
Business Requirements Document (Full)

Version Draft

GREG – Trimont Export file

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1. Executive Summary

1.1. Introduction

The Global Real Estate Group (GREG) is Lehman Brothers' fully integrated Real Estate platform that provides innovative Financing and Advisory services to the clients globally. GREG team provides customized solutions to the real estate industry by financing the venture as

- Debt only (Commercial or Large loans)
- Combination of debt and equity (PTG)
- Bad loans that Lehman has a claim (REO)

The Real Estate assets are serviced by external servicer providers. The servicer pays/collects the payments on behalf of the investor and maintains the detailed account by position and deal.

Trimont is a commercial loan servicing and asset management firm that services around 90% of Lehman real estate assets. Trimont uses "Strategy" as its loan servicing system and "ED (Efficient Database)" to maintain asset management data for data warehousing analysis and reporting purposes. Trimont forecasts the future payouts and the rate of return by using IRR Modeling techniques on the available RE servicing data history. The forecast data along with the servicing data is collated and sent to Lehman Brothers monthly as a file and this is colloquially called "Export File".

Lehman Brothers use WLT to

- book the Real Estate trades (and the trade is again booked in MTS for downstream flow)
- Capture monthly P&I payments, create journals and feed the data to downstream MTS for accounting purpose.
- Reports generation.

The Audit team have identified that the Management reporting is

- ad hoc
- manually prepared based on the monthly excel based servicer export file

and hence have recommended to enhance the current WLT system to provide robust reporting capability over the status update on deal performance, market value of the underlying assets, capital structures etc.,

1.2. Scope

The scope of this project is two fold:

1. Re-defining the export file sent by Trimont to Lehman Brothers. This is to ensure that only the relevant data that helps in making business decision is being sent to Lehman Brothers. Also, the data integrity issues and current file with inapplicable data will be eliminated.
2. WLT to store the new export file (daily/monthly servicer updates) and generate the reports required by the management for monitoring the deal performance, market value of the underlying assets, capital structure etc.,

WLT team is responsible for defining the second part of the scope and this document is going to contain a brief overview of the current process and the proposed process flows.

1.3. Out of Scope

1. Export file changes –
 - a. Trimont changes at their end for the export file are not part of the scope.

- b. Any interim solution to address the export file issues is not part of the scope.
- 2. Integration of export file with Marks, other Lehman systems is not in scope for this BRD.
- 3. FRD would elaborate the details with the screen snapshot and the data mapping between WLT and the export File.

1.4. Key Resources

Responsibilities	Names
Business User	Ari Koutouvides
Business User	Steven Fischler
Project Lead	Keith Crow
Business Analyst	Venu Ramakrishnappa

1.5. Users

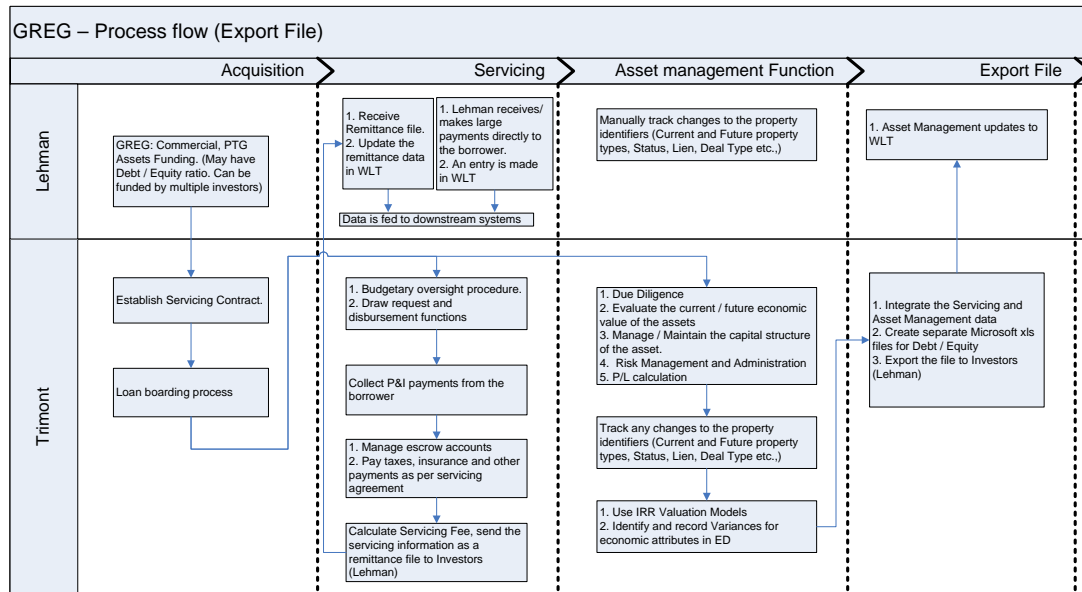
- 1. Front Office
- 2. Risk Management Team
- 3. Product Control and Finance

