2008

ANALYSIS OF SUBPRIME MORTGAGE SERVICING PERFORMANCE

DATA REPORT NO. 1
FEBRUARY 2008

STATE FORECLOSURE PREVENTION WORKING GROUP

Executive Summary

In the summer of 2007, the state attorneys general and state banking regulators formed the State Foreclosure Prevention Working Group to work with servicers of subprime mortgage loans to identify ways to work together to prevent unnecessary foreclosures. The touchstone of the State Working Group is to work to prevent those foreclosures where the homeowner has the desire and reasonable ability to make payments on a mortgage loan and the investors that own the mortgage loan have a financial incentive to modify the loan rather than incurring the significant costs and likely greater losses from foreclosing on the loan. In our experience with homeowners in our states, unnecessary foreclosures had been occurring all too often because the system for servicing subprime mortgage loans was not designed to conduct large numbers of loan modifications or other work-outs for homeowners in distress.

The State Working Group collaborated with industry and federal regulators to develop a uniform data reporting format to collect data to measure the extent of the foreclosure problem and the servicers' efforts to respond to it. As state officials, we believe that objective data is necessary to make informed policy decisions and to promote initiatives that could reduce foreclosures. In addition, we believe the public has a right to know how servicers are managing the foreclosure crisis. This report is our first effort to provide the public with data on servicer activities. Our key findings are:

1. **Seven out of ten seriously delinquent borrowers are not on track for any loss mitigation option**. The lack of interaction between mortgage servicers and homeowners remains a major problem. While servicers have developed creative outreach efforts and increased staffing, the data shows a large gap between the number of homeowners needing loss mitigation and the number currently receiving assistance. Our data suggests that a rising number of loan delinquencies are outpacing the increase in loss mitigation efforts.

2. **Servicers have increased their use of loan modifications and other home retention options**. For those delinquent homeowners in contact with servicers, almost half (45%) are working toward a loan modification. Servicers are increasing their use of longer-term changes to the mortgage loan versus their earlier reliance on short-term repayment or forbearance agreements.

3. **Payment resets on hybrid ARMs have not *yet* been a driving force in foreclosures**. A significant percentage of subprime adjustable rate loans are delinquent before they experience payment shock from their first adjustment, reflecting weak underwriting or

fraud in the origination of the loan. With so many homeowners struggling to stay afloat prior to rate resets, we need to act quickly to address these hybrid ARM loans before the payment shock due to the rate reset triggers further foreclosures.

4. **Homeowners are helping themselves**. Most delinquent loans resolved in October 2007 occurred due to the homeowner catching up on back payments. As of October, actions by homeowners, not servicers, have prevented the most foreclosures.

5. **The refinance option has nearly evaporated.** Historically, serial refinancing was the primary way that the mortgage industry and homeowners managed delinquencies in subprime loans. Despite recent interest rate cuts, the mortgage industry will not be able to refinance its way out of this crisis absent dramatic changes in available loan products or a reversal in home price declines.

We reach these preliminary conclusions based on somewhat limited data. Some major national banks that service subprime loans have declined to provide the State Working Group with data based on advice or direction from the Office of the Comptroller of the Currency. Another federally-chartered thrift refused to provide data based on its participation in the industry-led HOPE NOW data collection effort. We call on the OCC to urge national banks to report data to the State Working Group, so that we will be able to provide a complete picture of the subprime servicing market.

In addition, we renew our calls for systematic, long-term solutions to efficiently deal with subprime loans originated in recent years. While there is an industry-led effort to identify a set of loans for “fast track” modifications, we believe this effort only scratches the surface of the need for a more efficient and systematic approach. A continued insistence that each delinquent loan needs intensive one-on-one attention will hamstring efforts to prevent large numbers of foreclosures. As a result, millions of homeowners will lose their homes unnecessarily, impacting not only those families, but their neighbors and communities as well. We must do better.

Section I: The State Foreclosure Prevention Working Group and the Need for Public Data to Measure Servicer Performance in Preventing Unnecessary Foreclosures

The State Foreclosure Prevention Working Group ("State Working Group")[1] formed in the summer of 2007 after representatives of 37 state attorney general offices and several state banking regulators met to discuss the growing foreclosure crisis. States have long been active in addressing abusive lending practices, either through legislation[2] or enforcement.[3] But unlike traditional law enforcement efforts, the States face the challenge of addressing the devastating impact of elevated foreclosure levels on our citizens and state and local economies.

Foreclosures impact much more than the homeowner and lender involved. While devastating for the individual homeowners and their families, foreclosures also have a negative impact on the property values of their neighbors. The Center for Responsible Lending estimates neighborhood property values will decline $202 billion due to subprime foreclosures, or approximately $5,000 for each homeowner living near a foreclosed property.[4] Similarly, the Woodstock Institute found that each foreclosure within a city block of a single-family home reduces that home's property value by approximately 1%.[5]

While home lending is financed globally, the impact of foreclosures is inherently local. According to the U.S. Conference of Mayors, the foreclosure crisis will result in a loss of $166 billion in gross domestic product of metropolitan areas.[6] Foreclosures are also associated with an increase in crime and lead to vacant and abandoned properties. City, county, and state governments must deal with these issues and bear significant costs from foreclosures.

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[1] The State Working Group consists of representatives of the Attorneys General of 11 states (Arizona, California, Colorado, Iowa, Illinois, Massachusetts, Michigan, New York, North Carolina, Ohio, and Texas), two state bank regulators (New York and North Carolina), and the Conference of State Bank Supervisors.

[2] North Carolina passed the first state predatory lending law in 1999. Since that time, the majority of states have enacted similar laws to supplement the Home Ownership and Equity Protection Act (HOEPA), the 1994 federal predatory lending law, and some states have recently enacted new laws to address abuses in the subprime mortgage market.

[3] State enforcement actions against mortgage lenders have resulted in the return of almost $1 billion to state citizens.

[4] *Subprime Spillover*, Center for Responsible Lending, revised January 18, 2008, available at: http://www.responsiblelending.org/pdfs/subprime-spillover.pdf.

[5] *The External Costs of Foreclosure: The Impact of Single-Family Mortgage Foreclosures on Property Values*, Dan Immergluck and Geoff Smith, available at: http://www.fanniemaefoundation.org/programs/hpd/pdf/hpd_1701_immergluck.pdf.

[6] *The Mortgage Crisis*, U.S. Conference of Mayors, November 2007, available at: http://usmayors.org/metroeconomies/1107/report.pdf.

Of particular concern to the States last summer was the anticipated increase in foreclosures nationwide due to the escalation in monthly payments (commonly known as "payment shock") for subprime adjustable rate mortgage loans ("hybrid ARM" or "ARM") as those loans adjusted through late 2007 and 2008.[7] While not the sole driver of foreclosures, this impending wave of loans with increased payments suggested a need for proactive efforts to refinance or modify these loans before they led to significant increases in the number of defaults and foreclosures.

