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Countrywide Alumni Seek Profits From Mortgage Market's Collapse

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An Article Written By Elizabeth Stanton

PennyMac's strategy may rely too heavily on the assumption that investor appetite for mortgage-related assets will recover, said Terry Wakefield. He is a consultant to the residential loan industry who helped design Fannie Mae's mortgage-backed securities business in 1981 and later traded the derivatives at Salomon Brothers Inc.

High default rates on restructured loans may also deter investors, Wakefield said. About 53 percent of mortgages modified in the first quarter of 2008 were 30 or more days delinquent after six months, and 63 percent were in default after a year, according to a June 30 report by the Office of the Comptroller of the Currency and the Office of Thrift Supervision.

"The big issue in PennyMac's world is: Where are they going to sell those loans, assuming they've been effectively modified?" Wakefield said. "I don't know a lot of people standing in line to buy those assets."

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