



The Loan Sale Advisor

Summer 2009

Best Practices in Active Portfolio Management

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Demand Grows for Loan Valuations

DebtX has broadened its loan valuation service beyond Commercial Real Estate (CRE) and is providing valuations of Commercial & Industrial (C&I) and residential loans to a growing number of financial institutions.

DebtX first introduced its loan valuation services for CRE portfolios in 2003, but today is performing an increasing volume of C&I and residential assessments to help banks, insurance companies, and government-sponsored enterprises obtain an objective valuation based on actual market pricing.

Portfolio valuations are derived using data from loan sales executed at DebtX's loan marketplace, as well as other observable market inputs.

Each month during the first half of 2009, DebtX performed valuations on more than \$850 billion in CRE loans.

"DebtX expanded its loan valuation services to meet demand from institutions seeking trade-based valuations for their C&I and residential loans," said Managing Director Karen Diane Johnson, who runs DebtX's valuation services group. "We have collected a significant amount of trade data on C&I and

Sellers, Buyers Turning To DebtX For Opportunity

A growing number of sellers and buyers are participating at DebtX to achieve different strategic objectives.

"For sellers, a regular program of loan sales sends a strong signal to investors and regulators that an institution is taking concerted action to manage its portfolio," said DebtX Managing Director Bill Looney. "From a buyer's perspective, DebtX provides an entry into Commercial Real

"Selling loans, rather than holding onto them, is the fastest way to return to profitability."

Estate (CRE) through the loan market without the complications of direct investment in the property."

In the past year, DebtX has experienced a large increase in selling institutions seeking to manage performing and non-performing loans. Financial institutions are executing loan sales as part of a broader strategy to actively manage their portfolios. In particular, many institutions are choosing to sell non-performing loans at DebtX instead of managing them through workouts.

"Financial institutions are not set up to be workout or real estate companies," Looney said. "Selling loans, rather than holding onto them, is the fastest way to return to profitability."

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The Deal Book

Highlighted transactions recently completed by DebtX

Seller: Top 25 Bank

Assets: \$183 million in performing and non-performing CRE loans. The offering consisted of 14 stand-alone relationships and seven loan pools. The loans were originated primarily to acquire and develop real estate and were secured by first and second liens. Collateral included residential developments and income producing commercial properties in Michigan.

Marketing: DebtX's marketing campaign consisted of more than 4,000 emails and over 500 phone calls to potential investors.

Results: A total of 332 individual investors performed high-level due diligence. Additionally, 120 investors conducted summary level due diligence and 30 investor groups completed full due diligence. In total, 107 bids were placed by 22 separate investor groups. The offering sold at an acceptable price to the seller. The sale was the 21st executed by DebtX on behalf of this institution.

Seller: German Merchant Bank

Assets: 18.1 million Euro(\$25.7MM USD) in non-performing CRE loans. The offering consisted of 133 non-performing loans collateralized by residential and CRE properties. More than 100 of 133 properties were located in western Germany, with the remainder in eastern Germany.

Marketing: DebtX executed an extensive marketing campaign to reach investment banks, opportunity funds, hedge funds, and other entrepreneurial investors known to acquire non-performing assets. DebtX sent more than 1,700 emails and made 250 phone calls to reach investors in Europe and the United States.

Results: A total of 86 investors performed summary due diligence, and 13 performed detailed due diligence. Additionally, DebtX received four handwritten bids. The

portfolio sale price exceeded its reserve by 1.4 million Euro (\$2.0MM USD). This was DebtX's seventh transaction on behalf of this institution.

Seller: Regional Bank

Assets: \$193 million in performing and non-performing CRE loans. The sale consisted of 23 single-borrower relationships, ranging from \$2.5 million to \$17.5 million, as well as five pools of lesser value. A majority of the loans were originated as acquisition and development loans for sub-divisions throughout Southern California. A high concentration of the loans were made in Los Angeles, Riverside and San Bernardino, where foreclosures levels are among the highest in the U.S.

Marketing: DebtX's marketing campaign consisted of 5,000 emails, 750 personal phone calls and advertisements in California real estate publications.

Results: A total of 116 bids were placed by 46 investor groups. The seller was satisfied with the closing price.

Seller: Top 25 Bank

Assets: \$80 million in performing and non-performing CRE loans. The offering consisted of 11 loan relationships collateralized by vacant land and residential properties in Michigan.

Marketing: DebtX's marketing campaign consisted of more than 4,000 emails and over 700 phone calls to potential investors.

Results: The auction had exceptional interest with 433 individual investors conducting high-level due diligence. Additionally, 205 investors conducted summary level due diligence and 26 investor groups conducted full due diligence. In total, 53 bids were placed by 19 individual investment groups. 

Demand Grows

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residential loans as a result of increased activity from institutions selling these loans at DebtX. As a result, DebtX is in a unique position to deliver portfolio valuations based on a broad spectrum of actual market sales."

Over the past two years, many of the nation's largest private and public financial institutions have worked with DebtX to obtain valuations of individual loans as well as entire portfolios. Each month during the first half of 2009, DebtX performed valuations on more than \$850 billion in CRE loans.

