



A.S. Pratt & Sons

Dear Valued Customer,

Mortgage Banking in 2008 and the beginning of 2009 was marked again by a continuing deterioration of the mortgage market and the virtual cessation of the securitization market as a result of the continued problems uncovered with respect to subprime loans. As mortgagor defaults have continued to spike, lawmakers and regulators at all levels of government have sought measures to bring relief to both an ailing market and to ailing borrowers struggling to make their payments. The meltdown of the mortgage market has put in motion a number of legal and regulatory initiatives, the results of which continue to be difficult to predict at this time.

In this time of significant market dislocation, the focus of market participants has been on how to manage their existing mortgage loan portfolios. The lack of a securitization market has brought about new opportunities for private participants (in particular private equity and hedge funds) to enter the mortgage market as secondary market participants. While the state of the industry is still in flux, there is no doubt that the year will be marked by an increased volume of private transactions. As mortgage loan portfolios continue to see increased default rates, and in light of several significant government initiatives introduced in 2008 and 2009, servicing will become an increasingly important issue for the mortgage banking industry.

In this environment, the focus of this update should come as no surprise to industry participants. In particular:

- Chapter 2 has again been rewritten to address the ever-changing regulatory environment, as well as to focus on secondary market concerns. It addresses proposed and pending statutes and regulations that can affect the secondary market as well as the most recent plans put forth by the Obama administration.

- Chapter 4 has been revised to discuss changes in certain representations and warranties necessitated by new legislation and initiatives.
- Chapter 5 has been revised to discuss the greatly expanded role of the FHA in this changing environment.
- Chapter 8 has been revised to discuss the new RESPA regulations and their impact on broker relationships and activities.
- Chapter 9 has been expanded to address the increasingly complex servicing issues and litigation that have arisen in the current environment.
- Chapter 11 has been revised to address concerns regarding servicing advances in light of the new stability plan put forth by the Obama administration.
- Chapter 13 has been revised to reflect the recent court decisions which have raised concerns about whether mortgage loans assigned into MERs would be problematic in the courts.

Our goal with *Secondary Market Residential Mortgage Transactions* is to help you keep up to date with law and strategies in this quickly changing field. Please let us know how we are doing. You can reach us at 1-800-572-2797.

Sincerely,

Catherine Dillon
Editor