



The 7th Annual Australian Securitisation Conference “The Way Forward”

ASF Project RESTART— Restoring Investor Confidence in Securitization

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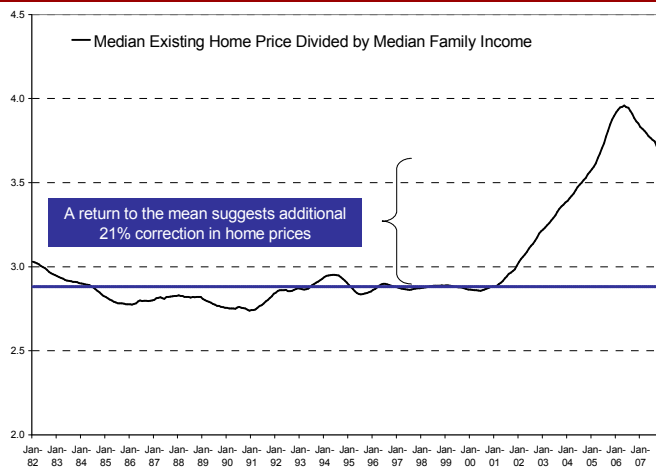


Roadmap

- ▶ US Property Markets and Subprime Outstanding
- ▶ RESTART development and participants
- ▶ Overall goals of Project
- ▶ Importance of RESTART
- ▶ Limitations of RESTART
- ▶ RESTART Phases
- ▶ Phase 1: ASF RMBS Disclosure Package
- ▶ Industry Coordination
- ▶ Project Next Steps



Existing Home Price Growth Far Outpaced Income Gains



Source: NAR, Zelman & Associates



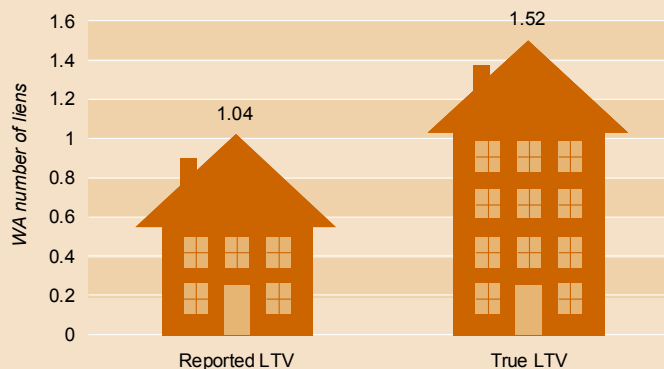
Comparison of 2006 RMBS Collateral Types

	Agency	Jumbo A	Alt-A	Sub-Prime	Hi-LTV 1*	125 Hi-LTV
Lien	1 st	1 st	1 st	90-100% 1 st	1 st	2 nd
Avg Loan Size	Agency	365,000	230,000	175,000	162,000	41,239
Fico Avg	720	739	721	630	701	693
LTV/CLTV		~67%	~77%	~88%	~102%	~117%
DTI	~32%	~32%	~36%	~43%	~41%	45%
Owner Occupancy	100%	100%	~80%	~90%	~95%	100%
Full Doc	100%	~90%	~50%	~55%	~80%	100%
Loan Purpose						
Purchase		~45%	~45%	~30%	~85%	~0%
Cash out		~15%	~35%	~60%	~10%	~95%
Rate Refi		~40%	~20%	~10%	~5%	~5%
AAA Credit Support	Agency	2.5-3.0%	5.0-6.0%	15-25%	20-30%	35-45%

	Industry	Prime	Subprime	Man Home	FHA	VA
Avg Income	\$85,666	\$87,184	\$71,509	\$43,412	\$50,470	\$59,075

Adding public record data shows substantially higher average number of liens per property