DebtX's flagship valuation service is DXMark™ which, among other things, provides valuations of CRE loans. These CRE CMBS loan valuations are tracked by BLOOMBERG PROFESSIONAL® Service. In June 2009, DebtX priced nearly 62,000 CRE loans with an aggregate principal balance of \$712 billion.

Intelligence For The Entire Balance Sheet

DebtX's loan valuation service is being used for a variety of purposes.

Institutions transferring assets between business entities often work with DebtX to obtain a third-party assessment of the assets. To evaluate risk, institutions also use DebtX's valuation service to determine whether they have adequate capitalization and/or reserves. Additionally, DebtX is often engaged to do stress-testing and model different portfolio scenarios.

"DebtX's valuation service can be used to fulfill a range of objectives that create greater transparency and improve risk management across an institution's entire balance sheet," Johnson said.

To learn more about DebtX's valuation service, contact Karen Diane Johnson at 617.531.3432 or kjohnson@debtX.com. For more information regarding DXMark via BLOOMBERG PROFESSIONAL® Service, type [DXMK <go>](#). 

Turning to DebtX

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Investing In CRE Without The Complications

For buyers, DebtX provides investors with a unique opportunity to enter the CRE market.

By purchasing the loan, investors can take ownership of the property and side-step the problems that often accompany direct ownership. Partner disputes, liens and other issues often create complications for buyers who invested directly in the property. When investors purchase the loan, they typically purchase control of the property itself and effectively minimize existing issues.

Because more institutions are selling at DebtX, investors have an increasingly wide range of product from which to choose. DebtX has recently sold large

"DebtX provides the liquidity and breadth of product to enable sellers and buyers to realize their objectives."

loan portfolios collateralized by office, industrial, multifamily and retail, along with acquisition, development and construction loans. DebtX has also sold significant portfolios of Commercial & Industrial (C&I) and residential loans.

DebtX makes it easy to do the financial analysis and compare many different investments across asset classes.

"DebtX provides the liquidity and breadth of product to enable sellers and buyers to realize their objectives," Looney said. 

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DebtX In Brief

DebtX To Sell \$1 Billion in Loan Participations

DebtX is selling approximately \$1 billion in loan participations from 15 banks in FDIC receivership.

The portfolio consists primarily of Commercial Real Estate (CRE) loan participations with concentrations in Georgia, Texas and the western US.

Each of the 377 loans in the portfolio will be offered on an individual basis, with bids due by 1 p.m. Eastern on September 1, 2009. Due diligence materials are available online at www.debtX.com.

Institutions interested in participating in the sale should contact Kendra Martin at 617.531.3439 or Joe Blackett at 617.531.3470.

"Given the size and diversity of this portfolio, banks across the U.S. will have a unique opportunity to purchase high-quality loans," said DebtX CEO Kingsley Greenland. "DebtX expects significant interest from banks seeking this type of product." ☒

DebtX Expands European Operations

DebtX has expanded operations in Spain with the opening of a Madrid office and the appointment of Spanish banking executive Antonio Anglada.

Anglada, who has more than 30 years of experience working in Spain's banking industry, was most recently the Chief Executive Officer of General Electric's Mortgage Division, which he launched and built. Prior to GE, Anglada worked for Citibank and AVCO Financial Services.

"Antonio Anglada is a highly respected member of the Spanish banking community with a proven record of building successful businesses," said DebtX Managing Director Gifford West, head of DebtX's international operations.

DebtX has been working with financial institutions in Spain for two years, and opened the Madrid office to meet growing demand from Spanish institutions seeking to sell performing and non-performing loans. In addition to Spain, DebtX has European operations in Germany, the UK and Italy.

DebtX is the largest secondary commercial and residential loan trading platform in Europe and the

Upcoming Events

DebtX will attend the following conferences:

TMA MidAmerica Regional Conference

September 9-10, 2009 Lincolnshire, IL

IMN 2nd Western Symposium on Distressed Residential & Multifamily Real Estate

September 14-15, 2009 Los Angeles, CA

Thomson Reuters LPC Loan Conference

September 17, 2009 New York, NY

RBC Capital Markets

September 22-23, 2009 Boston, MA

EXPO Real 2008

October 5-7, 2009 Munich, Germany

REOMAC Fall Conference

October 14-17, 2009 Hollywood, FL

CMSA-Europe

October 22-23, 2009 London, England

LSTA Annual Conference

October 29, 2009 New York, NY

Distressed Commercial Real Estate Summit East

November 4-6, 2009 New York, NY

MBA's CREF/MF Housing Convention & Expo

February 1-4, 2010 Las Vegas, NV

United States.

"Spanish banks have recognized that in the current crisis, they need an alternative to retaining distressed real estate loans and REO. DebtX enables financial institutions to sell distressed loans, and free up capital and workout resources. DebtX sees a significant opportunity to generate liquidity for Spanish banks and help those institutions return their balance sheets to health," West said.

To reach the Madrid office, contact Antonio Anglada, +34-91-188-1635 or aanglada@debtX.com. ☒