

**INTERACTIVITY QUESTIONS, A FEW PHOTOS FROM THE SHOW, AND A
BACKGROUND TO EUROCATALYST EVENTS**

**16 November 2009
Day 1 Session 1**

WE'RE ALL SPECIAL SERVICERS NOW

QUESTIONS, COMPLAINTS, REQUESTS FOR PHOTOS, PLEASE CONTACT
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TAKE FIVE

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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". **(TONI MOSS)**

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08:15 – 08:45 SESSION 1

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Toni Moss
EuroCatalyst BV



Ingrid Beckles
Freddie Mac



Tom Marano
Residential Capital, LLC



Paul Miller
FBR Capital Markets



Seth Wheeler
U.S. Department of
the Treasury



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Day One – Interactivity questions, comments from Session 1

1. For Seth. HAMP is not working well for pay option ARMS and loans seriously under water. Any ideas in the works at Treasury?
2. For Ingrid: What are the challenges and opportunities in the own-to-rent program?
3. How will the servicing fees / MSR pricing change in light of the new servicing models?
4. Why haven't the GSE's and treasury adopted a technology solution for servicers to better manage the loan modification process that would be transparent to all parties? Not the approval (NPV) but just the workflow?
5. For Seth, most large servicers have solicited their portfolios and the results are 650,000 trial mods. Where will the remainder of the 4,000,000 mods come from?
6. For Seth: What are your thoughts on second liens? What does it take to implement the second lien modification program?
7. Right on Paul!
8. Where are the GSE and treasury in adopting a transparent workflow solution that servicers could use with a 'safe harbor'?
9. In regard to downsizing the size of servicing platforms simply how big is too big?
10. For Tom...which financial products did you help innovate at Bear Stearns that you regret creating or facilitating today?
11. Who is 'closest' to getting it right?
12. Do you think that Banks need to outsource all default serving including short sale process?

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Day One – Interactivity questions, comments from Session 1 (continued)

13. Tommy: good ideas but how do you trade MSR's with variable price to servicer?
14. It was good to see everyone else's questions, can you restore that?
15. Seth Wheeler: what are the chances that HAMP modifications will be completed despite documentation deficiencies?
16. Is it true that large servicers are not giving sufficient high touch attention to servicing distressed assets, would it help to be able to get distressed assets out of securitization trusts and have them serviced by special servicers?
17. If failure is information, aren't we choosing ignorance as to real property values not to mention 'to big to fail' institutions and their supporting policies?
18. Paying traditional servicers MORE to do default servicing would seem to only incent more defaults. Isn't it a better model to pay special servicers to resolve defaults where they can be paid based on results and traditional servicers can focus solely on keeping performing loans performing?
19. How can industry organizations be more effective?
20. Aren't loan mods pay option arms? Isn't the home buyer tax credit a reduction in down payment? The two things Tom says were bad
21. Ingrid – How do you handle the political pressure to democratize these products? Other pressure to offer loans to those that don't qualify for mortgages?
22. Can you describe the future that would work? The mix between the Fed., servicers, and the investment folks? Where do you see the rating process in this mix? When the big banks are gone; what is the mixture that will work in the future?

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Day One – Interactivity questions, comments from Session 1 (continued)

23. For Ingrid – what do you think about a suitability test
24. Tom, servicers cry poor when it comes to paying for required high touch servicing both internally and use of external partners. Innovation has a cost, how do we address the financial shortfall. While we argue of who is paying for what, more homes go into foreclosure
25. Isn't the only way to return liquidity to the mortgage market, to have a clear understandable and trustworthy ratings system? When will we have that?
26. We will not improve the quality of retail originated product until we change the practice of paying commissions on mortgage loans without regard to quality

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**distressed
SERVICING**

16 NOVEMBER 2009
DAY 1 SESSION 1
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EUROCATALYST 2009

LIVE FROM AUSTIN



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ABOUT THE EUROCATALYST ANNUAL EVENT

EuroCatalyst BV established the annual EuroCatalyst event as a “peer-to-peer” think tank in 2002 to widen the industry’s perspective, challenge the status quo, and improve the products, processes, and practices of an industry that we had hoped would lead the new system of globalization, rather than become a victim of it. We identified housing finance as the core of the global economy and focused on the accelerated globalization of mortgage markets as the main factor that would shake the world’s economic fault line if national markets and market sectors did not communicate with one another.

