

School of Mortgage Banking II

Managing Profitability and Risk in Mortgage Banking

AGENDA

The SOMB II course runs Tuesday through Friday.

PLEASE NOTE: Instructors will schedule breaks during each session. Session start/end times are subject to change however all sessions will be covered during the course.

DAY 1 : TUESDAY	
<i>7:30 a.m.</i>	<i>Registration and Continental Breakfast</i>
8:00 a.m.	Welcome & Overview of Course
8:15 a.m.	Current Issues & Regulatory Compliance
10:45 a.m.	Profitable Production Management
<i>12:00 p.m.</i>	<i>Lunch</i>
1:00 p.m.	Profitable Production Management (cont.)
1:30 p.m.	Secondary Market Revisited/ MBSs & CMOs
<i>5:00 p.m.</i>	<i>Session Concludes</i>
DAY 2 : WEDNESDAY	
<i>7:30 a.m.</i>	<i>Continental Breakfast</i>
8:00 a.m.	The Art & Science of Pricing
<i>12:00 p.m.</i>	<i>Lunch</i>
1:00 p.m.	Pipeline Hedging
3:15 p.m.	Futures Overview
<i>5:00 p.m.</i>	<i>Session Concludes</i>

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DAY 3 : THURSDAY	
7:30 a.m.	<i>Continental Breakfast</i>
8:00 a.m.	Servicing Portfolio Overview
10:00 a.m.	Servicing Value Revenue Overview
12:00 p.m.	<i>Lunch</i>
1:00 p.m.	Servicing Value Expense Overview
2:15 p.m.	Prepayments Overview
3:45 p.m.	Case Study – Servicing Portfolio Offering
5:00 p.m.	<i>Session Concludes</i>
DAY 4: FRIDAY	
7:30 a.m.	<i>Continental Breakfast</i>
8:00 a.m.	Negotiating & Structuring the Commercial Loan
12:00 p.m.	<i>Lunch</i>
1:00 pm	Construction Lending
2:00 p.m.	<i>School of Mortgage Banking II Concludes</i>

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COURSE SYLLABUS

<u>TOPIC</u>	<u>OBJECTIVES</u>
Current Issues/Regulatory Compliance 2 hrs.	<ul style="list-style-type: none">• Explain at a high level the current regulatory environment and legislative issues facing the mortgage banking industry.
Profitable Production Management 2 hrs.	<ul style="list-style-type: none">• Identify loan production objectives• Describe loan production strategies• Identify sources of loan production• Identify methods of promoting loan production• Describe differences between centralized and decentralized operations.
Secondary Market Revisited 1 hr.	<ul style="list-style-type: none">• Describe the role of the secondary market and its participants• Explain how pricing plays a pivotal role in setting rates• Describe secondary market risks• Explain basic pricing and hedging terminology
MBSs & CMOs 2 hrs.	<ul style="list-style-type: none">• Explain key secondary market concepts• Define key terminology• Describe the evolution of capital markets• Assess the risks in Fixed Income Investment

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TOPIC

OBJECTIVES

The Art & Science of Pricing

1 hr. 30 min.

- Identify the components of pricing policy
- Describe monitoring and managing your policy
- Assess product and pricing strategy – reflect on the rate sheet
- Evaluation pricing for competing production channels and regions
- Evaluate how pricing drives behavior – lock-in policies and other negotiable items

Pipeline Hedging

2 hrs. 30 mins.

- Define risk
- Describe pipeline management
- Identify and classify types of risk: fallout, price, etc.
- Describe monitoring the pipeline
- Evaluate measuring fallout
- Identify elements to hedge
- Analyze the market
- Describe the basic elements of futures

Futures Overview

1 hr. 30 min.

- Describe a futures contract
- Assess and describe how to quantify risk
- Define basis risk
- Interpret the use of futures

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TOPIC

OBJECTIVES

Servicing Portfolio Valuation

7 hrs. 30 min.

- Define servicing value
- Identify the components of a portfolio
- Identify the pieces of the valuation process
- Identify and describe various income components
- Describe relevant operating costs
- Identify, classify and describe foreclosure costs and credit risk factors
- Describe the constituent parts involved in amortization calculation
- Identify and assess ways of projecting prepayments
- Identify the components of yield requirements

Negotiating & Structuring the Commercial Loan

2 hrs. 45 min.

- Identify the relevant components associated with the borrower.
- Name the documents needed to determine feasibility.
- Identify the various types of analysis.
- Name the required third-party reports.
- Name the options for management of property.
- Evaluate the relevance of the location of the property.
- Assess configuration, property construction, and layout.
- Define tenant risk – lease terminology.
- Reproduce practice calculations.

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TOPIC

OBJECTIVES

Construction Lending

2 hrs.

- Define various construction lending terms.
 - Assess and describe the risks of construction lending.
 - Describe the administration of construction loans.
 - Identify and describe the constituent parts of construction loan documentation.
 - Identify and describe the steps involved in the administration of construction loans.
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