ABX 2006-2 – weighted average number of liens per property



Source: LoanPerformance

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Importance of RESTART

- ▶ “Take action, where appropriate, to **restart** the secondary markets for mortgages and other securitized assets. Accurate valuation and transparent disclosure of assets and consistent implementation of high quality accounting standards are necessary.” October 10, 2008
G-7 Finance Ministers and Central Bank Governors Plan of Action
- ▶ Cost and availability of credit for consumers
- ▶ Lender balance sheet and capital constraints point to heightened need for assets sales of new residential jumbo originations
- ▶ Strengthen secondary market discipline on primary market originations, better calibrate mortgage lending underwriting standards
 - ▶ Deter poor originators from accessing capital markets
 - ▶ Prevent race to the bottom
 - ▶ Stabilize pendulum swing of credit availability i.e. subprime loans
 - ▶ Reduce borrower/broker fraud
- ▶ Disperse credit risk

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RESTART Development

- ▶ ASF meetings of all market participants began in earnest early Fall, 2007
- ▶ Unprecedented industry attention on transparency and disclosure, particularly mortgages
- ▶ ASF Board of Directors approves Project on REsidential Securitization Transparency And ReporTing ("Project RESTART") Mission Statement in March 2008
- ▶ President's Working Group (PWG) requests ASF development of disclosure standards in March and recognizes ASF's work in October
- ▶ July 16, 2008 Public Launch of Project RESTART

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Regulator Reaction

- ▶ Statement by US Treasury Secretary Henry M. Paulson, Jr.: "Today's announcement by the American Securitization Forum is a meaningful commitment from market participants and is consistent with the March recommendations from the PWG. Improved disclosure is exactly what investors need to enhance their risk management practices and to give confidence to market participants. These types of actions should aid the return of the securitization market and help facilitate additional mortgage credit in the longer term."
- ▶ Statement by SEC Chairman Christopher Cox: "The ASF's Project RESTART is a valuable response to the PWG's recommendation in March that a private sector committee develop best practices regarding disclosure to investors in securitized credits..."
- ▶ Crosby's Report

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ASF Market Participants

- ▶ Issuers/Originators
- ▶ Investors
- ▶ Financial Intermediaries
- ▶ Servicers/Master Servicers
- ▶ Trustees
- ▶ Outside Counsel
- ▶ Rating Agencies
- ▶ Information Vendors/Analytic Providers
- ▶ Accountants
- ▶ Due Diligence Managers
- ▶ Credit Bureaus

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Overall Goals of RESTART

- ▶ Restore investor confidence in mortgage/asset-backed securities
- ▶ Increase availability and lower price of mortgage/consumer credit
- ▶ Identify areas of improvement and redevelop securitization standards from ground level with market based solutions/consequences
- ▶ Develop specific timelines for implementation
- ▶ Initial focus is on private-label RMBS
 - ▶ Jumbo prime, Alt A, Subprime
 - ▶ Develop comprehensive, integrated package of solutions
- ▶ Student loans, credit cards and autos potentially to follow
- ▶ Responsive to PWG request for ASF to develop model disclosures beyond ASF Multi-Seller ABCP Template

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Goals (cont.)

- ▶ Improve Disclosure and Transparency
 - ▶ Standardization
 - ▶ One data tape for all investors and other eligible market participants—No more, no less!!!
 - ▶ Definitions and calculation methodologies
 - ▶ Sync with GSE definitions where possible
 - ▶ Availability vs. usability
 - ▶ Reduce noise/normalization costs

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Goals (cont.)

- ▶ Standardization (cont.)
 - ▶ Transaction supplement
 - ▶ Loan concentration limits
 - ▶ Information process flow and timing

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Goals (cont.)

- ▶ Increase information to reflect product innovation
- ▶ Trust but Verify/Integrity of Information
 - ▶ Standardize and strengthen due diligence practices
 - ▶ Borrower fraud
- ▶ 'Skin in the Game'
 - ▶ Increase, expand and strengthen reps and warranties
 - ▶ Fraud issues have taken center stage on those discussions
 - ▶ Originator/issuer repurchase obligations and process
- ▶ Net Effect—Create “ASF Good Housekeeping Seal” with disclosure of deviations from standards.



