



The Loan Sale Advisor

Spring 2007

Best Practices in Active Portfolio Management

Page Two

• Deal Book

Page Four

• DebtX in Brief

• Offices

DXMark™ Facilitates Warehouse Lines of Credit, CDOs

DebtX is working with a growing number of financial institutions to value the underlying collateral securing warehouse lines of credit and CDOs (Collateralized Debt Obligations).

DXMark provides lenders with a market evaluation of individual loans based on actual loan sale data from DebtX's online debt exchange, which sells billions of dollars annually in Commercial & Industrial (C&I) and Commercial Real Estate (CRE) loans for commercial banks, insurance companies, investment banks and finance companies.

DXMark is expressed as a percentage of the par value of a loan and is an estimated price that could be obtained if a loan was sold in the secondary market at a particular point in time. To

"Using DXMark, institutions have a greater comfort level with the collateral and can provide a higher loan-to-value than they would otherwise."

arrive at that valuation, DebtX collects a standardized set of information shown to be predictive of a loan's selling price. DXMark provides valuations for both performing and non-performing CRE loans and employs different methodologies for each to accommodate for their differences.

More Than 100 Deals Executed Through DXSyndicate™ in Past 4 Months

The number and velocity of deals executed through DXSyndicate continues to increase as more institutions adopt DebtX's web-based, front-office platform that enables syndication professionals to improve profitability and deal flow.

Lead arrangers are using the platform for secure document distribution, book running, investor communication, long-term deal tracking,

"DXSyndicate gives syndication professionals a powerful and seasoned platform, backed by the track record and strength of DebtX, the leading online marketplace for C&I and CRE loans."

and operations management. In the past four months, more than 100 deals have been distributed through the system.

"DXSyndicate is a great platform for the Syndications Group at Sovereign Bank," said Managing Director Bill Maag. "There were no up-front installation expenses, no ongoing IT headaches, and it's very easy to use. Combining investor and deal management with document distribution in a single web platform really makes sense for us. DebtX's customer support has been terrific, and we expect DXSyndicate to help us be

continued on page 4

continued on page 3



The Deal Book

Highlighted transactions recently completed by DebtX

Seller: Regional Bank

Assets: \$67 million of CRE and C&I loans with mixed performance. The offering consisted of 76 loans in 28 pools. The collateral was located in New York, Michigan, Ohio and Illinois. The notes were secured by vacant land, business assets, industrial, multifamily, and other Commercial Real Estate.

Marketing: DebtX's marketing campaign included 2,500 e-mails and 400 personal phone calls to investors.

Results: More than 120 bids were received from 34 entities. The seller's reputation generated strong interest from investors, and each asset received multiple bids. In aggregate, the pools sold at a price that exceeded the seller's reserve by 11%. Excess proceeds were more than \$3.8 million.

Seller: Top 10 U.S. Bank

Assets: Article 9 sale that included 191 assets and a \$30.8 million receivables balance. The asset pool consisted of 26 financing relationships, both leases and loans. The sale included obligations primarily secured by equipment, including vehicles and printing equipment. The borrowers/lessors were located in eight U.S. states and Ontario, Canada. The majority are located in Maine, Massachusetts, and New York.

Marketing: DebtX's marketing campaign included 2,000 e-mails and 300 personal phone calls to investors specially interested in these types of loans.

Results: Ninety-nine investors reviewed the offering with 62 performing summary due diligence and eight performing full due diligence. Three separate investors placed bids, and the offerings sold at a price that exceeded the seller's reserve by \$350,000.

Seller: Finance Company

Assets: This participation offering consisted of 125 seasoned performing SBA 7A loans, with a total outstanding principal balance of \$77.7 million and a balance available for purchase of \$16.1 million. All of the loans were secured. This was a national portfolio of borrowers with the highest concentration located in Florida and Massachusetts.


Marketing: DebtX's marketing campaign included 2,000 e-mails, 1,900 letters to banks that originate small business loans and 300 personal phone calls to investors specifically interested in these types of loans.

