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## PHH Corporation Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) And our first question of the morning, we'll go to Frank at FBR (Friedman, Billings, Ramsey).

#### Frank – FBR

Hi, good morning. Question on the funding side for the fleet business; you mentioned the increasing fee related to the Chesapeake Funding. Could explain this in more detail; is this just something you are seeing related to the specific vehicle or is that something that's across the industry and potentially how could that be passed on to the consumer or to the institution?

#### George Kilroy

The first part of your question is, it is -- my assumption is and I don't have inside information to where the other of the industry fund, but my assumption is that all of those costs have gone up across the industry and contractually we are committed to an index and a markup for the leased vehicles. So, it will take sometime to pass that cost onto customers. In the event that a customer should elect this year to go out for and bid and we bid their fleet I'm fairly confident that they will see the realities of the marketplace in bids that are returned to them for funding. Did that answer your question?

#### Frank – FBR

Yes, it does. Thank you.

#### Terence Edwards

Thanks and at the end of the day as we said at the end of February, we have got a \$30 million number that we have to figure out how to offset either by passing it on or by making other efforts to take out cost etc..

#### Frank – FBR

Okay and can I have a second question; on the fair value, the adoption of the fair value accounting, you have this \$30 million positive mark. The -- on the loans held for sale there is a negative mark in there, so where do you get the positive impact here as the positive fair value coming from?

#### Terence Edwards

Mark Danahy is going to take that question. He is the CFO of the Mortgage Company.

**Mark Danahy**

On this fair value accounting, when we adopted this, the \$30 million really is the value of servicing on interest rate lot commitments that were existing as of 12/31/07. That were not allowed to be fair valued at that time.

**Operator**

And next question, we will go with Louis Syke of Tennant Capital.

**Louis Syke - Tennant Capital**

I have a few questions actually and without trying to downplay the effects of widening spreads I just want to be crystal clear about what the underlying results are since they are spread kind of widen forever. So, if you look at the production business first, I see as you said a pretax loss of \$8 million, so then excluding the fair value adjustment of \$30 million, the warehouse losses of \$42 million and the risk management in effectiveness of \$26 million we get to a profit of \$30 million, so that would be a margin of 30 basis points, is that how you look at it?

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