Led by Iowa Attorney General Tom Miller, the goal of the State Working Group is to reduce the number of foreclosures by encouraging loan modifications and other sustainable, long-term solutions. Given the expected increases in foreclosures and our assessment of structural flaws in the fractured and complex mortgage origination and securitization system, the State Working Group decided to focus its efforts on the prevention of *unnecessary* foreclosures, foreclosures where the homeowner has the desire and reasonable ability to make payments on a mortgage loan and the secondary market investors that own the mortgage loan have a financial incentive to modify the loan rather than incurring the significant costs and likely greater losses from foreclosing on the loan.

In September and November 2007, the State Working Group met with representatives of the 20 largest servicers[8] of subprime mortgages. Collectively, these top 20 companies service approximately 93 percent of the nation's subprime loans. The State Working Group asked these servicers to identify and implement comprehensive and systematic programs to prevent unnecessary foreclosures.

Any effort to reduce foreclosures requires a clear-eyed assessment of the underlying causes of the foreclosure crisis. There is no one cause for the foreclosure crisis – and accordingly, no single solution can solve it. However, the State Working Group believes that weak underwriting and mortgage origination fraud played a central role in the scope and scale of the foreclosure crisis. Servicers now have to address an unprecedented number of loans that never had a realistic prospect of fully performing.

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[7] For a fuller discussion of the hybrid ARM problem, see *Overview of the Subprime Foreclosure Crisis*, by Iowa Assistant Attorney General Patrick Madigan, available at: http://www.iowa.gov/government/ag/latest_news/releases/sept_2007/Foreclosure_analysis.pdf.

[8] A servicer is an agent that collects payments on mortgage loans and transfers those payments to the investors who own those loans. When a borrower misses payments, the servicer attempts to contact the borrower to collect the outstanding amount owed. In the event the borrower fails to pay the outstanding amount, the servicer initiates and manages the foreclosure process.

In recent years, the subprime market became a race to the bottom. Because of the capital markets' voracious appetite for securities backed by subprime mortgage loans, originators engaged in intense competition to produce volume. This emphasis on quantity over quality resulted in a lowering of underwriting standards and an increase in risky loan features. As a result, beginning as early as 2005 and continuing throughout 2006 and the first half of 2007, lax underwriting standards prevailed and long-standing lending norms were routinely ignored. In addition, as demonstrated by the States' Ameriquest Mortgage Company investigation and settlement, loan origination fraud became more common, particularly inflated appraisals and stated income fraud.

This view is bolstered by industry studies. For example, the rating agency Fitch recently reviewed a small sample of loans that defaulted within the first 12 months after securitization and concluded that fraud played a major role. Fitch concluded that "poor underwriting quality and fraud" may account for as much as 25% of the defaults.[9] Fitch further commented that, "[t]here was the appearance of fraud or misrepresentation in almost every file."[10]

Weak or non-existent underwriting coupled with high levels of origination fraud combined to produce loans that had no reasonable prospect of being repaid. Rather, these loans were originated based on the assumption that housing appreciation would continue indefinitely and that when borrowers ran into trouble, they would refinance or sell. While this approach worked for a few years, when the inevitable leveling off and decline in housing prices began, the refinance option was cut off. Because many loans were originated without regard for the borrowers' ability to pay, only in the last year have we begun to see the disastrous results of this reckless lending.

Servicers are being asked to clean up the mess caused by reckless origination practices. While the servicing system was well-designed to deal with traditional payment defaults due to life events such as a job loss or divorce, the servicing system was not designed to re-underwrite a massive number of loans that are defaulting due to failures in loan origination, such as loans originated with built-in payment shock, failures by lenders to assess a borrower's ability to repay, or hidden fraud associated with inflated appraisals or falsified incomes.

In our meetings, the State Working Group found much common ground with the intentions and the initiatives of mortgage loan servicers. Servicers agreed that it was in their interest and in the interests of secondary market investors who own securities backed by

[9] *Up to 25% of Subprime Losses Blamed on Fraud*, Inside B&C Lending, November 30, 2007, at 5.
[10] *Id.*

mortgage loans to work out loan delinquencies and avoid foreclosures whenever reasonably possible. The leading servicers subscribed to the "Dodd Principles," developed by Senator Christopher Dodd in May 2007.[11] All of the servicers were implementing strategies to notify borrowers in advance of the ARM reset date. All were increasing staff to deal with the increased loss mitigation demand. Most were enhancing efforts to communicate with delinquent borrowers, including contracting with third party non-profit agencies for that purpose.

While there was considerable agreement among servicers at the senior management level that efforts to prevent foreclosures needed to be expanded, the State Working Group expressed concern that the corporate pronouncements were not being adequately implemented at the ground level. The experience of the State Working Group as well as anecdotal reports from consumers and housing counselors, indicated that it remained difficult to contact loss mitigation staff; that foreclosures were proceeding even when borrowers had reasonable options to preserve homeownership; that temporary and unrealistic short-term repayment plans were still the most common loss mitigation method; and that loan modifications were rarely offered. In short, a considerable disconnect existed between words and actions, particularly as to the availability of loan modifications.

To move past anecdotes, the State Working Group recognized the need for consistent data to verify the performance of the servicers' foreclosure avoidance programs. The State Working Group developed a "call report" format for monthly data reporting purposes. The call report form was circulated to a number of federal banking regulators and servicers for comment and revision. The final call report was intended to improve data reporting, ensure that data was uniform, and to reduce the burden on servicers facing multiple requests for data from a variety of sources, including state and local government agencies. This report is the first public discussion of this data collection effort.

[11] The Dodd Principles can be found at: http://dodd.senate.gov/multimedia/2007/050207_Principles.pdf.

Section II. October 2007 Data Reported by Subprime Mortgage Loan Servicers

Thirteen of the top 20 servicers provided the requested data for the month of October 2007. These servicers represent approximately 58% of the total subprime servicing market.

Six servicers have either refused to provide data to the State Working Group or are in negotiations with the State Working Group to address confidentiality concerns. Of these six, Chase and Wells Fargo refused to provide data based on advice or direction from the Office of the Comptroller of Currency ("OCC"), the regulator of national banks. The State Working Group contacted the OCC to encourage it to permit these banks to provide data to the State Working Group,[12] but the OCC has declined to so.[13] Washington Mutual and Chase have also refused to provide data based on their participation in the HOPE NOW Alliance's data project.[14]

The failure of these federally-chartered institutions to provide data hampers the ability of the State Working Group to provide a comprehensive picture of the subprime mortgage servicing marketplace,[15] and we are extremely disappointed in their refusal to cooperate with our efforts. As state and local governments work to manage the impact of high foreclosures, we are dismayed that some servicers regulated at the federal level have refused to provide us with aggregate information essential to our efforts. In this time of foreclosure crisis, we need to work together to solve problems, and we call on the OCC to encourage national bank servicers to work voluntarily with the States.

