

Portfolio Collateral Valuation: Art or Science?

*By Matthew Maloney, Executive Vice President,
First Financial Asset Management*

The Valuation of a pool of charged off assets can be both subjective in nature, as well as scientific. Much like real-estate appraisals on homes or commercial properties, various factors are taken into consideration when attempting to apply a valuation of this asset type. 'Subjective' elements such as recent "comps" (comparables in vicinity of the home or comparables whose asset class or age are similar) tend to drive non-quantitative perceived value of a portfolio. Additional subjective factors, including the acquiring party's operational abilities and business processes will also factor into pricing or valuation of a portfolio. For example, companies whose process is to acquire charged off assets for 'trading' purposes (an arbitrage or flip transaction) will often tend to value a portfolio on the low end of a "comp" valuation range because they are trying to acquire at a slight discount and trade the assets at a modest premium to a downstream buyer(s). Conversely, those buyers whose operational processes are to generate returns thru an application of collections, legal collections, credit card balance transfer, or other similar methods will tend to utilize a more quantitative (or scientific) approach to valuing a portfolio of charged off assets, which often times produces a valuation on the higher end of the market due in fact that returns will be significantly higher for these debt buyers (vs. that of a trader, flipper, or other entity who tends to hold these assets for a very short period of time).

When considering the valuation of charged off assets, application of the following four (4) elements tends to be the foundation of all deals (scientific vs. non scientific):

1. Asset Type (credit card, auto, wireless telecom vs. landline telecom, healthcare, student loans, pay day loans, etc.)
2. Age (Fresh, Prime Recalls, Secondary Recalls, Tertiary Recalls)
3. Work History (collection processes applied to the pool of accounts prior to acquisition)
4. Account Portfolio Composition (payers, if any VS. non-payer's- information contained herein below elaborates on this 4th element in more detail)

Each of these elements listed above is the fundamental basis (or starting point) for determining what the actual value of a portfolio of charged off assets is worth. They allow a prospective buyer to initially ascertain at a high level what the potential market value of the portfolio is.

However, it's not until a portfolio undergoes a comprehensive modeling process that aims to bifurcate and stratify all of the data elements of the charged off asset pool that a debt buyer can actually fully realize and produce an accurate valuation – at least not scientifically. These elements are also used in the calculation of Expected Remaining Recovery Value (ERRV).

**Note: Expected Remaining Recovery Value (ERRV) is the gross liquidation expected from a pool of assets over a pre-defined period or lifecycle of collections. This is usually measured in 60 month increments, although many publically held corporations in our industry utilize an 84 month calculation (7 years) .*

When modeling and subsequently applying a valuation of charged off assets, it is also important to understand the composition of the account portfolio, including all sub-categories of accounts contained on the portfolio (if any). Intrinsic changes that take effect (or have taken effect) within a tranche of accounts as it makes its way thru the collection process creates distinctive categories of accounts within a portfolio that was once homogeneous – each of which has a distinctively different value. For example, accounts that were once all 'non-performing' at time of acquisition immediately start to transition into sub-categories of accounts generally summarized below: {Note: traditional debt sales are on accounts with no current payment activity. However, if a seller wanted to have their entire portfolio evaluated in an ongoing basis consideration of all account sub-categories and their potential valuation must be factored in}

- ⇒ Active Accounts (non-paying but still active) – this makes up the bulk of any portfolio.
- ⇒ Paying Accounts or Post Dates
- ⇒ Legal Accounts
 - ◇ Judgments (against real-estate or real-property)
 - ◇ Garnishments
- ⇒ Promises To Pays
- ⇒ Broken Payments
- ⇒ Balance Transferred
- ⇒ SIF/PIF
- ⇒ Bankruptcy – Chap 7/11
- ⇒ Bankruptcy – Chap 13
- ⇒ Deceased – Non Probate
- ⇒ Deceased – Probate
- ⇒ Restricted Accounts

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As such, in order to determine a comprehensive valuation of an entire pool of charged off assets at any particular age within a portfolios life-cycle, one must first understand the aforementioned sub-segments and how to value each of these. *This would be a key component in the sale of a portfolio due to some sort of aggregate liquidation sale, whereby unlike a traditional sale of accounts which is typically orchestrated on the non-performing accounts of a portfolio only, an aggregate liquidation of substantially all accounts will produce a much higher valuation because the highest value accounts such as Payers, Legal, Promises, Balance Transfers, Broken Payers, and Chap 13's are all being sold, along with the Non Payers.