In 2001 we approached the World Bank, the European Commission, the World Economic Forum, the International Monetary Fund, the US Mortgage Banker’s Association and the European Mortgage Federation to produce the event but found no interest as mortgages were viewed as “just one of many financial services products” in Europe, and the event was considered too broad in scope for US-based organizations. We were told that if our conviction was compelling enough, we should do it ourselves with their participation in support. The style and scope of the event would be modeled after the TED Conferences, Esther Dyson’s PC Forum and similar “big picture” events focusing on education and interaction in an intellectually challenging and entertaining environment.

The event was launched in 2002 with the participation of all European trade organizations and the European Commission. In subsequent years we chose to focus on the commercial realities of the markets, leaving their political implications to the political process. As such, starting in 2003, EuroCatalyst adopted a policy of independence and neutrality, and has never asked for nor received endorsement from any official organization. Instead, we invite regulators and policy-makers to attend the event anonymously, on complimentary passes, to communicate with and understand the mindset of industry players.

Identifying globalization as the fundamental context in which to establish the event allowed discussions to center around the vast divide between the local activities of housing (origination, distribution, risk management, servicing, and consumer protection) vs. the increasingly global activities of funding (leverage, relative value, servicing, risk management, and recovery) and the ways in which this dramatic “disconnect” impacted each sector of the mortgage lifecycle. This became the ongoing theme of the event, and broke new ground in bringing together disparate sectors of the industry in one place, at one time, for the first time. Because the industry continued to evolve differently in various nations, EuroCatalyst moved the event each year, as an editorial and educational commentary, to the country in which the most significant changes were occurring.

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In 2007 EuroCatalyst introduced a media ban on the content of current and future event sessions to encourage the open and honest dialogue among peers sharing ideas and seeking solutions to the fundamental restructuring of the markets. Participation has always been limited to 350 on an invitation-only basis to continually increase the caliber of dialogue and discussion among key regulators, investors and crucial market participants.

EuroCatalyst 2002: Madrid 23-24 September

Mortgage lending in Europe: Will national market structures survive globalization?

EuroCatalyst 2003: Lisbon 22-24 October

Competition and convergence in European housing finance and fixed-income investment, the future of funding

EuroCatalyst 2004: Berlin 11-13 October

Growth, integration, and differentiation in European mortgage markets and fixed-income products

EuroCatalyst 2005: Rome 26-28 September

Risk, relationships, and reward in European mortgage markets

EuroCatalyst 2007 : Madrid 4-5 October

Burning Down the House | Quemando la casa

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EUROPE SERVICING

Given the increasing financial leverage and risk that was occurring in mortgage markets, in 2005 we decided to directly address the weakest link, the mortgage administration and servicing sector. That year, we launched EuropeServicing to reposition the role of servicing from the originator's back office to the investor and consumer's front office. We highlighted the crucial role of servicing as the "bank within the bank" and the bridge between the primary and secondary markets, and brought investors and regulators directly into the discussion for the first time. The event became an industry-wide movement to generate ideas and strategies for improving the CMBS and RMBS servicing sectors and to highlight the most significant trends and players in Europe and the rest of the world. The event continually challenged what were considered to be "best practices" and brought awareness to the need to consider servicing issues prior to lending funds. At our last event in 2008, the audience overwhelmingly encouraged us to move the dialogue to the United States in 2009.

EuropeServicing 2005: 3 June | Amsterdam

Maximizing growth, minimizing operational risk and recovering asset value in European mortgage markets

EuropeServicing 2006: 31 May-1 June | British Academy of Film and Television Arts (BAFTA) London

Bridging primary and secondary markets, enabling cross-border lending and protecting investment value in European mortgage and real estate markets

EuropeServicing 2008: 28-29 April | British Film Institute (BFI), London

Vertigo: Mortgage servicing, processing, and administration in a world off-balance

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