As this is the first collection of data in this format, the State Working Group has attempted to review the data thoroughly to identify errors or inconsistent reporting. Based on the

[12] Letter to Comptroller of Currency John Dugan from Mark Pearce, North Carolina Deputy Commissioner of Banks, January 4, 2008.

[13] Letter to North Carolina Deputy Commissioner of Banks Mark Pearce from Comptroller of the Currency John Dugan, February 1, 2008 (expressing concern that the States' project would produce "inconsistent and incomplete" data that would "not be constructive to achieving an accurate picture of delinquencies and loss modification efforts").

[14] The HOPE NOW Alliance is a collaboration of major mortgage servicers, mortgage market participants, and housing and credit counselor organizations with the encouragement of the U.S. Treasury Department and U.S. Department of Housing and Urban Development. We support the subsequent industry-led HOPE NOW data collection effort and have discussed opportunities with HOPE NOW to develop consistent definitions and reporting formats.

[15] While we respect the OCC's concern regarding incomplete data (*see* footnote 13), the most significant gap in our information is due to the refusal of national banks with large subprime mortgage servicing portfolios to provide us with data. This gap far exceeds any likely distortions or inaccuracies due to definitional differences.

pressing need for public information of loss mitigation activities, the State Working Group has decided to provide preliminary data on this first month's reporting. It is expected that this data may be revised as we continue our review of the data reporting and as servicers modify their systems to more fully report information we have requested.

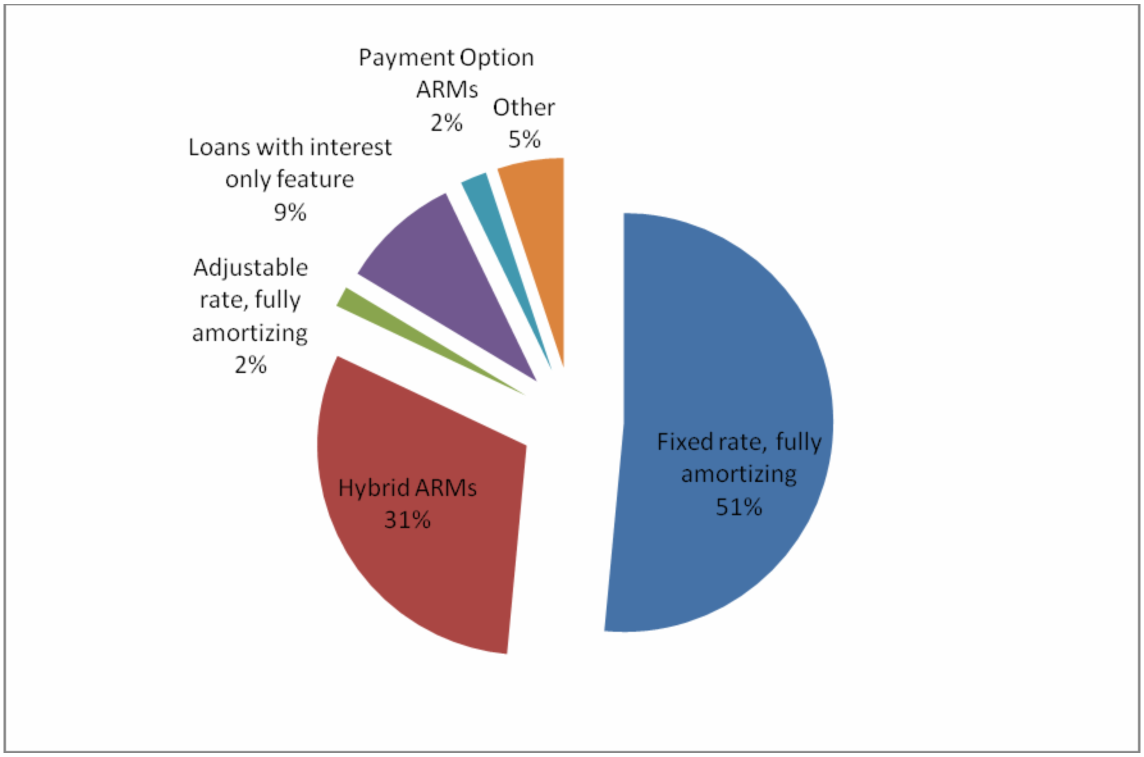
A. Summary of Servicing Activity of Reporting Servicers:

As noted above, thirteen servicers provided data for their servicing activities for the month of October 2007 ("Reporting Servicers"). These thirteen companies service approximately 58% of the total loans in the subprime servicing market. In addition, seven of these servicers also service prime loans.

Types of Subprime and Alt-A Loans Serviced

As of the end of October, Reporting Servicers serviced 5,110,678 subprime and Alt-A loans. The distribution of loan products is listed below in Figure 1.

Figure 1: Subprime and Alt-A Loan Distribution by product type

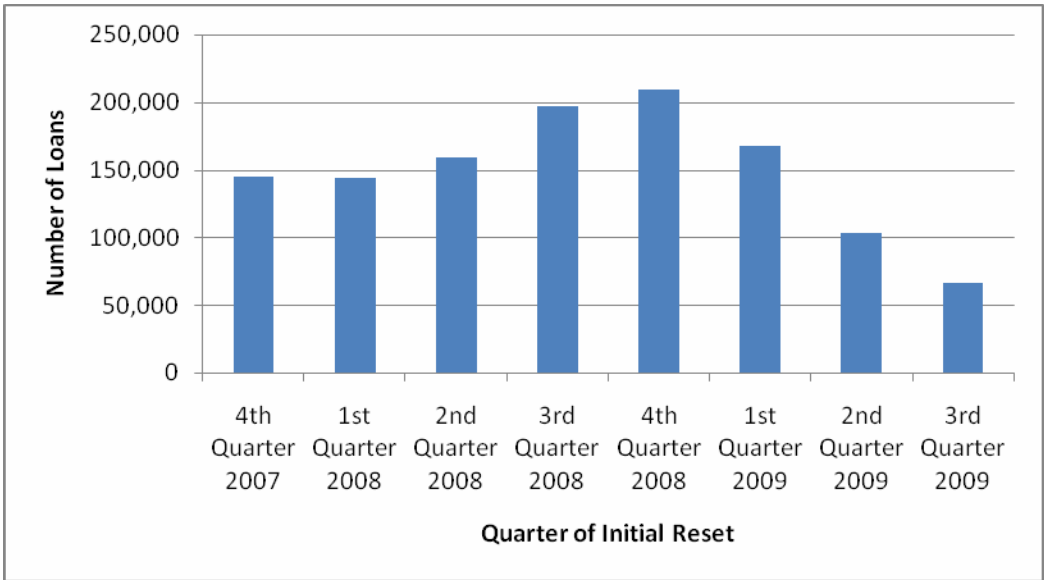


Thus, half of the subprime and Alt-A loans in our data set were fixed-rate, fully-amortizing loans. Hybrid ARMs accounted for 31% of the total subprime and Alt-A market. Although we are reporting data for payment option ARMs, we believe this data undercounts the true number of these loan products due to the fact some loans with payment option features may have been allocated in other categories of loan products. In order to avoid double counting, our data collection required servicers to report a loan in only one category; however, it is possible to have multiple combinations with a negative amortization feature, such as a hybrid ARM with an option for negative amortization.

