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PHH Corporation. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question today will come from Bose George with KBW.

Bose George - KBW

Hey, good morning. I had a question on the CP roll. Could you just go over how the discussions with the bank are going? Also, since the government is buying CP as long as it meets certain requirements, I just thought it would not be a problem for that the banks, for the conduits to sell the CP to the government.

Terence Edwards

Bose, we think all of that is right. Our discussions with the banks are going fine. Our relationships with the banks continue to be fine. The issue is where do assets as a whole trade in the marketplace. While LIBOR is coming down and you see some normalcy returning to the market, the primary markets themselves are not open. So the price discussions at this point in time are not at a level that it would make sense for us to renew the November facility.

That said, we are still in discussions with the banks, the facility has got more weeks to go before it matures. As I said, we have got a choice. We can put it into the stage where the leases self amortize the facility, but we will continue the discussions with the banks because the banks are critical to enable to provide the financing for our clients.

Bose George - KBW

So just to be clear, I mean the banks can sell the CP to the government at whatever the rate the government sets, but is that rate not being put out to the market to people like you who use the liquidity facility?

Terence Edwards

At the end of the day there is a step function in there between us and access to that facility. That is what the banks are willing to charge for providing the back up facility, and therefore, the use of their balance sheet. So, the world continues to try to de-leverage.

Unfortunately, the color we get is based on where the secondary market is, trading for commercial asset-backed paper. That bank balance sheet backed up, and that market is illiquid I would say for

now. So pricing has not stabilized, the market has not stabilized like the LIBOR market is starting to stabilize.

Mark, you want to add anything to that?

Mark Danahy

Clarification, it is more of the term market for ABS securities that people want to comp. These are lease assets or any other ABS markets out there. For example, in October, our understanding is there were in no credit card deals done for the first time in 15 years.

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