/H(c)(1); 802.1(c)/

[redacted]

July 10, 1991

John M. Sipple, Jr., Esquire
Chief
Premerger Notification office
Federal Trade Commission
Room 303
6th & Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Re: Exemption under the Hart-Scott-Rodino
<u>Antitrust Improvements Act of 1976</u>

Dear John:

In accordance with our telephone conversation of June 28, 1991, I am writing to confirm your oral advice, based on information furnished during their conversation, that the transaction described below (the "Transaction") is exempt from the premerger notification requirements under the Hart-Scott-Rodino Act of 1976, as amended (the "Act").

<u>The Transaction</u>

Financial Institution A is a [redacted] bank with total assets of approximately [redacted] at December 31, 1990. [redacted] variety of mortgages including FNMA, FHLMC, GNMA, conventional [redacted] representing mortgages on properties in a large number of states. The servicing rights sold amounted to less than 25% of Institution A's portfolio of servicing rights. Institution A

[redacted]

will continue to service mortgages in most states and will continue to purchase and sell mortgage servicing rights as market conditions warrant.

<u>The Mortgage Servicing Market</u>

Commencing with the growth of the secondary mortgage market in the 1980's and the increased competitiveness in the market, the business of mortgage lending has evolved into distinct lines of business. Different entities emphasize one or more of originating, servicing, or financing home loans. There are [redacted] mortgage servicing.

Because there are significant economies of scale in servicing, many entities elect to limit their participation to servicing loans they originate while others specialize in servicing loans owned by others (often through securitization).

The market for servicing rights has grown from $150 billion in 1987 to $200 billion in 1989. There are more than one [redacted] purchased mortgage servicing rights ("PMRS's") are closed [redacted] mortgage portfolios administered over $533 billion in portfolios ranging from $12.0 billion to $66.1 billion. The amount serviced by them, on average, increased by 9.34% during the last six months of the year with individual changes ranging from a decline of 7.34% to an increase of 242.40%. Because the [redacted] function of their capital, there has been an unusual degree of activity in the market in the past two years. That situation has been compounded by the Resolution Trust Corporation's effort to sell $250 billion in servicing rights in large [redacted] rates since, as interest rates drop, mortgage loans tend to prepay, the value of the stream of money represented by the servicing fee declines. Because of the volatity in interest rates in recent years, mortgage servicing tends to be similarly volatile and the market is very sensitive to any event which

[redacted]

would delay execution of sales. Because of value fluctuati[redacted] interest sensitive obligations.

Discussion

Based on the foregoing, I believe that the Transaction does not represent the sale of a "business" or of "substantially all of the assets of . . . an operating division" of a business within the meaning of 16 C.F.R. § 802.1(b). I believe the Transaction constitutes a transfer of assets "in the ordinary course of business" and therefore is exempt under Section 7A(C)(1) of the Act from the premerger notification requirements under the Act.

I understand from our telephone conversation that, based on the facts of the Transaction as set forth in this letter, the [redacted] advised our client to complete the Transaction without filing and the client did so on [redacted]

If you have any questions regarding this matter or need any additional information, please call me.

Very truly yours,

[redacted]

[redacted]