<u>Payment Resets for Subprime and Alt-A Loans</u>

Reporting Servicers provided information regarding the time horizon for loans to reach their first payment change date, otherwise known as the "initial reset." The State Working Group and other policymakers believe that modification of subprime hybrid ARMs will help prevent foreclosures caused by the significant payment increases caused by the initial rate resets of these loans. Based on October data, Figure 2 provides a schedule for when subprime and Alt-A adjustable rate loans will reach their first payment reset:

Figure 2: Subprime and Alt-A Adjustable Loan Resets by Quarter through 2009



This data highlights the fact that there is still a large pool of subprime loans facing their first reset in 2008 and 2009, with the biggest spikes in the third and fourth quarters of this year. Time is running out on implementing systemic solutions to enable the modification of many of these loans into a more sustainable loan product.

In addition to the schedule for resetting loans, Reporting Servicers provided information regarding the current payment status of these loans prior to the first reset. Approximately 31% of these loans are currently delinquent by 30 days or more. This data shows that a significant number of homeowners with subprime loans are currently experiencing difficulty in paying their loan ***prior*** to any increase in monthly payment associated with payment shock. This high delinquency rate for loans early in their loan term reflects the impact of weak underwriting and fraud in the subprime loan origination system. For example, over 21% of homeowners who will not experience their first payment reset until the third quarter of 2009 are already experiencing difficulty in making their mortgage payments.

Table 1: Current delinquency rates for Subprime and Alt-A Loans, by quarter of first payment reset

Quarter for First Payment Reset	30+ Days Past Due (%)[16]
4th Quarter 2007	32.4%
1st Quarter 2008	32.5%
2nd Quarter 2008	34.2%
3rd Quarter 2008	35.5%
4th Quarter 2008	35.4%
1st Quarter 2009	30.5%
2nd Quarter 2009	22.9%
3rd Quarter 2009	21.4%
Average	31.9%

The high rate of delinquency prior to reset confirms that modification of performing subprime loans prior to reset is only a partial, first step to addressing the foreclosure crisis. The strict criteria for qualifying for fast-track modification programs, such as those found in the American Securitization Forum (ASF) framework,[17] will limit the impact of these proposals.

On the other hand, the data reported to us for October does not demonstrate that payment resets are a major component of current delinquencies. Only 3% of the *currently* delinquent subprime and Alt-A loans were loans that entered delinquency in the first three months after an interest rate reset. By contrast, one out of every three (33%) currently delinquent subprime and Alt-A loans is a loan with an initial rate reset coming up in the next two years. In short, we believe that a significant percentage of subprime adjustable rate loans are performing very poorly in advance of a reset, and that the reset payment only increases the burdens on homeowners already struggling to stay afloat.

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[16] Based on the definitions used by the State Working Group (see Appendix C), a loan 30 days or more past due means the homeowner has typically missed two monthly payments. We used the 30 days delinquency level to demonstrate the significant degree of trouble that homeowners with subprime loans are already having in managing their loans, prior to the 20-30% monthly payment increase that will occur after the loan reaches the initial interest rate adjustment.

[17] The ASF Framework is sometimes called the "Paulson Plan" in reference to U.S. Treasury Secretary Henry Paulson, who worked closely with ASF and the HOPE NOW Alliance to support the development of the "fast track" approach. The ASF Framework can be found at: http://www.americansecuritization.com/uploadedFiles/FinalASFStatementonStreamlinedServicingProcedures.pdf.

Delinquency and Default in Subprime and Alt-A Loans

As of the end of October, over 500,000 subprime and Alt-A loans were delinquent by 90 days or more. Almost 15% of subprime loans serviced by Reporting Servicers were delinquent by 60 or more days. Table 2 provides a listing of total delinquencies.

Table 2: Subprime and Alt-A delinquency rates by severity

Days Past Due	Number of Loans	Percent of Loans
30 to 59 days	356,850	6.98%
60 to 89 days	186,695	3.65%
90 days or over	556,578	10.89%
Total	1,100,123	21.53%

Of the million plus subprime loans experiencing delinquency, *over a quarter of a million are currently in the process of foreclosure*. Reporting Servicers are holding close to 100,000 foreclosed properties for sale. As the foreclosure crisis unfolds, the State Working Group has concerns that a build-up in foreclosed home inventory will unduly depress local home prices in affected communities.

One concern among investors has been the performance of loans previously modified by the servicer.[18] The Reporting Servicer data shows that, for the month of October, only 2% of the delinquent loans being serviced had been modified in the previous year. As the level of loan modifications increase, this figure will be important to monitor to see if loan modifications are leading to sustainable homeownership or if the modifications fail to solve the challenges homeowners face in affording their subprime loans.

B. Loss Mitigation and Loan Modification Efforts

When the State Working Group met with the top subprime servicers last fall, a pressing issue was inconsistent or inadequate reporting of loss mitigation efforts. For instance, some servicers reported making loan "modifications" that other servicers would have characterized as

[18] Investors have concerns that some servicers, primarily those affiliated with the originating lender, may have incentives to implement unsustainable repayment plans to depress or defer the recognition of losses in the loan pool in order to allow the release of collateral provided by the lender to guarantee performance of the loans for a certain period of time.

a "repayment plan." Thus, the state data report prescribes precise definitions for loan modifications, repayment plans, and other loss mitigation outcomes. Generally speaking, loss mitigation efforts can be divided into two categories: 1) outcomes that lead to home retention, such as a loan modification, repayment plan, or short-term forbearance, and 2) outcomes that result in the homeowner surrendering possession of the home without a foreclosure, such as a short sale or a deed in lieu of foreclosure. In addition to these efforts, homeowners may catch up on back payments in one lump sum payment in order to "reinstate" or make their account current or they may pay off their existing loan through a refinancing.

In addition to collecting information on the implementation of loss mitigation efforts, the state data request also collected information regarding loss mitigation efforts that had "closed" versus loss mitigation efforts in progress. This distinction helps identify not only what has happened, but the types of efforts that are underway.

The October data from Reporting Servicers shows that most mortgage payment delinquencies are resolved by action taken by the homeowners themselves. Of the loss mitigation efforts closed in October, 73% of all resolutions were due to the borrower bringing the account current. This demonstrates that it is mostly the homeowners themselves that are resolving their financial difficulties. We are concerned this reliance on homeowners to solve most of these loan problems is not sustainable at its current level.

Only 4% of homeowners refinanced their home or paid off the loan. This is a marked change. In the recent past, due to rapidly rising home prices, many borrowers were able to refinance or sell if they got into trouble and this in turn masked the true impact of poor underwriting and origination fraud. With home prices now leveling off or falling in many parts of the country, this option is no longer available and loans that would have previously paid off remain in the servicing portfolio. From conversations with servicers, we believe that serial refinancing was the primary way that many loan delinquencies and foreclosures had been avoided.