2. Process Analysis

2.1. Project Documentation References

Document Title	Document Author	Description

2.2. Current Process Analysis



The GREG team provides funding for Commercial mortgage, Large Loan and Principal Transaction Group loans. The loan assets are serviced by external servicer. Trimont is one of the servicer for RE mortgages/loan assets to Lehman Brothers. As part of the servicing agreement, Trimont disburses and collects the payments from the borrowers on behalf of Investors (Lehman Brothers) and also ensure compliance as per the servicing agreement. Trimont uses Strategy as its loan servicing system, ED (Efficient Database) for Asset Management.

The current servicing and Asset Management process are as follows:

Servicing:

1. Trimont disburses and collects the payments on behalf of the investor.
2. Trimont manages escrow account and pays the taxes, insurances as per the servicing agreement.
3. Larger transaction amounts are directly disbursed and collected from the borrower by Lehman Brothers. These transactions are immediately posted in Lehman systems and the same is communicated to Trimont (eMail / Phone?) so that they make the necessary entries in their systems.

4. Future payouts to/from the borrower are recorded in Trimont systems.
5. Trimont sends across the servicing file as a daily/monthly servicer update to Lehman Brothers. The same is updated in WLT system.

Asset Management:

6. Trimont evaluates the current and future economic value of the assets, manages the capital structure, collates risk management metrics and performs P/L calculation.
7. Trimont tracks the changes to the property identifiers.
8. Trimont uses IRR modeling and populates the projected future cash flows and also records the variances for the economic attributes in ED.
9. Trimont reports the
 - a. Servicing (fees, escrow, insurance etc.) and
 - b. Asset Management data (financial data - *balance, interest, projected cash flows* and non-financial data - *current / future property type, Status of loan, Lien, Deal Type, etc.*) on a monthly basis to Lehman Brothers. (This file is colloquially called as "export file")
 - c. The export file is reported by MTS (position).
 - d. The debt and equity positions are reported in separate files.
10. The export file is sent to the Middle Office group. The MO does the reconciliation of the data once in two/three months for the cash flow and balances.
11. The other non-financial and projection information is sent to the Product Controller group. The Product Controllers use this information to run models for valuation.

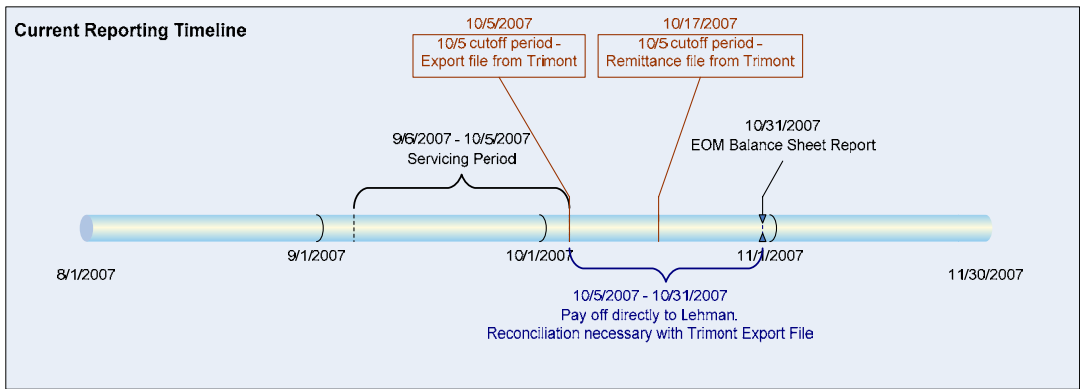
***** To detail out the current export file data elements that are relevant *****

Current Issues:

1. The export file contains data that is
 - a. Inapplicable (not used by Lehman Brothers)
 - b. Stale (Data not being current).
 - c. Duplicate (There are duplicate entries for cash)
 - d. Inconsistent – The deal level identifiers for a single deal with multiple positions should be identical. The current export file has inconsistent data being reported.
2. There is a lag of two months between the export file data that is being sent by Trimont and the Lehman's month end Balance Sheet statement. This has resulted in data integrity issues as any payouts during this period may be recorded in Lehman Brothers systems and not being reflected in the export file.

