

The program, which the Treasury announced last April, is being closely watched because second-lien holders' reluctance to take losses has been a major obstacle to the effort to restructure troubled homeowners' debt.

Last week Citigroup Inc. became the last of the Big Four to sign up for the Second Lien Modification Program, or 2MP. JPMorgan Chase & Co., Bank of America Corp. and Wells Fargo & Co. had previously announced they would participate.

The four companies collectively own more than \$400 billion in second liens, based on fourth-quarter filings.

Mods that reduce the payment on a first mortgage without addressing the second can fail because the consumer's overall debt burden remains too heavy. And holders of the first mortgages are reluctant to take losses unless the second-lien holders do too.

But second-lien holders have been largely unwilling to take hits, in part because their loans are often still paying as the same borrowers default on their first mortgages.

Brian Moynihan, Bank of America's CEO, pushed back against the idea that its home equity portfolio "has to be all impaired," which he said was a widely held view.

In a March 10 presentation, Moynihan said about two-thirds of the loans are backed by homes that are worth more, at current market prices, than the first lien and second lien combined.

"The home equity product by definition is a product for more affluent people," he said. The company stands to continue to lose money on the business "for a number of quarters," Moynihan said, but "we're comfortable that that is not a huge issue for us."

If successful, 2MP could be a breakthrough for mods. The Treasury still needs to release updated guidelines for the program.

identified how many borrowers will be eligible or how many that have had permanent mods also have a second lien, she said.

During a recent presentation this month, SunTrust Banks Inc. CEO James Wells 3rd said he was uncertain about the potential consequences of House Financial Services Committee Chairman Barney Frank's March 4 letter to the nation's four largest mortgage lenders urging them to forgive principal on second liens to troubled borrowers.

"It's hard to say actually what will end up happening specifically as a result of anybody's belief about equity loans having to be cast aside when first mortgage loans are mitigated," he said. ♦

Kate Berry is a reporter for American Banker.

Integrity Captures Borrower, Even More Than Experience

By Lew Sichelman

WESTON, FL—Now that lenders can no longer afford to hire just everyone—or even just anyone—as mortgage loan officers, the \$94 question is this: Who to employ, the hard-charging extrovert with good work habits or the slow, methodical, experienced hand who has numerous contacts?

While it's not always an either/or choice, Patricia Sherlock, president of the QFS

Group, a Medford, N.J., consulting firm, believes integrity is far more important than experience. "Just because someone worked for Bank of America doesn't mean he knows how to sell," she said at the American Bankers Association's Real Estate Lending Conference here late last month.

Sherlock told the conference that of the nine personality traits of a successful sales person, three—expressiveness, self-reliance and a positive outlook about people—are "particularly unique and appropriate" to the mortgage sector.

The other six characteristics of a good salesman are energy, follow-through, optimism, resilience, assertiveness and sociability.

Being expressive isn't about being talkative, said Sherlock. In the end, a good salesperson will be "reserved, and give the customer an opportunity to speak."

Being self-reliant often is the quality that separates the great from the not so great, she also said. "It is often the missing part, and a strong predictor of sales success."

Not all of these attributes are part of every successful salesperson's DNA, Sherlock, who has published several books that analyze the work habits of top producers, also said. Many can be learned, and the hiring process should be structured to elicit as many of them as possible.

But above all, she said, lenders should "hire traits, not experience." ♦

Fannie Completes Bulk Auction

By Paul Muolo

WASHINGTON—Fannie Mae recently completed a bulk auction of 212 real estate-owned properties, its second such offering of the year.

The GSE, whose stated goal is to sell REOs to owner-occupants, would not comment on the auction but GSE sources and bidders confirmed it.

Investors familiar with the matter noted that the properties were in multiple states and represented some of Fannie's most dilapidated holdings. "You might say this was the bottom of the barrel," said one West Coast-based investor. "One had a cracked foundation, stuff like that."

Investors were offered an opportunity to buy the entire package or bid on eight "subpools." The properties include homes or plots in Arizona, California, Colorado, Idaho and Utah.

In January Fannie sold roughly 260 REO homes to 10 different investors.

At the end of December Fannie had an REO inventory of 86,155, compared to 63,538 at yearend 2008.

In other auction news, several smaller nonperforming and subperforming loan packages are on the market but are relatively small in size. Fortress Investment Group, New York, recently had a handful of packages totaling roughly \$100 million out for bid, but it's unclear if the loans ever traded. The company could not be reached for comment. ♦