The small number of current refinances reinforces the notion that many borrowers are stuck in their current loan due to declining housing values or the greatly reduced level of subprime credit. If these mortgage loans had been underwritten prudently in the first instance, then declining home values would not have necessarily spurred the levels of foreclosure we are seeing. If placed in a loan with an affordable monthly payment, those homeowners who choose to stay in their homes, despite the loss of equity, would have that option. However, when an unaffordable loan (made possible through weak underwriting, risk layering, or origination fraud) is coupled with a decline in home values, homeowners are faced with no option other than loan modification or foreclosure.

For other loss mitigation efforts, Table 3 below shows the overall level of various loss mitigation efforts that were closed in the month of October. Loan modifications represent 45% of all "home retention"[19] tools used by servicers in October 2007, supporting servicer statements that they have increased their level of loan modification efforts. In earlier years, short-term repayment plans were significantly more common than loan modifications.

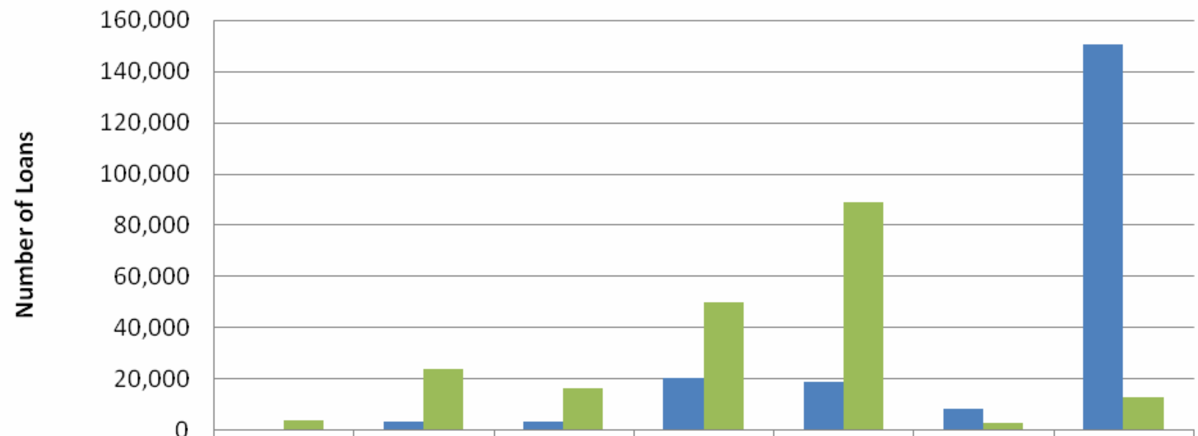
[19] By home retention tools, we mean the strategies servicers use with homeowners to help them stay in their home with their current mortgage loan, such as forbearance agreements, repayment plans, and loan modifications. Home retention tools do not include short sales or deeds in lieu (as the homeowner moves out of the home) or refinance/paid in full (as the borrower gets a new loan) or reinstatement (where the borrower simply catches up).

Table 3: Loss mitigation outcomes closed in month of October

Loss Mitigation Outcome	Number	Percent of Total
Deed in lieu	356	0.17%
Short sale	3,456	1.68%
Forbearance	3,129	1.52%
Repayment plan	20,486	9.98%
Modification	19,082	9.30%
Refinance or paid in full	8,242	4.02%
Reinstatement/Account made current	150,519	73.33%
Total	205,270	100.00%

The trend toward loan modifications is further supported by looking at loss mitigation efforts in progress. As of the end of October, 45% of all loss mitigation efforts in process were directed to loan modifications, whereas less than 7% were directed toward simply bringing the account current. The State Working Group hopes this indicates that servicers have recognized the need for loan modifications and have implemented systems to make them happen more frequently. However, this apparent trend will not be clear until it is established by the closed loss mitigation outcome data in future months. Overall, over 150,000 delinquent loans were in the process of receiving a loan modification or other home retention accommodation at the end of October. Figure 3 below shows the distribution of loss mitigation efforts in process, and compares it to the closed loan modifications to show trends.

Figure 3: Loss mitigation efforts in progress versus closed mitigations, as of end of October



	Deed in lieu	Short sale	Forbearance	Repayment plan	Modification	Refinance or paid in full	Made current
Number Closed	356	3,456	3,129	20,486	19,082	8,242	150,519
Number in Process	3,662	23,551	16,120	49,704	88,907	2,666	12,503

One disturbing result in the data is the extent of loss mitigation efforts as compared with the level of serious subprime delinquencies. The sum total of all loss mitigation efforts surveyed account for only 24% of seriously delinquent (60 days+) subprime loans. This means that seven out of ten seriously delinquent homeowners are not currently on track to have *any* loss mitigation outcome. Aside from errors in data reporting, this disparity may reflect a lack of servicer capacity to manage the level of delinquent loans they service, a lack of success in contacting delinquent borrowers, or investor resistance to loss mitigation (or a combination of some or all of the above). The State Working Group will follow up with servicers to better understand this troubling gap.

Types of Loan Modifications

In order to understand better the types of loan modifications occurring, the State Working Group gathered information on the typical type and duration of loan modifications completed. Our data request attempted to gather information as to whether the loan modification used was an interest rate modification (and if so, what type), a term modification (e.g., extending the term of the loan), or a reduction in the principal balance of the loan. In addition, we attempted to learn whether the loan modification was set for the life of the loan or whether the modification was for a set time period (e.g., 2 years).

Some servicers had not, as of our data collection for October data, implemented a tracking system to provide this information. Given the data limitations and spotty reporting, we have decided not to include specific dispersion tables in this first report. Servicers are working to improve their systems and we hope to be able to provide reliable information on this area in future reports. However, from first blush, it appears loan modifications that are permanent for the life of the loan account for a significant proportion of all modifications, and that freezing the interest rate at the start rate for ARMs is the most common loan modification technique. We expect the loan rate freeze to continue and expand under the fast-track loan modification protocol in the ASF Framework, but are concerned that as some servicers adopt the ASF Framework, they may stop offering permanent loan modifications.

