

# Chapter 13 Bankruptcy Portfolio Sales

P R E S E N T E D   B Y :

**Louis DiPalma**

Managing Partner  
(914) 909-1000  
ldipalma@garnetcapital.com

**Andy Carlson**

Managing Director  
(914) 630-8847  
acarlson@garnetcapital.com

**Christina Robarge**

Assistant Vice President  
(914) 630-8853  
crobarge@garnetcapital.com

# Why Sell Chapter 13 Bankruptcies?

The sale of Chapter 13 accounts achieves three major goals:



## FINANCIAL

Pricing approaches 5 year  
gross collections



## COMPLIANCE

Virtually eliminate  
compliance headaches



## STAFFING

Efficiently leverage and  
redeploy FTE

# Financial: Pricing and Market Dynamics

Pricing has risen dramatically and markets for Chapter 13s have become more robust.

- Consumer bankruptcy purchasing is highly driven by:
  1. Cost of funds
  2. Historical performance data analysis
  3. Effective & efficient servicing of “fallout” accounts that dismiss/refile
- The anemic supply of product available for sale, new market entrants, and buyer appetite continues to push pricing levels close to future gross collection projections.
- Low-cost bank financing has driven overall pricing up significantly.
- Bankruptcy sales can be executed on a bulk, flow, or combination basis.
- Chapter 13 liquidations are highly predictable allowing sophisticated buyers to underwrite to unusually low yields.

PRODUCT	PRICING	FACTORS
Unsecured	<b>15% - 25%</b>	Freshly filed or a clean static pool
Secured	<b>28% - 84%</b>	Freshly filed or a clean static pool Pricing a function of: <ul style="list-style-type: none"> <li>• Wholesale Collateral Value (LTV)</li> <li>• Plan Ages</li> <li>• Payment Patterns</li> <li>• Surrender and Dismissal Rates</li> </ul>
Mortgage	<b>87% - 96%</b>	Pricing a function of: <ul style="list-style-type: none"> <li>• LTV</li> <li>• Payment History</li> <li>• Local Real Estate Market</li> </ul>



# Selling Transfers Compliance Risk to Bankruptcy Experts

Buyers have invested in the infrastructure and expertise for each step of the bankruptcy process.



HOLD	vs	SELL
<input checked="" type="checkbox"/> Small volume of dismissals not easily tracked by current processes		<input checked="" type="checkbox"/> Finely-tuned systems address dismissals
<input checked="" type="checkbox"/> Accounts can slip during periodic regulatory adjustments		<input checked="" type="checkbox"/> Constantly updated procedures to efficiently manage every step
<input checked="" type="checkbox"/> Small part of overall business		<input checked="" type="checkbox"/> Critical part of business
<input checked="" type="checkbox"/> Fines for violating bankruptcy stays and sanctions		<input checked="" type="checkbox"/> Costs eliminated
<input checked="" type="checkbox"/> Obstructionist consumer attorneys		<input checked="" type="checkbox"/> Hassles eliminated

*Attention to detail in each phase of the bankruptcy life cycle reduces compliance risk while increasing ultimate liquidation - allowing buyers to pay more.*



# Why Bankruptcy Sales Are Even Safer Than Other Sales

In bankruptcies, creditors are insulated from compliance problems.

All top six complaint types applicable to debt collection and debt sales reported by CFPB to Congress are eliminated by the bankruptcy process.

TOP SIX CONSUMER DEBT COMPLAINTS	ELIMINATED IN BANKRUPTCY PROCEEDINGS
Attempts to collect debt not owed	Consumer debt <b>acknowledged</b> by consumer and court Consumer debt <b>recognized</b> as valid Consumer debt <b>confirmed</b> in written plan
Written notification about debt	Consumer debt <b>scheduled</b> by consumer and/or counsel
Communication tactics Took or threatened to take negative or legal action False statements or representation Threatened to contact someone or share information improperly	Debtor contact <b>managed</b> through trustee and/or counsel Case <b>administered</b> by court-appointed trustee



# The Garnet Way to Sell Bankruptcy Accounts



## *Market Knowhow*

The market for consumer bankruptcy accounts is highly segmented and buyers specialize in areas where they have larger historical data sets.

**Garnet captures the entire universe of buyers when marketing your portfolio.**



## *Value Maximization*

Pricing can vary widely. To extract premium value it is essential to select and pool portfolios to match preferences of buyers.

**Garnet has the latest information on structural requirements of investors.**



## *Product & Presentation*

To increase participation by investors, present data in a consistent format.

**The marketplace's familiarity with Garnet's methodology and process simplifies investors' underwriting of your portfolio.**



## *Compliance & Documentation*

Regulators and stakeholders often look for documentation of how you perform your loan sales.

**Garnet provides a comprehensive post-closing book documenting the loan sale process.**

## Why Garnet Capital?

- In 2020 – a pandemic year - Garnet Capital closed over 120 transactions with UPB of over \$8 billion.
- Garnet has a dominant market share of BK portfolio sales. Buyers pay attention to our offerings.
- Garnet’s success stems from detailed, hands-on analytics and sale approach starting with its principals, experienced staff, vast distribution network, and excellent reputation.
- Our clients receive the benefit of having dedicated, seasoned, senior bankers who have worked together as a cohesive team for nearly two decades.
- Garnet has been vetted by the FDIC, NCUA and most major banks with regard to compliance and data security standards and is compliant with SOC 2 and PCI-DSS standards.
- Your team leaders:



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Andy Carlson



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