

Spectrum Canada

MORTGAGE SERVICES INC.

2006 NEWSLETTER

Coast Capital Savings

Spectrum-Canada is pleased to announce a formal agreement with Coast Capital Savings to provide a full service alternative mortgage funding program to all of its distribution channels.

Coast Capital Savings was formed when Pacific Coast Savings and Richmond Savings merged on December 31st, 2000 – Coast Capital merged with Surrey Metro Savings on June 27th, 2002 to become Canada's second largest credit union with more than 300,000 members and 48 branches across the Lower Mainland and Vancouver Island.

We are delighted to be working with Coast Capital – the tactical alliance with Spectrum will enable Coast Capital to offer an even broader range of residential mortgage products and support Coast Capital's vision to find a way to say "YES" by working with their members to find solutions to their needs.

We're on the move in Vancouver and Toronto!

In July our Burnaby office moved to new space to support our ongoing expansion plans for the company. With triple the space our new offices have enabled us to bring both the origination and lending teams together to provide even better service to our origination partners.

Burnaby Office:

Suite 115 - 4400 Dominion Street, Burnaby, BC, V5G 4G3

Toll-Free Telephone: 1 877 253-4377 PLEASE NOTE – Some extension numbers may have changed!

Toll-Free Fax: 1 888 488-9922

May 2006 saw our Mississauga office move from 2 Robert Speck Pkwy. to 4 Robert Speck Pkwy. While this may not seem too impressive, the move actually expanded our office space to 8 times larger and the number of Ontario employees quadrupled!

Mississauga Office;

Suite 360 - 4 Robert Speck Pkwy., Mississauga, ON

Toll-Free Telephone: 1 866 378-6615

Toll-Free Fax: 1 888 488-9922



Thanks to your support we have seen tremendous growth within the company over the last 18 months as we continue with our expansion plans to offer the broadest range of non-conventional and sub-prime products to the clients and members of our Bank and Credit Union Origination Partners.

Non-Conventional (Sub-Prime) Mortgage Market

CURRENT INDUSTRY CHALLENGES

Financial Institution Challenges

Financial Institutions currently turn down approximately 25%-40% of the mortgages they review. These applications are sourced through outside sales forces and referral networks as well as through branches. Declining them has a greater impact than simply the loss of the individual mortgage.

While tracking of application declines may show a smaller number (i.e. 5%-15%) there are a substantial number of 'site declines' that are traditionally not measured. Typically this would occur when the Bank or Credit Union employee determines that it is not even worth completing an application as the borrower's request is clearly outside their own lending criteria. Anecdotal estimates of this number are approximately 15%-25%.

With regard to the branch business, a declined mortgage application causes the client to feel they have been let down by their financial institution and can substantially weaken their loyalty if not destroy it altogether.

It is well recognized within the industry that client loyalty requires them to be using at least 3-4 products from their financial institution. The inability to service a customer's mortgage can obviously result in the loss of other business opportunities and does not maximize the potential of the client or facilitate wealth management opportunities.

Declining business provided through the sales force or referral network also creates negativity. Institutions and individual sales people work hard to develop long term relationships with realtors, developers, financial planners and mortgage brokers. Capturing that additional business, although indirectly, through Spectrum, allows the institution to maximize the value of its sales force and referral relationships and therefore increase its return on the substantial investment it has made in these areas.

General Industry Challenges

Lenders and products have increased in the non-conventional mortgage market segment in recent years, which is good news for consumers but it has made the market far more complex for financial institutions.

Sub-prime requires a very different approach for the financial institution – not only is it difficult to remain current with the myriad of products, lending criteria and rate matrices of innumerable lenders but the sale to the consumer is also more complex. Most financial institution lenders find it extremely difficult to sell higher rates to clients expecting posted rates. One of the keys to success in the sub-prime market is to understand that it is a very different sale from the 'A' sale requiring a far more structured sales approach and specific sales tools to effectively close the business.

Spectrum has developed a proven sales process and a number of tools to close more business which is why Spectrum's Mortgage Advisors close more than double the industry norm – 45% versus 20%!

Non-Conventional Lenders are challenged too with many working on 'pull-through' or 'book to look' ratios of less than 20%.

The net result of all of these industry challenges is a very inefficient process for both mortgage originators *and* lenders.

Current Industry Challenges

- Lenders and products have increased
 - good news for consumers
 - far more complex for Financial Institutions
- Sub prime requires different approach for FI
 - Products, lending criteria & rate matrices confusing
 - Sale more complex
 - Difficult to sell higher rates to clients expecting posted rates
 - A business – issue is price
 - Sub-prime – very different sale
 - Requires structured sales approach & tools
- Inefficient use of FI's time compared to A business



SOLUTION

The solution is to work with Spectrum-Canada.

Using Spectrum's unique experience and expertise it acts as an intermediary between the financial institution and non-conventional lenders creating a more efficient process.

Spectrum acts as an adjudicator for a broad range of non-conventional lenders in a correspondent relationship in addition to Spectrum's own products. In these correspondent relationships Spectrum originates and underwrites (adjudicates) the mortgage on behalf of the lender, issues a Spectrum commitment letter and collects conditions ahead of funding the mortgage which is then done either in Spectrum's name or the name of the lender – mortgage servicing is provided by either Spectrum or the lender or the lender's servicing agent.

This approach allows Spectrum to provide a one-stop-shop for all business falling outside the guidelines of the financial institution and ensures access to the broadest range of products and options for their clients and members.

For more information on Spectrum's Full Service Alternative Funding Program or to arrange a short branch presentation please contact Holly Bertram, VP Originations - Tel: 1 866 378-6615 (Ext. 2226) or Holly.Bertram@spectrum-canada.com or visit our redesigned website at www.spectrum-canada.com and click on 'Origination Partners'



MORTGAGE SERVICES INC.

Spectrum-Canada Mortgage Services Inc. has been serving Credit Unions for 7 years with our *Full Service Alternative Funding Program* for your residential mortgage declines.

Now we have a number of **VALUE ADDED SERVICES** to assist you in accessing the sub-prime mortgage market.

Find out how to take advantage of this growing segment of the mortgage market in a cost effective way irrespective of the size of your Credit Union.

Ask about our following programs:

❖ **Portfolio Purchase Program**

- Portfolio of higher yielding mortgages created
- Portfolio securitized – purchaser chooses rating level
- Yield created to match required yield of purchaser (AAA / BBB)

❖ **Bundled Program**

- CU provides higher LTV product to 85% LTV
- Combines lower LTV 1st to 75% (CU) – Spectrum 2nd to 85%
- Member gets 1st mortgage

❖ **Private Label Program**

- Provide CU with list of products
- Commitment Letters issued in CU name
- Mortgage funded in CU name – assignment agreement

For more information and to receive a customized proposal for your Credit Union please contact:

Derek J. Matthews – *Senior Vice President, Marketing & Sales:*

Telephone: 1 877 253-4377 (Ext. 2065)

Email: Derek.Matthews@spectrum-canada.com

Spectrum-Canada Mortgage Services Inc. – Driving Mortgage Industry Efficiencies