

2010 Washington Summit

Anatomy Of An Un-Tapped Market

Greg Stephens, SRA
VP, Operational Risk Manager
Bank of America
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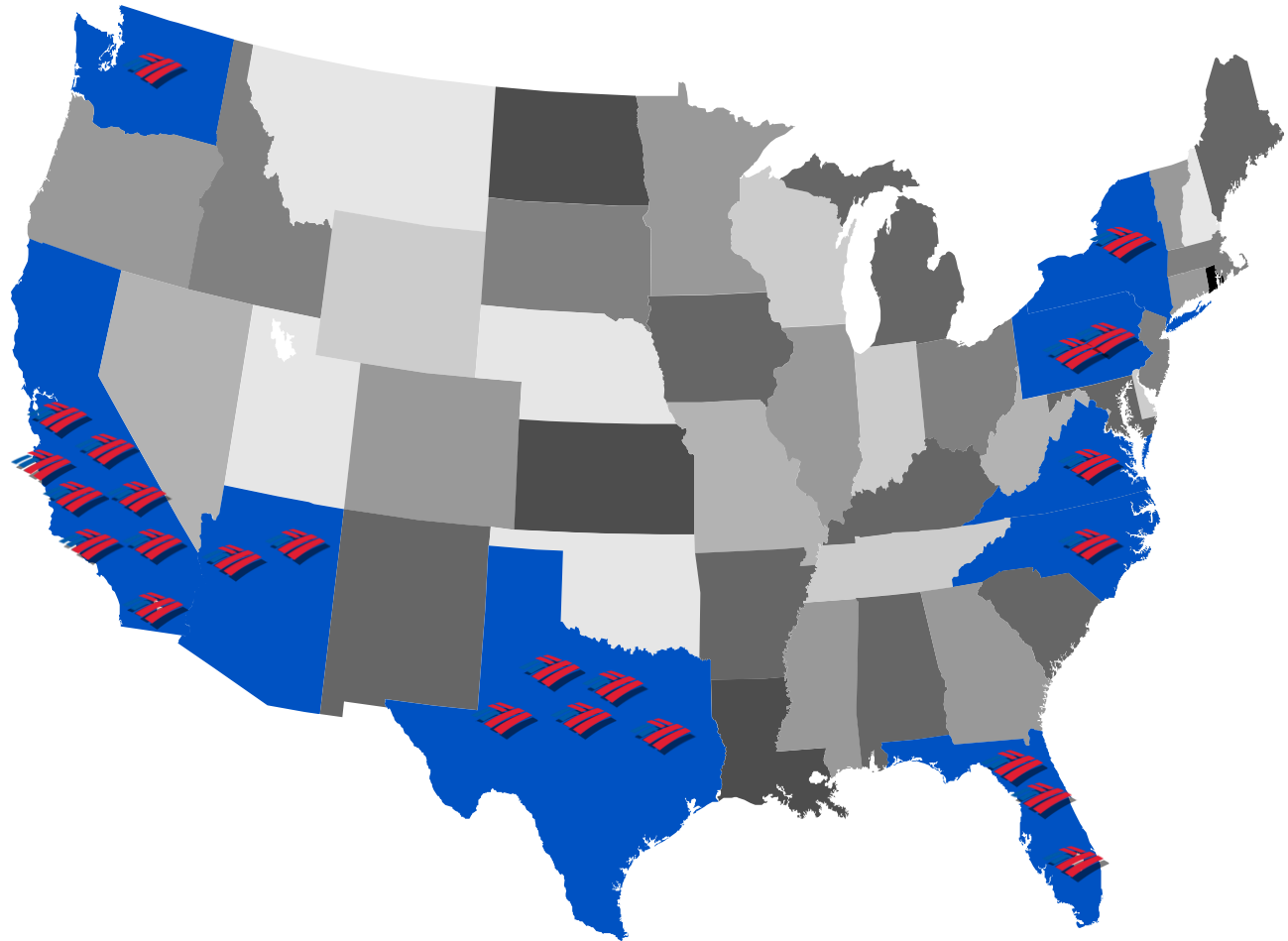
Valuation Opportunities Resulting From Real Estate Market Conditions

Market declines combined with the financial meltdown beginning in 2008 created the perfect storm for lenders / servicers requiring valuation services of non-performing assets

Bank of America Servicing Locations - Domestic

- Getzville (Buffalo), NY
- Greensboro, NC
- Simi Valley, West Hills, Lancaster, Glendale, Brea, Thousand Oaks, San Bernardino & Westlake Village, CA
- Richmond, VA
- Plano, Fort Worth, Addison & Richardson, TX
- Ft. Lauderdale, Jacksonville & Sunrise, FL
- Tempe & Chandler, AZ
- Pittsburgh & King Prussia, PA
- Seattle, WA

