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Mortgage Credit Specialist Floats Proposal for Sharing Risk Between Homeowners and Government

New York, NY -- November 3, 2008 – “Government guarantees of non-performing mortgages to be modified requiring borrowers’ giving up equity participation (Government Equity Modification (GEM) is one of the most viable and timely answers to the current mortgage credit crisis,” says Ron D’Vari, CEO of NewOak Capital, an advisory, asset management, and capital markets firm based in New York specializing in distressed assets and mortgage credit. “Continued weakening in consumer confidence has halted consumer spending, accelerating contraction in corporate spending and will lead to downsizing. The credit squeeze has extended to corporations, and commercial real estate problems are still ahead. This could force further delevering and cut off financing for homes and push down house prices even further.”

Recapitalizing the more viable national banks and closing the severely undercapitalized banks are essential to shore up the global financial system. TARP and related U.S. government responses along with actions taken by other major central banks are already targeting to address these issues. However, these programs may not flow through fast enough to home owners and prevent foreclosures to buttress the housing prices.

The solution? According to D’Vari, the U.S. government should also guarantee certain existing loans modified to fit the borrowers current financials with participation in equity in exchange. “Right now, banks have executive changes every day and people do not know who they are reporting to,” says D’Vari. “In some cases it may be six months before homeowners defaulting on their mortgages receive even a call. Massive foreclosures will result in abandoned homes that will further drag down the housing market. If the government guarantees existing or modified mortgages subject to commercially reasonable criteria, properties will be maintained, and after five years homeowners and the government can both share in the profits, when the homes are sold or refinanced. To reduce tax burden, government could also set terms with the holders of the mortgages to share the ultimate costs. This will help to slow down the abrupt delevering, in turn stabilize home prices and hence the financial system. Banks, financial companies, and trustees in securitizations holding the impaired loans can work with re-refinancing specialists to expedite the work-out, new documentation, and loan terms with the borrowers.”

About NewOak Capital

NewOak Capital is an advisory, asset management, and capital markets firm organized to serve institutions in response to challenges arising from the global credit markets. It provides analysis, valuation, restructuring, risk transfer, and management solutions and services to financial institutions and investors to support their portfolio and corporate needs. NewOak Capital employs 18 senior professionals with an average of 17 years of experience in the fixed-income markets in addition to 8 junior and support staff. It specializes in residential and commercial mortgage loans and securities, REITs, asset-backed securities, structured corporate securities (CSOs/CLOs), and distressed financial companies. NewOak Capital employs a differentiated framework, an integrated “see-through” analytics platform, and a team of experienced professionals with diversified investment and modeling expertise to provide client solutions and asset management.

About Edge Mortgage Advisory Corporation (“EdgeMAC”) (www.edgemac.com)

EdgeMAC is a mortgage advisory and solution platform specializing in providing institutional clients with residential mortgage loan and portfolio level solutions encompassing due diligence, underwriting, refinancing and modification.

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