Results: Sixty-eight investors reviewed the offering, with 42 performing summary due diligence, and eight investors performing full due diligence. While investors were initially uncomfortable with certain elements of the portfolio such as lack of seasoning and collateral shortfall, the loans sold at a price that was acceptable to the Seller.

Seller: German Home Loan Bank

Assets: This offering consisted of 22 non-performing CRE loans in seven relationships with a total outstanding principal balance of €44 million (\$58.5 million), a Weighted Average Coupon of 5.23% and a weighted average origination date of May 2001. All loans were secured by liens on real estate in various cities in Germany.

Marketing: DebtX's marketing campaign included 1,500 e-mails and 500 phone calls to U.S. and European investment banks, commercial banks, opportunity funds, and hedge funds.

Results: Thirty-five potential bidders reviewed summary level information and 11 entities performed detailed due diligence. The loans sold at a price that met the Seller's expectations. 

Sub-Prime Lenders Turn To DebtX

Financial institutions with sub-prime loan positions are taking advantage of the liquidity at DebtX's electronic exchange to reposition their portfolios as sub-prime debt continues to come under pressure.

DebtX has seen a significant rise in sub-prime loan sales following the turmoil in the sub-prime market from rising default rates. In addition, concerns from regulators and shareholders have prompted many lenders to re-examine their portfolios and adjust accordingly.

TAKING THE INITIATIVE

"Rather than deal with a spike in OREO, institutions are choosing an efficient liquidation now," said Bill Looney, Executive Vice President and head of U.S. Loan Sales for DebtX. "In selling before foreclosure, lenders stop the continued collateral price degradation and the costly and time-consuming foreclosure process. They also avoid the future costs and risks of owning foreclosed real estate for 24 to 36 months, or more, depending on the market. In short, these institutions avoid the frustration of previous business cycles when they were left suddenly holding illiquid assets."

A key motivation for many lenders is the positive effect on stock price when sub- or non-performers are disposed of quickly. "Banks are realizing that with no discount in net proceeds, they can clean up their balance sheets today and immediately eliminate pressure on the institution's earnings and share price."

Despite the increase in sub-prime loans for sale, prices are holding steady because higher yields are attractive to a growing pool of institutional investors, opportunity funds and private equity funds around the world.

"This product is a yield play for most investors," Looney said. "We have continued to find new players in the capital markets looking to put capital to work, even in sub-prime or other out-of-favor asset categories. We have been able to satisfy both sellers and buyers by bridging the market dislocation between lenders looking to exit this asset class and investors seeking better yields."

continued on page 4

DXSyndicate™ Gains

continued from page 1

productive and efficient as we grow our business."

DXSyndicate requires no installed software and can be operational in just a few hours.

"DXSyndicate tracks deals from the pipeline through syndication and post-closing agency stages," said Managing Director Bill Jakubowski, who has responsibility for DXSyndicate. "We've received uniformly positive feedback from our clients and their investors. Analysts

"DebtX's customer support has been terrific, and we expect DXSyndicate to help us be productive and efficient as we grow our business."

really like the drag-and-drop document manager, which allows a deal to be set up in just a few minutes.

Salespeople appreciate how easy it is to log their calls and are particularly pleased that certain activities are recorded automatically, so they can focus on calling investors rather than logging calls."

Jakubowski said that real estate investors like the system because it's easy to get all necessary information in one centralized location and see photos of the properties in a slide show presentation right alongside key deal information.

DXSyndicate is a single, web environment where all functions can be accessed online.

"Products that offer only document distribution, require software installation and maintenance, or require multiple synchronized products to sell a deal are inefficient and expensive," Jakubowski said. "DXSyndicate gives syndication professionals a powerful and seasoned platform, backed by the track record and strength of DebtX, the leading online marketplace for C&I and CRE loans."

FOR MORE INFORMATION ABOUT DXSYNDICATE, CONTACT BILL JAKUBOWSKI, MANAGING DIRECTOR, AT WJAKUBOWSKI@DEBTX.COM OR 617.531.3431. 