Project not Silver Bullet

- ▶ RESTART package is Necessary, not Sufficient
- ▶ Outstanding MBS/ABS overhang
- ▶ Investor Lobotomies?
- ▶ Irrational exuberance
- ▶ Home price declines
- ▶ Outright fraud



RESTART Phases

- ▶ Increase hard data to investors
 - ▶ Pool and loan-level issuance data
Put investor in originator's shoes
(ASF RMBS Disclosure Package)
 - ▶ Specialized sets of fields for:
 - ▶ ARMS
 - ▶ Negative Amortization Loans
 - ▶ Manufactured Housing Loans
 - ▶ Liquidating Trusts
 - ▶ Scratch and Dent Loans
 - ▶ Servicer deal and loan-level reporting data
Put investor in servicer's shoes
(ASF RMBS Reporting Package)

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RESTART Phases (cont.)

- ▶ Increase integrity of hard data
 - ▶ Develop pre-deal due diligence standards
 - ▶ Strengthen originator review process
- ▶ Originator/issuer 'skin in the game'
 - ▶ Model reps and warranties
 - ▶ Model repurchase obligations/process
- ▶ Model PSA servicing provisions
 - ▶ Loan Modification Standards
 - ▶ Servicer Protections
- ▶ Other suggestions
- ▶ ASF Board of Directors Committee to Conduct Annual/Semiannual Review Process of Packages and Other Market Standards

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RESTART Phase 1: ASF RMBS Disclosure Package

- ▶ Brokers/Origination Channel
- ▶ Standard Back End Debt to Income Ratio
- ▶ LTVs/CLTVs/2nd Liens
- ▶ Appraisals/AVMs
- ▶ Documentation
 - ▶ Income, Assets and Employment
- ▶ Speculators/Investors
- ▶ Underwriter Discretion

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Proposed Market Standards

- ▶ Standard Back End DTI Calculation
- ▶ FICO Score Draws
 - ▶ Obtain multiple scores
 - ▶ Disclose all draws
 - ▶ Use consistent methodology in obtaining FICOs
- ▶ Recommend unique loan identification number at origination
- ▶ Standardize documentation types
- ▶ Elimination of OTS Delinquency Reporting vs. MBA Method
- ▶ Standardized Servicer/Issuer Names for Reporting
- ▶ Industry portal feasibility study
- ▶ All investors should receive the same final ASF RMBS Disclosure Package that other eligible market participants receive.

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Coordination with Global Industry Groups

- ▶ European Securitisation Forum (ESF)
- ▶ Australian Securitisation Forum (AuSF)
- ▶ Mortgage Bankers Association (MBA)
 - ▶ MISMO
- ▶ Commercial Mortgage Securities Association (CMSA)-CMSA IRP®
- ▶ Securities Industry and Financial Markets Association (SIFMA)
- ▶ Manufactured Housing Institute (MHI)

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RESTART Next Steps

- ▶ July Request for Comment
 - ▶ ASF RMBS Disclosure Package
- ▶ Launch of Global Securitization Report
 - ▶ December 3 (NY time) launch of report
 - ▶ Core recommendations related to RESTART
- ▶ Q4 or Q1 '09 Requests for Comment
 - ▶ ASF RMBS Disclosure Package
 - ▶ ASF RMBS Reporting Package

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RESTART Next Steps (cont.)

- ▶ Q1 & Q2, 2009 ASF Request for Comments
 - ▶ Model Set of Reps and Warranties
 - ▶ Post-securitization repurchase procedures
 - ▶ Pre-securitization due diligence standards
 - ▶ Model servicing agreement provisions
- ▶ Q3, 2009 Recommend Issuer Implementation
 - ▶ ASF RMBS Disclosure Package
 - ▶ Grandfathering of pre-Q1, 2009 originated loans
- ▶ Q3, 2009 Recommend Servicer Implementation
 - ▶ ASF RMBS Reporting Package
 - ▶ Grandfathering—Maybe not
- ▶ Where do you find out more?

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Finalization of Packages

ASF 2009—February 8-11, 2009
The Venetian & Palazzo Resorts
Las Vegas, Nevada

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