

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a yellow Greek letter alpha symbol to the right, all on a dark red background.

## PHH Corp. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

---

#### Operator

(Operator Instructions) We will take our first question from Jade Rahmani - KBW.

#### Jade Rahmani - KBW

I wanted to ask if the \$30 million to \$40 million revenue decline you expect in the Fleet Management business in 2009 is based on the 4Q run rate of \$5 million in pretax profit as the starting point.

#### Terence Edwards

If you take the \$5 million on a run rate basis and you multiply it by 4 you get to 20. So, going from 60 down to 20 would be the high end, the 40. But included in the fourth quarter was some reorganization costs. So, the run rate when you adjusted the re-organization cost was better than 20 if you will, however, we will be impacted by some of the economic effects of the year as well as the negative lease spread issue we have been dealing with.

#### Jade Rahmani - KBW

Are there any further restructuring costs expected to be incurred this quarter.

#### Terence Edwards

They are not.

#### Jade Rahmani - KBW

On the mortgage side, can you give us your rate lock volume for the fourth quarter, we assumed a spike in the rates at quarter-end was a big driver of the increase in () income and the related question is the kind of pull through rates you are seeing from current loan to applications.

#### Terence Edwards

I will take the second question first. Pull through is about 60%. Normally would be 68% or 70% in the Refi market. The difference is fall out related to properties that do not appraise. We are looking up the other question and we will provide that answer later in the call.

#### Jade Rahmani – KBW

On the MSR mark, can you discuss the main inputs that were used to drive the mark? And secondly, how you would use the new housing plan that allows high LPV Refi's into your calculation?

**George Kilroy**

We will start with the second part of the question and then hand it off to Mark. When we evaluated our portfolio at year-end, those loans that were unable to refinance were not a part of our calculation. In other words, we assume that they could refinance when we arrived at the 99 basis points.

So, that value has already been taken out and as both Mark and I indicated, with margins where they bend, particularly when volume picks up, the economic value lost in the pay by the economic value created with a new origination, both in terms of the amount created per origination and then we are benefited by the fact that we have twice the origination share as we have the servicing share. So we would be adding two loans for every one loan that pays off. Mark you want to take the first part of the question.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.