DebtX Offices

Boston

133 Federal Street
Boston, MA, 02110
Telephone: (617) 531-3400
Fax: (617) 531-3499

Atlanta

555 North Point Center East
Alpharetta, GA 30022
Telephone: (678) 366-5028
Fax: (678) 366-4312

Boulder

4440 Whitney Place
Boulder, CO 80305
Telephone: (303) 545-5207
Fax: (720) 304-3281

Chicago

1279 Cranbrook Circle.
Aurora, IL 60504
Telephone: (630) 820-1410
Fax: (630) 820-1433

New York

The Fisk Building
250 West 57th Street, 9th Fl.
New York, NY 10107
Telephone: (212) 835-9480
Fax: (212) 835-9482

San Francisco

204 E. 2nd Ave., No. 249
San Mateo, CA 94401
Telephone: (650) 344-6719
Fax: (650) 343-1593

Frankfurt am Main, Germany

An der Welle 4
D-60422 Frankfurt am Main
Telephone: +49 69 7593 8414
Fax: +49-69-75-93-8200

www.debtX.com

DebtX In Brief

DebtX Year in Review - 2006

DebtX grew loan sale volume 38% compared to a year ago and posted its sixth consecutive year of record sales.

The growth was due to a significant increase in European loan sales, particularly in Italy and Germany. In Europe, financial institutions are in the midst of restructuring their balance sheets to position themselves for future growth and enhanced competitiveness.

In addition to volume growth, 2006 highlights included:

- Increased usage of DXMark, DebtX's proprietary service that enables financial institutions to generate an objective assessment of their CRE loan portfolios based on actual market data from secondary loan sales transacted at DebtX.
- Expanded usage of DXSyndicate, a secure, Web-based front office platform that provides syndication professionals integrated document distribution and investor contact management.

DXMark

continued from page 1

"DXMark is a perfect solution for institutions engaged in warehouse lending or CDOs because it provides a critical and missing piece of information – the current market value of collateral," said DebtX CEO Kingsley Greenland. "Using DXMark, institutions have a greater comfort level with the collateral and can provide a higher loan-to-value than they would otherwise."

DXMark has provided evaluations for more than \$100 billion in CRE loans and has been used by Freddie Mac and the Federal Home Loan banks, including the Federal Home Loan Bank of Boston.

FOR MORE INFORMATION ABOUT DXMARK, CONTACT KAREN DIANE JOHNSON, MANAGING DIRECTOR, AT [KJOHNSON@DEBTX.COM](mailto:kjohnson@debtX.com) OR 617.531.3432. ☒

Upcoming Events

DebtX will attend the following conferences:

2007 RMA Southeastern Conference on Bank Lending Success

April 19-20, 2007 Tampa, FL

MBA's Commercial Real Estate/Multifamily Finance Asset Administration

May 15-18, 2007 San Antonio, TX

CMSA Thirteenth Annual Convention

June 11-13, 2007 New York, NY

RELA's Fourth Annual Thomas E. Sasso Memorial Golf Outing

May 15, 2007 New Hempstead, NY

"DebtX had another highly successful year in 2006," said DebtX CEO Kingsley Greenland. "We anticipate accelerating growth in Europe this year. DebtX continues to enhance its unique portfolio of services, which help institutions generate liquidity in traditionally illiquid C&I and CRE portfolios." ☒

Sub-Prime Market

continued from page 3

While the majority of the sales at DebtX have been sub- or non-performing loans, a significant volume of performing loans is also being traded.

"Some institutions are selling sub-prime paper because they have acquired a portfolio that doesn't fit their long-term strategy, or they have made a strategic decision to exit a particular geographic area or asset category," Looney said. "DebtX gives institutions the capability to proactively diversify based on any criteria they choose."

FOR MORE INFORMATION, CONTACT BILL LOONEY, EXECUTIVE VICE PRESIDENT AT [WLOONEY@DEBTX.COM](mailto:wlooney@debtX.com) OR 617.531.3402. ☒