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Ambac Financial Group, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). The first question comes from the line of Darin Arita from Deutsche Bank.

Darin Arita – Deutsche Bank

I was wondering if you could share some of your macro assumptions underlying your loss reserve estimates. I think Greg you shared that you don't expect to see home prices to stop declining until September 2010. I was wondering if you could share how much do you think they'll decline from peak to trough? What's your unemployment rate expectations and any other assumptions that you have?

Gregory Raab

No specific assumptions by group other than to say we do expect the housing prices to decline. The one encouraging note that I think sort of gives us some reason to believe that we may be bottoming out soon is that the 30-day bucket and the 60-day bucket in all these pools to be leveling out. The percentage decline is pretty much flat, and the dollar amount going from current into these buckets definitely seems to be declining, so the default rates seem to be slowing. There is still quite a bit in the late-stage delinquencies, but we took pretty big haircuts on those loans.

Darin Arita – Deutsche Bank

With respect to the remediation efforts, you mentioned 11 transactions and the 8500 loans underlying those. Can you remind us what sort of transactions those are?

Gregory Raab

Predominantly second liens, and we're going to do the same on the first liens, Darin. It's pretty startling the number of breaches in reps and warranties, so we'll continue to do re-underwriting, particularly on the pools that we expect the highest losses on .

Sean Leonard

Greg's right. It's HELOCs and closed-end seconds particularly through the more financially viable sponsors obviously, but we have targeted an additional 6 deals in the second lien space and nine of the Alt-A mid-prime/affordability which is about \$5.2, so that's the next phase if you will as well as all the other litigation that we're working on relating to the first batch if you will.

Darin Arita – Deutsche Bank

Of the \$882 million of recoveries that you've had so far, how much has actually been realized?

Sean Leonard

Very small amounts have actually been realized. Our assumption is that this will take a while, and built into these assumptions is slightly less than a 3-year timeframe to bring these aground. Greg mentioned in his comments that one of the motions to dismiss by defendant in one of the actions transacted in the quarter, so we have more of a holistic approach rather than a loan by loan type approach. Even though there has been some of that, it's been on a very small scale.

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