

Fidelity National Financial, UCC Risk Management Program

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Panel Explores Next Financial Crisis; Commercial Markets Viewed as Vulnerable

Underwriting Standards/Loan Documentation Seen as Essential Solution

WASHINGTON, D.C. - October 28, 2009 – While U.S. policymakers work overdrive to address consumer financial issues related to last year’s global economic collapse, the commercial and corporate lending markets are on track for an equally devastating fall, so was the consensus at a Capitol Hill panel event yesterday, sponsored by Fidelity National Financial’s UCC Insurance Division. Attention was also paid by the panel to the need for increased rigor in underwriting standards and documents insuring against defects.

“There is approximately \$3 trillion of commercial real estate debt and \$1.3 trillion in commercial loans coming due over the next 3 years. The government, to date, has taken a short term view of these looming problems” said Kevin Smith, of Blackwell Advisors, LLC. “A lack of government pressure to address these loans has allowed many of the nation’s banks to defer taking action on much of this risky commercial debt.” This has the potential to be a very slow and drawn out process without further government involvement similar to the RTC of the early 90’s, said Smith.

The event, “Managing Corporate Risk in a Fragile Economy,” was moderated by banking and finance reporter Phil Mattingly of Congressional Quarterly, and included panelists

Smith, founder of Blackwell Advisors LLC, Eli Lehrer, senior fellow at the Competitive Enterprise Institute and Gary Zimmerman, senior vice president and chief underwriting counsel for Fidelity National Financial's UCC Risk Management Program. Ted Sprink, Senior Vice President, Director Business Development, Fidelity National Financial, Inc. UCC Risk Management Program provided opening remarks, framed the issues for discussion and referred to the White Paper crafted to complement to Panel Program.

“Congress’ approach to financial issues has been a “band-aid” approach,” said Fidelity National Financial’s Zimmerman. “Commercial markets are too sophisticated for this approach...what we need is a blend of market-based and regulatory frameworks.”

Lehrer of Competitive Enterprise Institute expounded on the need for innovative market based product solutions. “We need to create an environment that fosters innovation and creativity. Lehrer mentioned the use of Uniform Commercial Code (UCC) Insurance as a prime example. “It’s a good solution, but we need 20 more of solutions like these to fix the big picture, he said.”

“Particularly exposed is the credit quality and capital of secured lenders, the reliability of traditional underwriting tools employed by secured lenders and the quality and creditworthiness of their corporate borrowers,” said Zimmerman. “Large and small banks electing to not utilize contemporary underwriting and risk mitigation tools now offered by the private sector, and the failure of secured lenders to properly perfect their security interest in reliance collateral, or to maintain their collateral lien priorities in the face of rising corporate defaults, can be expected to experience an adverse affect on bank loan recoveries.”

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