Comment [B R1]: Need to provide examples for the same

Comment [B R2]: Need to validate the same



3. The data validation is not being enforced and this results into manual verification for the fields that are supposed to have restricted data.
4. Changes in Real Estate property identifiers are captured in MS Excel spreadsheet within the firm (Lehman Brothers) and this results in:

- a. Data Integrity Issues
 - b. Reconciliation issues between Trimont data and MS Excel data.
 - c. Compliance issue as the data is not stored in a database that is archive enabled for audit purposes.
5. In the current system, Trimont has not modeled the exit date as a function to factor the changes in market condition. The changes in market condition may result in repayment delays and hence the exit date may change.
 6. Interest reserve is not captured in the current model. (Interest Reserve is used to calculate the burn out in the modeling)
 7. The Sell out calculation (Future Value) is calculated using Straight line method.

Audit Finding Issues:

1. GREG does not have robust system infrastructure to support the current business needs.
2. The current system for GREG lacks in providing management reporting capability (e.g., deal status updates, asset values, capital structures, market analysis etc.)
3. The management reporting is ad-hoc and manually prepared based on the monthly excel based servicer export file.
4. Not all export file data is stored in the database.

2.3. Proposed Process Analysis

1. Trimont will be sending a newly defined export file. The file format has been informed to the Trimont team in the first week of October 2007.
 - a. The new file reduces the categories in current capital structure.
 - b. Flags the major variances so that the Asset Management team can account for the differences.
 - c. Changes in IRR model should be alerted.
 - d. Interest Reserves will be captured in the new model and this field is built into the new report.
 - e. There should be validation checks to ensure that the current balance is balanced with the latest Balance Sheet data.
2. WLT to be enhanced to address the four classification (buckets) issues defined above.

3. Business Requirements

[Describe the business user requirements. This is the key section of the document and a checklist of areas to consider is provided. Note this is not an exhaustive list and further sections should be included as required.

This is also the place to record stakeholder requirements. Create a new section for each stakeholder department or entity. Each of these must sign-off the BRD in the sign-off section

- Key Business functions and processes
- Access requirements (i.e. who can modify what and when)
- Reports/screens (i.e. required reports/screens, timeframes, real-time or batch, etc.)
- Data sources and destinations (i.e. what other systems must be fed or provide data.)
- Multi-currency requirements and/or multi lingual support
- Capacity requirements (i.e. expected volumes, peak periods)
- Business Continuity Requirements (Business criticality and recovery times)
- Performance requirements (i.e. response times)
- Audit trail requirements.

3.1. Main User Requirements

Ref	Description	Priority (H,M,L)
1	[Describe functionality]	
2		
3		
4		
5		

3.2. Audit / Legal and Compliance Requirements

Ref	Description	Priority (H,M,L)
1		
2		
3		

4. Control Requirements

4.1. Audit Trail Requirements

[Specify what information/updates should be logged and why.

Describe how information will be logged, how it is to be monitored, and what log entries require action to be taken.]

4.2. Archiving Requirements

1. The Real Estate deal data have to be stored for at the least seven years after closure/exit.

5. Issues & Dependencies

5.1. Issues

1. Are there any assets excluded for the export file serviced by Trimont (REO?)

5.2. Dependencies

1. Trimont is supposed to make the necessary changes in their business process to capture the relevant data as defined by the GREG business users and export the modified file to Lehman Brothers for processing.

6. Glossary

Term	Definition
BRD	Business Requirement Document
GREG	Global Real Estate Group
IRR	Internal Rate of Return
MTM	Mark to Market
P&I (Pnl)	Principal and Interest
P&L (PnL)	Profit and Loss
PTG	Principal Transaction Group
ED	Efficient Database. Trimont's internally developed Asset Management database and is used for data warehousing and analysis and reporting purposes.
Strategy	The Loan Servicing system used by TRIMONT
WLT	Whole Loan Technology

7. Appendix

[Add new sections as required]