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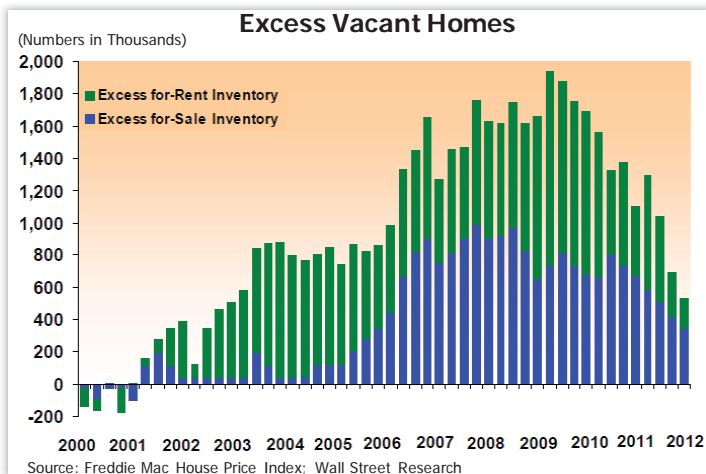
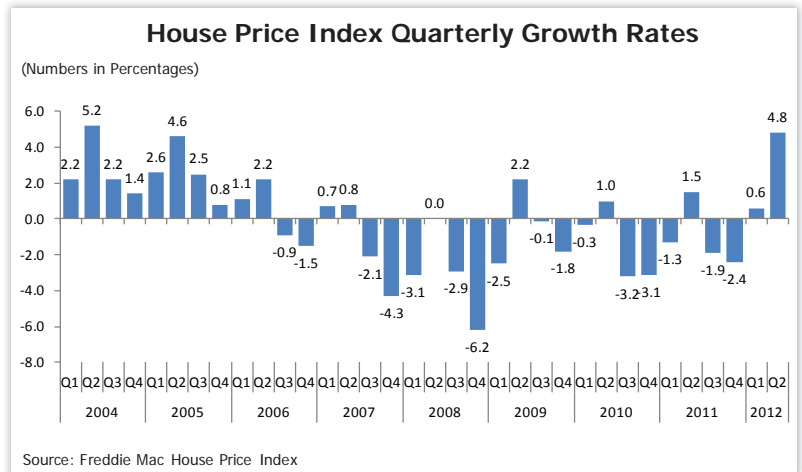
**Better Times Ahead
for Data and Tech
Companies Serving the
Origination Market**

White Paper

By John Guzzo, Managing Director

Improvement in the Real Estate and Mortgage Market

Overall macroeconomic factors are indicating a gradual improvement in the U.S. housing market. For instance, real estate prices are beginning to rise and vacant inventory levels have reached their lowest point during the last eight years. The Federal Reserve's latest round of quantitative easing (QE3), with the planned purchase of \$40 billion worth of mortgage backed securities per month through 2015, continues to drive down mortgage rates as well. Many industry experts believe there is now enough empirical evidence to suggest a more sustained recovery in the housing and mortgage originations market



In addition, Berkery Noyes has tracked a number of mortgage technology related merger and acquisition (“M&A”) deals, which suggests acquirers and investors are beginning to see a more long-term recovery in the housing and mortgage originations markets as well.

With rising home equity, lower excess vacant homes, and more flexible FHA qualifications for homeowners with limited equity to refinance their older Fannie Mae and Freddie Mac loans – the mortgage originations sector is experiencing the beginning of an upward cycle in terms of both volume and dollars.

M&A in the Mortgage Originations Sector

In a positive development in the Financial Technology and Information Industry, M&A volume within the Banking segment as tracked by Berkery Noyes has increased 50-percent on a quarterly basis.

There have been several recent transactions involving the mortgage originations sector. Most notably, Ocwen Financial Corporation agreed to acquire Homeward Residential Holdings from WL Ross & Co, a private equity firm, for \$750 million. Homeward Residential Holdings has both mortgage servicing and origination operations, and the transaction indicates that its origination business in particular is an anticipated growth area, which will also drive additional business to Ocwen’s servicing divisions. Ocwen has been highly active acquiring mortgage servicing providers over the last several years, and this most recent transaction represents Ocwen’s first foray into home lending.

Moreover, the changing regulatory framework in the United States also has the potential to influence M&A activity. Title XIV of the Dodd-Frank Act is specifically targeted to mortgage originators. Among several provisions, it authorizes the Consumer Financial Protection Bureau (“CFPB”) to more stringently enforce the Truth in Lending Act (“TILA”). With these regulations, lenders are faced with meeting extra minimum standards before issuing residential mortgage loans, including those that are deemed to be high cost. They are likewise tasked with making a “reasonable and good faith determination” that the borrower has the ability to repay the loan prior to issuance. This could play a role in originators seeking more integrated end-to-end offerings from technology vendors in order to help ensure compliance.

The Impact on Data and Tech Companies

Companies that serve the origination sector are well positioned to benefit from the rebounding real estate market. Likewise, there has been ongoing organic innovation and acquisitions by loan origination software (“LOS”) businesses, in order to provide a more bundled solution that includes: product and pricing engines, CRM / automated marketing solutions, compliance tools, and eDocument collaboration capabilities. At the same time, mortgage originators are looking for tools to shorten processing times, better manage sales leads, and bolster customer retention rates when dealing with repeat homeowners.

Stephen Margrett, founder and owner of mortgage technology company The Turning Point, adds: “Driven by increased competition for loan originations and the demands of stringent regulation, we are witnessing an accelerating focus on mortgage marketing at the corporate level. One consequence is that conventional CRM products have been rendered inadequate. They are being replaced by automated marketing solutions that create a controlled environment in which all players in the marketing process are able to collaborate to drive business to the point of sale quickly, efficiently and compliantly. Once again, smart technology rises to the challenge!”

With a strong correlation between real estate valuations and consumer confidence, we believe several consecutive quarters of rising homes prices will not only help to increase consumer confidence – but may also facilitate growth in the secondary market, including vendors that serve that sector of the mortgage market.

About Berkery Noyes

Founded in 1980, Berkery Noyes is an independent investment bank that provides M&A advisory and financial consulting services to middle market companies in the information and technology industries. The firm offers skilled transaction management to publicly traded and privately held businesses and private equity groups in both sell-side and buy-side transactions.

Berkery Noyes has managed over 500 transactions, ranging from several million to more than four billion dollars in value.

About John Guzzo

John Guzzo is a managing director in the Financial Technology Group at Berkery Noyes. He has worked on over 80 M&A transactions during his career, representing more than \$3 billion in value. John holds a BA from Fordham University and an MBA from Columbia University.

SELECTED MORTGAGE TECHNOLOGY TRANSACTIONS COMPLETED BY BERKERY NOYES



Berkery Noyes is unique among investment banking firms in that we combine independent strategic research and actionable intelligence with senior banking expertise.

Berkery Noyes Securities LLC assists middle market companies with raising growth capital in the debt and equity markets.

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All charts in this report are based on data gathered by Berkery Noyes' research department. All time period statistics are based on the transaction announcement date.

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Venture
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Taylor

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HAS MADE AN INVESTMENT IN
G2 Web Services

Sabrient
HAS ACQUIRED SELECTED ASSETS OF
GRADIENT
analytics

V S S Veronis Suhler Stevenson
HAS ACQUIRED
Strata Decision Technology

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