C. Variations among Subprime Servicers

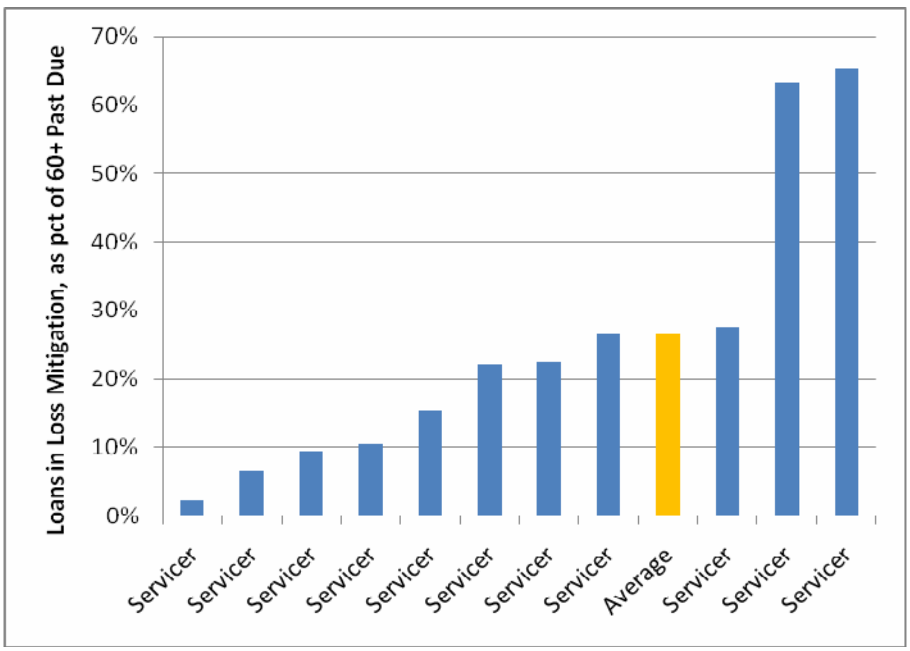
The subprime servicing industry is not a monolith. For instance, seven of the Reporting Servicers only service subprime loans, while the remaining service a varying proportion of prime and subprime loans. In addition, five of the Reporting Servicers only service subprime loans originated by others, one services only loans originated by an affiliate, and the rest service a mixture of loans originated by an affiliate and loans originated by others. Despite these different characteristics, our review of the October reporting does not indicate an obvious difference driven by the business model of the subprime servicer.

Types of Loan Modifications

The State Working Group examined each Reporting Servicer to identify the most-used loss mitigation technique. Repayment plans are the most-used technique for five of the Reporting Servicers, and loan modifications for four others. Reinstatement is the most-used technique for three others. Loss mitigation tools leading to home loss (deed in lieu and short sale) are rare. In addition, refinances and pay-offs are rare among closed loss mitigation efforts, with only one servicer reporting that as the most-used loss mitigation tool. Given the subprime industry's previous high level of refinance, the October data confirms the marked change in dynamics of the subprime market. This data supports the view that the industry will not be able to refinance its way out of this problem.

While the loss mitigation tools used tended to be similar, the State Working Group found significant differences in the level of seriously delinquent loans in loss mitigation. Three servicers had loss mitigations in process that amounted to less than 10% of the number of loans seriously (60 days+) delinquent. On the other hand, two servicers had loss mitigations in process that exceeded 60% of their seriously delinquent loans. This large disparity may reflect significant differences among servicers in their ability to manage the volume of seriously delinquent loans with existing staff or weaknesses in their outreach programs to contact homeowners.

Figure 4: Loss mitigations in process, as a percentage of 60+ days past due



Delinquency and Foreclosure

There was a significant disparity in delinquency rates among the Reporting Servicers. For instance, three servicers reported serious (90 day+) delinquencies of 6% or less of their subprime and Alt-A portfolio**,** while seven servicers reported delinquency rates of 16% or greater. For loans in the process of foreclosures, all but one servicer reported subprime and Alt-A loans in foreclosure at a rate between 3% and 8% of their total number of subprime and Alt-A loans serviced. The remaining servicer reported that 15% of its subprime and Alt-A loans were in process of foreclosure.

Section III. The State Working Group's Next Steps and Future Reporting

The State Working Group anticipates future reporting on the data collected from servicers. The State Working Group will continue to collect monthly data from Reporting Servicers in order to provide public information on trends in the servicing industry as we move through this foreclosure crisis. As this first report was going to press, the State Working Group completed the collection of data for November 2007 servicing activity, and that data should be forthcoming on the Conference of State Bank Supervisors' website at www.csbs.org.

A preliminary review of the November 2007 data suggests that subprime and Alt-A delinquency rates continued to rise in November; however, loss mitigations in process failed to keep pace. The November data also indicates that the overwhelming number of resolutions continues to be due to the efforts of the borrower. These early trends confirm our concern with servicing staffing levels and the inadequacy of current efforts to prevent unnecessary foreclosures.

In addition, the State Working Group intends to update its data request to begin tracking information related to the loans covered by the ASF Framework and other commitments made by servicers regarding their practices. Since these programs are just now being implemented, we may be a few months from seeing measurable outcomes from those efforts. The State Working Group supports the ASF's efforts in both developing methods for modifying more loans and in tracking outcomes, and we hope they continue to expand the numbers of loans that merit the fast-track approach. Given the increasing negative trends in the performance of loans *other* than subprime hybrid ARMs, such as payment option ARMs and Alt-A loans, we need to move quickly to address the subprime loans so we can begin to expand our efforts to deal with these other types of loans needing attention.

The State Working Group continues to seek cooperation from a few servicers that have refused to provide this important data to our group. In particular, we ask the Office of the Comptroller of the Currency to urge national banks to provide this data to the State Working Group. The State Working Group has repeatedly emphasized that this is a voluntary and cooperative effort to prevent unnecessary foreclosures and has made assurances to the participating servicers that the State Working Group is not attempting to exercise jurisdiction over national banks or federal thrifts. Furthermore, we believe the HOPE NOW data collection effort complements our data collection efforts and that our projects are not mutually exclusive. In our view, this crisis is too important to waste time on turf battles between regulators.

Finally, the State Working Group will continue to work directly with the top twenty subprime servicers to remove barriers and obstacles to increasing the numbers of loan modifications. It is our sense that many servicers are making positive efforts to avert foreclosures, but that we are still losing the larger battle to stop unnecessary foreclosures and stem the foreclosure crisis.

APPENDIX A: CONSOLIDATED STATE REPORT FOR MORTGAGE SERVICERS DATA AS OF OCTOBER 31, 2007

Consolidated State Report for Mortgage Servicers

Consolidated Report as of October 31, 2007 for 13 Companies

All dollar amounts are the unpaid principal balance (UPB) and are in thousands (000's).
All numbers of loans are the actual number.

OPERATIONAL PROFILE	Number	%	UPB	%
Total Loans Serviced	15,494,510	100.00%	2,408,583,039	100.00%
Serviced loans originated and funded by an unaffiliated party	8,537,738	55.10%	1,376,616,094	57.15%
Serviced loans where originator or funder is affiliated with the servicer	6,956,772	44.90%	1,031,966,945	42.85%
Serviced loans secured by owner-occupied residence*	13,132,971	84.76%	2,083,531,582	86.50%
Serviced loans for investment or second residence property*	2,344,960	15.13%	322,199,402	13.38%
Loans which are secured by a first mortgage only*	11,452,989	73.92%	2,112,461,654	87.71%
Loans which are secured by a second mortgage only*	1,674,117	10.80%	84,479,200	3.51%
Loans which you service both the first and second mortgage*	2,059,295	13.29%	235,451,061	9.78%

*Reported data reconciles within 2%.

