



Whole Loan Capital, LLC

EUROCATALYST

HOUSINGWIRE

distressed
SERVICING 2009

Finding relative value in distressed
RMBS and whole loans

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Whole Loan Capital, LLC

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Relative Value in MBS & Whole Loans

Loan Landscape

“Even we’ve had to start to bid higher on % of current RE due to the intense competition in the NPL marketplace.”

– Trader at large hedge fund, November, 2009.

“With all the freebies coming out of Washington, why do I want to sell”

- Whole loan portfolio manager, June 2009.

“I don't see much money going out (from banks). I see a lot of carry trade“

– FDIC Chairman Sheila Bair, November 9, 2009.



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Relative Value in MBS & Whole Loans

Loan Landscape

- Too many distressed buyers – ‘PMT’ going into lending
- Wide bid/offer spreads
- Banks won’t sell due to lifelines coming out of DC
- Banks are only lending if they can sell the loan - jumbos
- Bank servicers protecting the 2nd liens with mods on the 1st
- No leverage
- Bad commercial loans snowballing



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Relative Value in MBS & Whole Loans

Sectors	Returns		Investment Term	Risks	Supply/ Comments
Distressed Loans	14 - 18%	annual	3 - 5 years	Layered	Lack of supply
Performing Loans					
Jumbo	6 - 7%	annual	4 to 12 years	Low	supplyopalozza
Rehab/Bridge	10 - 15%	annual	6 months	Some	Hundreds of millions
Existing Discounted	10 - 20%	annual	1 to 5 years	Moderate	Spotty supply
Non Agency MBS	7 - 20+%	annual	1 to 10 years	Low in senior classes	mega billions
2nd Liens	50 - 100+%	over term	1 to 3 years	Hello!	promising
FDIC (Bank United)	??			None??	Buy a bank, get in line

Related Sectors

Lending - Retail or Wholesale	100+%	over term	5 to 10 years	Manageable	Build a franchise
Special Servicing	25+% ??	annual	10 years	Market dynamics	Need GSE approvals!
Servicing	14 - 25%	annual		Market	Need scale



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Relative Value in MBS & Whole Loans

Keys to Picking a Strategy:

- Scale – size of investment
- Core Competencies/Infrastructure – can you leverage off current platform?
- Risk Tolerance – iron stomach?
- Return Expectations – singles or grand slams
- Investment Horizon – 6 months to 30 years
- Do you (your investors) have patience?
- Opinion on future house prices / employment



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Relative Value in MBS & Whole Loans

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- Business Development
- Asset Acquisitions
- Lender Consulting

Management

David A. Akre - 25 years experience:

- Residential mortgage acquisitions
- Portfolio management
- Loan valuation and trading
- Capital Markets
- Loss mitigation
- Lending
- New York Mortgage Trust
- Thornburg Mortgage
- GE Capital Mortgage
- Security Pacific Bank