

Case Study

"In the final analysis, one of the smartest moves I made since joining Eureka was hiring Univest to build our new database."



*Rellen Stewart, Chief Financial Officer
Eureka Federal Savings and Loan Association
San Carlos, California*

When the America First Financial Corporation acquired Eureka Federal Savings and Loan, the new management team began rebuilding the troubled institution from the ground up, starting with the \$1.1 billion loan portfolio.

America First Financial, a merchant bank headed by former BankAmerica strategic planner Stephen McLin, bought Eureka with a \$100 million capital infusion and government assistance. The capital was raised through a public limited partnership syndicated by the firm.

As part of the rebuilding effort, Univest was retained to audit, analyze and mark to market some 11,000 loans, archive the information and evaluate the portfolio's asset quality, risk sensitivity and market liquidity.

Initially, the mark-to-market analysis would be used to determine the current market value of the performing loan portfolio, but the real value of the Univest information gathering effort was yet to come.

The new executive team instituted a management program centered around strong financial and operational control. Their objective was to develop the institution over the long run, through conservative business planning and careful risk management.

One of those responsible for guiding the institution through its transition was Chief Financial Officer Rellen Stewart, C.P.A., a former partner at Peat, Marwick and Mitchell's West Coast office and a career specialist in thrift management.

"Univest presented an information gathering methodology that far exceeded any I had ever seen," Mr. Stewart says. "But as an accountant and financial manager, I had to measure the costs against the benefits.

"In the final analysis, I can truthfully say that one of the smartest moves I made since joining Eureka was hiring Univest to build our new database."

Once the post-audit analysis was complete, Eureka began to realize the full value of the Univest approach.

Understanding the economics:

By identifying and quantifying the credit characteristics of the portfolio, Eureka could better predict how the portfolio would behave in a variety of economic scenarios. The Board gained a greater understanding of the institution's current financial position and exposure to interest rate risk.

Diagnosing loan originations:

Eureka evaluated the quality of existing product originated before the acquisition and began to monitor originations through the Univest system. This analytical process provided new insight into the thrift's market franchise, and set the foundation for future product and pricing decisions.

Enhancing collateral values:

Specialized reports enabled Eureka to analyze the portfolio to determine collateral eligibility. Now, they can instantly identify loans for securitization and sale to the agencies, as well as for FHLBB public unit deposit collateral and advances.

Time and again, information extracted from the database has strengthened the institution's negotiating position with regulators and private market investors.

Controlling the risks:

Based on the Univest audit and analysis, Eureka's management could explore the key characteristics of the portfolio, sorting the database by geographical location, borrower type, credit quality, loan and property type and other factors.

This process revealed inherent weaknesses and unsafe concentrations in the portfolio that could create problems under certain economic conditions. Programs were instituted to diversify and balance these risks.

Case Study

"In the final analysis, one of the smartest moves I made since joining Eureka was hiring Uninvest to build our new database."



*Rellen Stewart, Chief Financial Officer
Eureka Federal Savings and Loan Association
Carlos, California*

When the America First Financial Corporation acquired Eureka Federal Savings and Loan, the new management team began rebuilding the troubled institution from the ground up, starting with the \$1.1 billion loan portfolio.

America First Financial, a merchant bank headed by former BankAmerica strategic planner Stephen McLin, bought Eureka with a \$100 million capital infusion and government assistance. The capital was raised through a public limited partnership syndicated by the firm.

As part of the rebuilding effort, Uninvest was retained to audit, analyze and mark to market some 11,000 loans, archive the information and evaluate the portfolio's asset quality, risk sensitivity and market liquidity.

Initially, the mark-to-market analysis would be used to determine the current market value of the performing loan portfolio, but the real value of the Uninvest information gathering effort was yet to come.

The new executive team instituted a management program centered around strong financial and operational control. Their objective was to develop the institution over the long run, through conservative business planning and careful risk management.