Approximately 18,000 default servicing associates as of June 2010*



Loan Servicing / Default Management

- Since Jan. 2008 – Bank of America has helped 630,000 homeowners with a loan modification through our own proprietary programs and with trial modifications through the Home Affordable Modification Program (HAMP)
- For 2010, as of the end of May, Bank of America completed more than 130,000 modifications

Loan Servicing / Default Management

- Industry leader for the number of active trials, offers extended and modifications completed under HAMP
- HAMP qualifications such as owner occupancy and employment reduce customer eligibility
- Enhanced the short sale, deed-in-lieu of foreclosure processes
 - Short sale strategies include Home Affordable Foreclosure Alternative (HAFA) and cooperative program

Loan Servicing / Default Management Valuation Opportunities

- Pre-Foreclosure Operations
 - Default Valuations – Loan Modifications
 - Short Sale
 - Bankruptcy
 - Subordinate Lien
- Post-Foreclosure Operations
 - Asset Marketing / Disposition

Valuation Opportunities

Default Valuations

- Each Loan Modification requires some level of valuation for the work out specialists.
- Some Require Multiple Valuations Due to:
 - Extended Work Out Periods
 - Properties Located in Declining Markets
 - Loans Returning to Default Status



Valuation Opportunities

Bank of America Loan Modifications

- Non-Performing Loans Are Direct Expense to Lender / Servicer
 - Each Dollar Spent on Retention/Foreclosure Is Non-Recoverable Expense/Loss
- Valuation Options Available to Work Out Specialists Have Been Limited
 - AVMs
 - BPO s - Exterior / Interior
 - Appraisals - Exterior / Interior

Product Decisioning by Loan Servicing

Valuation Product Availability

<u>Product</u>	<u>Turn Time</u>	<u>Cost</u>
AVM	Same Day	Proprietary
BPO – Exterior	2 – 3 Days	\$85-\$95
BPO – Interior	2 to 5 Days	\$125 - \$150
Appraisal - 2055	3 – 5 Days	\$250-\$350
Appraisal - 1004	5 – 7 Days	\$350-\$450

Product Decisioning by Loan Servicing

- **Workout Options**

- May Require Multiple Valuations Over Time
- Would Prefer Value From Appraiser
- Would be willing to pay more for appraiser

- **Short Sale Options:**

- Need to Know Current Condition of Property
- Cost is Major Decision Component for Valuation Service
- 90% of offers fail to produce a transaction

Product Decisioning by Loan Servicing

- Bankruptcy
 - Borrowers File Unsuccessfully ending up back in Pre-Foreclosure Workout
- Subordinate Lien
 - Bank is in Second Position
 - Protect Position or Walk?

What is Future of Default Market?

Recent Publications Indicate:

- **Eleven Million Homes Are Under Water ***
 - **Nevada – 70%**
 - **Arizona – 51%**
 - **Florida - 48%**

* Mortgage is greater than market value

* Core Logic / *The Dallas Morning News*

What is Future of Default Market?

According to data compiled for *The New York Times* by CoreLogic –

- One in every Twelve Mortgages below \$1M is delinquent
- One in seven loans in excess of \$1M is seriously delinquent

What Are Lenders Seeking ?

Prefer:

- Valuation Services Provided by Appraisers
- Incorporating Massive Amounts of Data
- Providing More Robust Analytics
 - CVR Report, etc.
- Appraiser Should Be Analyst Rather Than Property Inspector

What Can Appraisers Do ?

- **Embrace New Technologies to Provide Alternative to BPOs Through Efficiencies**
 - **Appraisal World**
 - **CVR Report**
 - **Comp Cruncher**
 - **Valuations Unlimited E-Valuation**
 - **Data Master**
 - **Collateral Analytics – Value AVM**

What Can Appraisers Do ?

- **Think Outside the “Traditional” Box**
 - **Valuation Reports Other Than 2055 / 1004**
 - **Property / Neighborhood Data Alternatives**
 - **Property Inspection Reports**
 - **BPO Reports (photos / condition data)**
 - **Aerial Photography**

Summary - Capitalizing On An Un-Tapped Market

- Industry estimates are that over one million BPOs are completed each month, most within the Loan Servicing / Default Management sector of the market.
- This is a previously un-tapped market for the residential appraiser.
- The technology currently exists, is available to appraisers to facilitate development and delivery of alternative valuation products and is being utilized by an increasing number of appraisers nationally.



Thank You

Q & A