Do you need a portfolio valuation if so contact us at info@lighthouseconsultinginc.com or call Phillip W. Duff at 904-687-1687

"Scrub Your Inventory For All Known FDCPA Plaintiffs Today"

Lighthouse Consulting would like to announce another approved vendor FDPCA Case Listing Service

In 2007, 4195 consumers sued collection agencies in U.S. District Court for alleged violations of the FDCPA. In February of 2008, the number of cases reached 442, representing a 26% increase over the average number of monthly filings in 2007. If this trend continues, there will be in excess of 5000 cases filed in 2008. In reviewing last month's individual cases, a large part of this increase can be attributed to increased credit card charge offs and the rising trend of mortgage foreclosures. For all US District Court FDCPA Case filings for the first two months of 2008, the state of New York leads the statistic with 125 cases followed by Illinois with 81 and Florida with 77. Pennsylvania ranked fourth with 61 followed by Michigan with 48 cases and Minnesota with 47. These six states represent 52% of all the cases that have been filed nationally for the year. The average agency today handles hundreds of thousands of accounts. How many of these consumers that have sued other agencies in the past are in your files that you don't know about?

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Portfolio Spotlight

If you are interested in one of these portfolios please call Phillip W. Duff at 904.687.1687 or at phil@lighthouseconsultinginc.com

- ⇒ *Portfolio of apartment debt that is mainly OOS*
- ⇒ *BOA files available by State*
- ⇒ *HH GM cards coming soon available by State*
- ⇒ *We have many State specific buyers and we need more debt to feed them if you are looking some debt by State please call us immediately.*
 - ⇒ *DDA file in WI*
 - ⇒ *National DDA file*
- ⇒ *Orchard file available by State*
- ⇒ *Metris file available by State*
- ⇒ *Providian file by State*
- ⇒ *MN judgments for sale*
- ⇒ *OOS portfolio of mixed credit cards*
- ⇒ *Near OOS portfolio of mixed credit cards*
 - ⇒ *Payday loans for sale*
- ⇒ *If we do not list the portfolio you want here please call me as I can often locate the portfolio you desire*

Lighthouse Consulting can help you sell your portfolio!

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A subscription to FDCPA Case listing Service will provide that information for you.

What we have done is put together a seasoned industry team to research and compile all FDCPA cases filed nationally and in Puerto Rico on a monthly basis against collection agencies, debt buyers, and credit issuers. Our team researches all FDCPA cases that are filed in 91 separate US District Courts. We provide our Subscribers a detailed list of those cases, the consumers who have filed them, their attorney(s) and the agency/debt buyer/credit issuer that is being sued each month. The list is designed to be used as a "scrub" against the accounts in your inventory to identify those consumers that have an account that has been placed with you and have sued another agency in the past. These accounts need to be proactively identified for your general collection floor as they will have a higher propensity for litigation. Additionally, this subscription will help provide greater insight into the law firm representing the consumer. Information like active FDCPA case volumes, filing habits, case structure, and general FDCPA experience will be an invaluable resource to your Company's Counsel in the litigation process. It will also provide a consolidated directory for Paralegals researching FDCPA Case filings.

Once your membership subscription has been processed, you will initially receive a sortable excel spreadsheet with FDCPA cases that have already been filed in the previous six months (based on your subscription date). This spreadsheet will contain the specific District Court, case number, filing date, debtor name (plaintiff), agency name (defendant), the debtor's attorney of record, and any other pertinent public information. On the 13th of each month going forward, you will receive a monthly update with the cases that have been filed nationally for the previous month.

**Please Email me at
phil@OakleyDuff.com
for a complimentary 3 state sample. I
will even tell you who has sued you in
US District Court in the last 3 months
just to show you how thorough and
complete the database is"
Or call me at 904-687-1687**

Vendor Spotlight

Lighthouse Consulting has partnered with the best vendors in the industry and can help you make the best decision quickly. Let us guide you to better results and lower costs. Here are a few of our approved vendors

- ◇ Letter vendor that suppresses letters that would normally create return mail.
- ◇ Skip vendor that can make finding the right number easy for your collectors
- ◇ Mortgage lender that can lend to your debtors
- ◇ Collection agencies specializing in many types and balances of portfolios
- ◇ Law firms in most states
- ◇ Compliance services
- ◇ FDCPA case filings to reduce risk
- ◇ Collection software vendors
- ◇ Off shore collections
- ◇ Near shore solutions
- ◇ Debt resellers
- ◇ Spanish speaking collection agencies
- ◇ Messaging services
- ◇ And Lighthouse Consulting performs consulting services for all collections agents from new buyers to creditors.
- ◇ If you are a vendor and want on this list call me and we will see if you can qualify as an approved vendor