	Number	%	UPB	%
Prime Loans (7 servicers reporting)	10,281,531	100.00%	1,604,081,519	100.00%
Fixed rate, fully amortizing	8,507,815	82.75%	1,137,278,844	70.90%
Hybrid ARMs (2/28, 3/27s, or similar)	1,194,406	11.62%	269,195,548	16.78%
Adjustable rate, fully amortizing	36,214	0.35%	5,582,027	0.35%
Loans with interest only feature	140,151	1.36%	41,617,655	2.59%
Payment Option ARMs and other loans with negative amortization feature	402,870	3.92%	150,403,320	9.38%
Other	75	0.00%	4,126	0.00%
Subprime & Alt-A Loans (13 servicers reporting)	5,110,678	100.00%	802,376,256	100.00%
Fixed rate, fully amortizing	2,631,873	51.50%	304,936,374	38.00%
Hybrid ARMs (2/28, 3/27s, or similar)	1,560,932	30.54%	285,270,151	35.55%
Adjustable rate, fully amortizing	80,207	1.57%	15,654,653	1.95%
Loans with interest only feature	470,876	9.21%	127,033,354	15.83%
Payment Option ARMs and other loans with negative amortization feature	104,390	2.04%	38,536,530	4.80%
Other	262,400	5.13%	30,945,193	3.86%

DELINQUENCY BY QUARTER OF INITIAL RESET

Number of Prime Loans

		30+ Days Past Due		Individual Company %		
		Number	%	High	Low	Median
4th Quarter 2007	30,189	4,001	13.25%	13.39%	13.12%	13.26%
1st Quarter 2008	24,291	2,134	8.79%	9.05%	8.65%	8.85%
2nd Quarter 2008	26,866	1,971	7.34%	10.00%	5.88%	7.79%
3rd Quarter 2008	33,198	2,954	8.90%	15.38%	5.72%	9.64%
4th Quarter 2008	24,306	1,579	6.50%	7.00%	6.41%	6.71%
1st Quarter 2009	18,519	1,049	5.66%	25.00%	5.36%	7.49%
2nd Quarter 2009	33,267	1,291	3.88%	16.00%	2.68%	4.12%
3rd Quarter 2009	34,028	1,550	4.56%	7.41%	2.85%	4.85%
Eight Quarter Total	224,664	16,529	7.36%			
Percent of Total Serviced	2.19%					
Percent of non-fixed rate products	12.67%					

UPB of Prime Loans

		30+ Days Past Due		Individual Company %		
		UPB	%	High	Low	Median
4th Quarter 2007	8,187,793	1,142,475	13.95%	14.62%	13.45%	14.03%
1st Quarter 2008	6,065,091	568,986	9.38%	9.66%	9.02%	9.34%
2nd Quarter 2008	6,381,559	497,737	7.80%	8.82%	6.42%	8.34%
3rd Quarter 2008	7,837,941	754,791	9.63%	10.60%	5.76%	9.62%
4th Quarter 2008	5,497,059	391,820	7.13%	7.85%	6.99%	7.42%
1st Quarter 2009	4,158,036	260,876	6.27%	17.25%	5.81%	8.92%
2nd Quarter 2009	8,301,489	322,462	3.88%	25.01%	2.64%	4.13%
3rd Quarter 2009	8,105,101	393,782	4.86%	5.22%	2.78%	3.60%
Eight Quarter Total	54,534,068	4,332,928	7.95%			
Percent of Total Serviced	3.40%					
Percent of non-fixed rate products	11.68%					

DELINQUENCY BY QUARTER OF INITIAL RESET

Number of Sub-Prime & Alt-A Loans

		30+ Days Past Due		Individual Company %		
		Number	%	High	Low	Median
4th Quarter 2007	144,857	47,630	32.88%	46.58%	23.22%	31.88%
1st Quarter 2008	143,825	45,743	31.80%	40.16%	23.59%	32.21%
2nd Quarter 2008	158,646	52,126	32.86%	43.00%	22.40%	34.29%
3rd Quarter 2008	197,138	66,457	33.71%	41.84%	22.90%	35.08%
4th Quarter 2008	209,001	68,981	33.01%	44.88%	17.56%	34.60%
1st Quarter 2009	167,546	47,863	28.57%	34.44%	10.99%	27.31%
2nd Quarter 2009	102,937	22,719	22.07%	38.77%	13.24%	22.87%
3rd Quarter 2009	66,360	14,330	21.59%	31.97%	8.08%	23.34%
Eight Quarter Total	1,190,310	365,849	30.74%			
Percent of Total Serviced	23.29%					
Percent of non-fixed rate products	48.02%					

UPB of Sub-Prime & Alt-A Loans

		30+ Days Past Due		Individual Company %		
		Number	%	High	Low	Median
4th Quarter 2007	30,731,724	9,967,284	32.43%	47.90%	23.96%	34.70%
1st Quarter 2008	29,310,124	9,517,277	32.47%	42.47%	24.41%	33.94%
2nd Quarter 2008	32,377,996	11,077,929	34.21%	46.62%	23.83%	34.85%
3rd Quarter 2008	41,922,593	14,871,422	35.47%	45.08%	24.16%	38.29%
4th Quarter 2008	46,206,549	16,357,925	35.40%	48.56%	18.14%	36.84%
1st Quarter 2009	38,384,355	11,725,243	30.55%	40.06%	11.00%	29.73%
2nd Quarter 2009	22,881,274	5,248,259	22.94%	42.27%	13.98%	23.29%
3rd Quarter 2009	14,607,466	3,127,535	21.41%	32.31%	8.34%	23.44%
Eight Quarter Total	256,422,081	81,892,874	31.94%			
Percent of Total Serviced	31.96%					
Percent of non-fixed rate products	51.55%					

DELINQUENCY & DEFAULT

Number of Prime Loans	Number	Individual Company (% of Serviced) High	Low	Median
30 to 59 days	238,446	3.97%	0.21%	1.38%
60 to 89 days	88,202	0.96%	0.66%	0.74%
90 days or over	62,073	2.06%	0.07%	0.78%
Total	388,721			
Percentage of Prime Loans Serviced	*3.78%*	*6.85%*	*0.28%*	*3.51%*
Loans from above which were modified in the last 12 months.	5,348			
Percentage of total past due	*1.38%*	*25.00%*	*0.05%*	*1.92%*
Loans which entered delinquency within 3 payments of initial rate reset	310			
Percentage of total past due	*0.08%*	*0.62%*	*0.27%*	*0.45%*
Loans where notice of default sent	9,538			
Loans where formal foreclosure proceedings started	28,433			
Total Loans in Process of Foreclosure	37,971			
Percentage of total past due	*9.77%*	*91.98%*	*0.29%*	*25.00%*
Loans where foreclosure proceeding completed (ORE)	23,944			

