

Reliable Data Core To Industry Survival 10/19/2008 08:33 PM

-- *Katy Burne*

Raising the quality of data for modeling the performance of reference assets is key to the industry's future, conferences goers said Sunday. **Paul Arvidson**, senior v.p. of sales and service at software solutions and data provider **Lewtan Technologies**, said he believes it should be a federal requirement to give investors data formatted in a standardized way that enables them to manipulate it and compare deals.

"I suspect it's going to be an edict by the **Securities and Exchange Commission**," Arvidson told *Total ABS East* on the sidelines of the "Considerations For New Issuers In An Illiquid Market" panel. Data is not the whole solution, but eliminating the garbage-in-garbage-out underwriting that came with issuer's desire for more yield "will be an important ingredient to the securitization market going forward," he added.

Panelists pointed to the fact that high delinquency rates had been modeled in three cycles of exuberant growth previous to the current downturn, but not nearly to the extent of this crisis. "There was a historical precedent, it's just the scale this time," said **David Ingram**, senior analyst at **Strategic Analytics**.

But **Mahesh Kotecha**, president of advisory firm **Structured Credit International**, said the profession is missing the point and he is disappointed no one is addressing how the industry got to this point. "The problem is cumulative loss rates for historical vintages. We broke out of the worst case in history... There is no clear vision of what we did wrong and what we need to do right." Fueling the issue is the fact loan-by-loan data is not available to everyone, and those who have it used it to short the market.

If issuers want to get deals done in this environment, they need to give investors origination and performance data together, along with asset history, borrower and asset characteristics, as well as repossession history and prepayment history. In turn, investors, rating agencies and credit enhancers should be able to query the data real-time and slice and dice it via a portal such as the one Lewtan recently rolled out in Europe, and plans to bring to the U.S., said Arvidson. "The reality is data management is a huge problem. It's probably the fact there's so much involved, let alone the number of systems supporting it... Today what I'd say is whether private or public, the demands with respect to data will be equally as stringent."

Historical data has been available, he said, but it was often incomplete. An example where there could have been gaps in the data include where assets were sold from one bank to another, and sold on a servicing released basis, said Arvidson.