

Case Study

"If Seafirst was going to invest in a complete audit of its commercial portfolio, it certainly made sense for us to keep the information up-to-date and immediately accessible."



*Jerry Melton, Senior Vice President
Seafirst Real Estate Group
Seattle-First National Bank (Seafirst)*

Even though Seafirst Bank was the leading commercial real estate lender in Washington state, Jerry Melton and Jim Cooch couldn't rely on the past to guide them into the future.

They were in charge of implementing a strategy developed by Jim Kirschbaum, head of the bank's commercial real estate group.

Mr. Kirschbaum believed the secondary market for income property loans would continue to develop, and that Seafirst should always be in a position to sell loans from its portfolio.

He also said the bank should be prepared to fund new loans expeditiously, to defend its market share and maintain valuable client relationships.

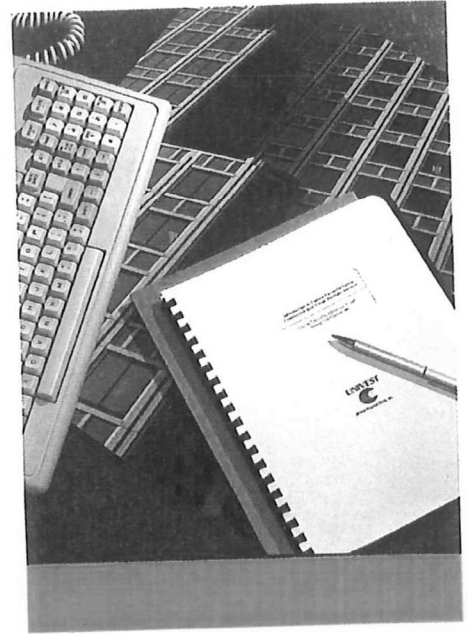
Increasing liquidity was a vital component to the bank's overall corporate strategy. They would continue to be the premier real estate lender in the region, with the resources to fund the best quality, most economically sound real estate developments.

Seafirst wanted to be aggressive, but endlessly growing the portfolio was not in the bank's best interest. So Melton and Cooch began to build the framework for a funding conduit, whereby older portfolio loans could be sold on a regular basis to make room for new deals.

Their first step was to determine the marketability of the existing portfolio and evaluate various execution strategies including whole loan sales and privately-rated securitizations.

The problem was information, so they began looking for a system to satisfy their need.

They quickly discovered that private investors and the rating agencies required much more information than the real estate group could produce.



Also, they learned that the bank's parent system, a mainframe, was not flexible enough to accurately analyze the portfolio or assist in structuring a security or whole loan sale.

To get the ball rolling, they wrote a detailed set of specifications, investigated existing programs and considered designing one in-house.

As it turned out, The Desktop Mortgage Manager was the only system, and Univest the only company, that could meet their expectations.

Other firms could give them a snapshot of the portfolio, but the information would be outdated the day the report was published, Mr. Melton said.

"If Seafirst was going to invest in a complete audit of its commercial portfolio, it certainly made sense for us to keep the information up-to-date and immediately accessible, particularly if the system could assist in marketing the portfolio later on."

The Univest concept included a total management process designed to add value through information. Services included a detailed file audit, post-audit analysis and marketability study leading to installation of The Desktop Mortgage Manager System and assistance in facilitating a possible execution.

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Objectives of the loan audit and analysis:

1. determine the quality of portfolio documentation;
2. determine the accuracy of the existing commercial portfolio database;
3. determine the underwriting guidelines utilized in the origination of these loans;
4. determine the necessity for and value added by a clean-up of document deficiencies;
5. make recommended changes for improving future origination procedures; and,
6. determine the marketability of the commercial loan portfolio and levels of execution based on quality.

As a result of its engagement with Univest, Seafirst Bank has greater control of its \$900 million commercial real estate portfolio, as well as new guidelines and standards for new originations.

With The Desktop Mortgage Manager, Jerry Melton and Jim Cooch have instantaneous access to information that is more attuned to their specific management and marketing needs.

For example, in selling portfolio loans, they begin by surveying potential investors, primarily financial institutions seeking to diversify their portfolios with good quality commercial product.

Then, with The Desktop Mortgage Manager, it is relatively easy to match investor requirements with specific loans in the portfolio, based on geographic location, property type, coupon and maturity ranges.

Within a short time, the investor receives detailed reports on groups of loans that meet specified criteria, with further refinements as necessary based on secondary concerns.

In this way the momentum of the negotiating process is maintained and sales can be structured and executed faster.

According to Mr. Cooch, who is responsible for marketing the bank's portfolio loans,

"the real beauty of the system is its unlimited flexibility, the ability to create precise analysis with real-time information for immediate market execution."

In addition to the custom report generating facility, Univest programmed a number of menus to assist Seafirst in managing repetitive activities, such as downloading information from the servicing system, modifying or updating files, and producing regular management reports.

The system's archiving ability was particularly valuable in assisting an effort to consolidate the files, collect missing information and correct certain types of documentation deficiencies.

Through the system, management can track progress through special note screens attached to each electronic file. In this way, Seafirst enhanced the value and marketability of the portfolio by bringing information and documentation quality up to secondary marketing standards.

"We were impressed with the caliber of Univest's professional staff, who did what they said they would do, with complete follow-through at every level.

"Through their work, we gained extremely valuable insights into our operation. Now we are better prepared to respond to economic and regulatory change and contribute to the bank's bottom line.

"Above all, we have gained another valuable asset in the relationship we have formed with this leading-edge financial group, their people and their vision."

— Jerry Melton



*Jim Cooch, Vice President
and Portfolio Manager
Seafirst Real Estate Group*

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