

Press Release

20 January 2009

CHECKMATE COMPLETES ITS FIFTH MORTGAGE PORTFOLIO ANALYSIS

Checkmate Mortgages, the new lender preparing for its UK launch, today revealed that it had confidentially been providing for some time a remortgage analysis and execution service on behalf of private equity companies and hedge funds who are contemplating the discounted purchase of residential mortgage assets. Having completed its fifth assignment, the company is publicising this activity as part of a wider roll out.

The only part of the mortgage market which is currently subject to frenzied activity is portfolio selling. This matches the willingness of exiting lenders who wish to sell with the opportunistic qualities of private equity companies and hedge funds who wish to buy the pool at a discount to par. A key factor in determining the correct price to pay is how quickly, and at what cost, the loans could be subsequently remortgaged, thereby delivering the purchaser with a speedy and substantial profit.

This is where Checkmate comes in. The company already employs analysts, risk professionals and a sales team, all of whom combine to look at each loan to be purchased. Probable remortgage incentives to be offered to borrowers are sense-checked with brokers and packagers, and then refined into a client report indicating the remortgage potential of that pool, typically backed up by 50 pages of further analysis.

If the bidder is successful, Checkmate's remortgage execution service can then click in, offering liaison and sales management services to ensure that the theory of the analysis is delivered in the execution. Other benefits on offer include the use of Checkmate's unique scorecard and AVM, and more general market analytics.

"Whilst our clients to date have been from the private equity and hedge fund sectors," said Stephen Knight, Executive Chairman, "we see equal application for existing lenders who perhaps want to quietly deleverage their balance sheets, or who wish to go down the remortgage route rather than discounted portfolio sale".

With Basle II requiring greater capital for certain categories of loan, remortgaging those assets could be sensible for existing lenders as well as freeing up some welcome cash during the liquidity freeze. Moreover, those lenders having difficulty valuing their pools on a mark-to-market basis can obtain an accurate net value by Checkmate analysing the cost of remortgaging and deducting this from par.

Having proven that its combination of analysts, risk and sales professionals - relatively unusual in this market - can add real value to participants, Checkmate is looking to carefully expand its client base.

"We will not take on more than we can deliver against," concluded Stephen Knight, "and our focus remains on the bigger and more sustainable project of launching an exciting new intermediary-focussed mortgage lender. But if the systems and people we have employed for that purpose can in the meantime help players in the business of portfolio selling and valuation, then everybody wins".

~~~ENDS~~~

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**Notes to editor:**

- Checkmate Mortgages was founded by Stephen Knight and launched using his personal capital on 1 October 2007.
- In July 2008 the company announced that it had successfully raised the external capital to allow new lending to commence in 2009, when market conditions permit.
- External shareholders include RIT Capital Partners plc and Lord Rothschild's family interests. The management team hold a significant stake in the company with Stephen Knight remaining as the largest shareholder-individual.