property Values
- Inventory Fluctuations
- Management/Staffing

Occupied Properties

- FNMA Deed for Lease
- Tenant Act (SB 896)
- Cash for Keys

Best Practices

- Use of Third Party Vendors
- Modified Marketing Strategies
 - Bulk Sales
 - Auctions
- Rehabilitation
- Partial (Front Room) Rehab
- Turf Staining



New Agents in the REO Market



Carrying Costs



Questions/Discussion