One of those responsible for guiding the institution through its transition was Chief Financial Officer Rellen Stewart, C.P.A., a former partner at Peat, Marwick and Mitchell's West Coast office and a career specialist in thrift management.

"Uninvest presented an information gathering methodology that far exceeded any I had ever seen," Mr. Stewart says. "But as an accountant and financial manager, I had to measure the costs against the benefits."

"In the final analysis, I can truthfully say that one of the smartest moves I made since joining Eureka was hiring Uninvest to build our new database."

Once the post-audit analysis was complete, Eureka began to realize the full value of the Uninvest approach.

Understanding the economics:

By identifying and quantifying the credit characteristics of the portfolio, Eureka could better predict how the portfolio would behave in a variety of economic scenarios. The Board gained a greater understanding of the institution's current financial position and exposure to interest rate risk.

Diagnosing loan originations:

Eureka evaluated the quality of existing product originated before the acquisition and began to monitor originations through the Uninvest system. This analytical process provided new insight into the thrift's market franchise, and set the foundation for future product and pricing decisions.

Enhancing collateral values:

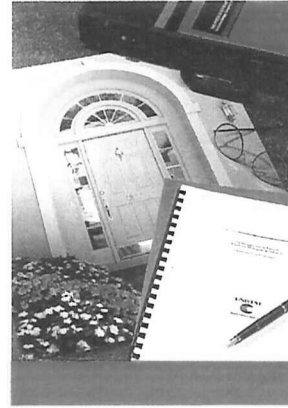
Specialized reports enabled Eureka to analyze the portfolio to determine collateral eligibility. Now, they can instantly identify loans for securitization and sale to the agencies, as well as for FHLBB public unit deposit collateral and advances.

Time and again, information extracted from the database has strengthened the institution's negotiating position with regulators and private market investors.

Controlling the risks:

Based on the Uninvest audit and analysis, Eureka's management could explore the key characteristics of the portfolio, sorting the database by geographical location, borrower type, credit quality, loan and property type and other factors.

This process revealed inherent weaknesses and unsafe concentrations in the portfolio that could create problems under certain economic conditions. Programs were instituted to diversify and balance these risks.



With The Desktop Mortgage Manager, Eureka creates innovative asset marketing strategies to enhance its capital position.

Once Uninvest had created a clean and extended database, it was a simple step forward to install The Desktop Mortgage Manager and design custom menus for downloading information and updating the mark-to-market.

The system's analytical flexibility enabled Eureka to explore and test various asset marketing strategies. They became the first in the nation to structure a money market preferred stock issue backed in part by whole loan mortgages.

Traditionally, such debt issues are collateralized by mortgage-backed or Treasury securities. However, able to access detailed information, Eureka could support the credit quality of targeted pools, structure the issue and negotiate a AAA rating.

Eureka proposed a highly innovative collateral definition of non-standard adjustable rate mortgages. Knowing that Uninvest had performed the audit, the rating agencies were comfortable with the quality of information provided and began to focus on the economics.

Negotiating the final structure was relatively easy. With each new proposal, Mr. Stewart could research the database and test alternative structures. Various mixes of documentation quality, loan-to-value ratios, principal balances and zip code concentrations were presented until final agreement was reached.

Thus certain assets, loans that originally could not be sold without incurring a loss, were transformed and used to support a capital-enhancing financial instrument.

Through The Desktop Mortgage Manager, Eureka management is able to access and evaluate its whole loan portfolio and take decisive action when the market is right.

Information is assimilated from multiple sources and analyzed from asset/liability and marketing perspectives.

DATA SOURCES

Servicing System Download

Residential Loan Audits

Commercial Loan Audits

New Originations

Payments and Payoffs

The Desktop Mortgage Manager

FUNCTIONS
Selection Criteria
Report Design
Pricing
Stratifications

RESULTS

Management Reports

Mark-to-Market

Quality Control

FNMA, FHLMC & Rating Agency Eligibility Studies

Public/Private Securitizations

Capital and Secondary Market Transactions

Financings