UPB of Prime Loans	UPB	Individual Company (% of Serviced) High	Low	Median
30 to 59 days	36,413,811	3.84%	0.16%	1.04%
60 to 89 days	14,258,173	1.04%	0.61%	0.81%
90 days or over	9,125,764	2.02%	0.06%	0.50%
Total	59,797,748			
Percentage of Prime Loans Serviced	*3.73%*	*6.89%*	*0.23%*	*3.26%*
Loans from above which were modified in the last 12 months.	813,347			
Percentage of total past due	*1.36%*	*19.84%*	*0.03%*	*1.76%*
Loans which entered delinquency within 3 payments of initial rate reset	112,468			
Percentage of total past due	*0.19%*	*1.05%*	*0.81%*	*0.93%*
Loans where notice of default sent	3,802,116			
Loans where formal foreclosure proceedings started	5,783,470			
Total Loans in Process of Foreclosure	9,585,585			
Percentage of total past due	*16.03%*	*113.05%*	*0.29%*	*20.63%*
Loans where foreclosure proceeding completed (ORE)	5,165,182			

DELINQUENCY & DEFAULT

Number of Sub-Prime & Alt-A Loans	Number	Individual Company (% of Serviced) High	Low	Median
30 to 59 days	356,850	10.05%	3.90%	6.95%
60 to 89 days	186,695	5.93%	2.06%	3.56%
90 days or over	556,578	18.27%	3.81%	16.45%
Total	1,100,123			
Percentage of Sub-Prime & Alt-A Loans Serviced	*21.53%*	*33.03%*	*12.81%*	*24.21%*
Loans from above which were modified in the last 12 months.	22,522			
Percentage of total past due	*2.05%*	*22.86%*	*0.02%*	*0.85%*
Loans which entered delinquency within 3 payments of initial rate reset	30,986			
Percentage of total past due	*2.82%*	*10.74%*	*0.68%*	*2.57%*
Loans where notice of default sent	135,024			
Loans where formal foreclosure proceedings started	140,203			
Total Loans in Process of Foreclosure	275,227			
Percentage of total past due	*25.02%*	*49.94%*	*0.65%*	*26.41%*
Loans where foreclosure proceeding completed (ORE)	102,538			

UPB of Sub-Prime & Alt-A Loans	UPB	Individual Company (% of Serviced) High	Low	Median
30 to 59 days	54,777,288	9.64%	3.79%	6.11%
60 to 89 days	30,275,397	6.13%	2.04%	3.80%
90 days or over	85,115,316	20.50%	3.04%	15.96%
Total	170,168,001			
Percentage of Sub-Prime & Alt-A Loans Serviced	*21.21%*	*35.15%*	*11.29%*	*24.94%*
Loans from above which were modified in the last 12 months.	3,562,013			
Percentage of total past due	*2.09%*	*23.14%*	*0.03%*	*0.62%*
Loans which entered delinquency within 3 payments of initial rate reset	5,378,363			
Percentage of total past due	*3.16%*	*10.66%*	*1.09%*	*3.22%*
Loans where notice of default sent	25,219,053			
Loans where formal foreclosure proceedings started	28,715,404			
Total Loans in Process of Foreclosure	53,934,457			
Percentage of total past due	*31.69%*	*99.45%*	*0.61%*	*33.37%*
Loans where foreclosure proceeding completed (ORE)	19,080,954			

LOSS MITIGATION & MODIFICATIONS

Number of Loans In-Process	Number	**%**	Individual Company (% allocation) High	Low	Median
Deed in lieu	3,662	1.86%	3.93%	0.23%	0.61%
Short sale	23,551	11.95%	56.17%	1.87%	12.02%
Total in process with borrower losing home	27,213	13.81%			
*Percent of past due 60 days+**	*3.26%*		*15.09%*	*0.33%*	*1.85%*
Forbearance	16,120	8.18%	41.04%	0.16%	4.33%
Repayment plan	49,704	25.22%	62.72%	3.60%	32.53%
Modification (principal reduction, interest rate &/or term of debt)	88,907	45.10%	88.94%	7.94%	14.49%
Total in process of home retention	154,731	78.50%			
*Percent of past due 60 days+**	*18.56%*		*83.51%*	*1.80%*	*14.91%*
Refinance or paid in full	2,666	1.35%	41.26%	2.95%	4.35%
Reinstatement/Account to be made current	12,503	6.34%	96.16%	6.89%	13.21%
Total in process of being resolved by borrower	15,169				
*Percent of past due 60 days+**	*1.82%*		*7.08%*	*0.31%*	*2.13%*
Total loans in loss mitigation	197,113	100.00%			
*Percent of past due 60 days+**	*23.65%*		*65.33%*	*2.25%*	*15.44%*

UPB of Loans In Process	UPB	%	Individual Company (% allocation) High	Low	Median
Deed in lieu	882,971	2.48%	5.05%	0.29%	0.78%
Short sale	5,087,706	14.30%	64.17%	2.44%	13.95%
Total in process of borrower losing home	5,970,678	16.78%			
*Percent of past due 60 days+**	*4.51%*		*21.41%*	*0.36%*	*2.23%*
Forbearance	2,596,575	7.30%	41.44%	0.11%	2.94%
Repayment plan	8,421,053	23.66%	72.01%	4.06%	28.32%
Modification (principal reduction, interest rate &/or term of debt)	16,035,804	45.06%	88.23%	4.93%	17.15%
Total in process of home retention	27,053,431	76.02%			
*Percent of past due 60 days+**	*20.44%*		*83.51%*	*1.80%*	*13.23%*
Refinance or paid in full	593,497	1.67%	12.14%	0.64%	8.09%
Reinstatement/Account made current	1,971,454	5.54%	48.71%	2.01%	7.90%
Total in process of being resolved by borrower	2,564,951	7.21%			
*Percent of past due 60 days+**	*1.94%*		*8.45%*	*0.58%*	*2.23%*
Total loans in loss mitigation	35,589,060	100.00%			
*Percent of past due 60 days+**	*26.89%*		*68.93%*	*2.81%*	*17.36%*

**Denominator adjusted to remove two companies which do not currently track modifications in process.*

LOSS MITIGATION & MODIFICATIONS

Number of Loans Closed	Number	%	Individual Company (% allocation) High	Low	Median
Deed in lieu	356	0.17%	1.40%	0.02%	0.13%
Short sale	3,456	1.68%	25.09%	0.15%	7.14%
Total closed with borrower losing home	3,812	1.86%			
Forbearance	3,129	1.52%	12.32%	0.22%	6.61%
Repayment plan	20,486	9.98%	73.87%	0.19%	24.57%
Modification (principal reduction, interest rate &/or term of debt)	19,082	9.30%	79.94%	0.39%	14.59%
Total closed solutions with home retention	42,697	20.80%			
Refinance or paid in full	8,242	4.02%	41.26%	0.67%	2.87%
Reinstatement/Account made current	150,519	73.33%	96.16%	1.15%	14.82%
Total closed with resolution by borrower	158,761	77.34%			
Total	205,270	100.00%			
Prepayment penalty waived (from any of the above)	236				

UPB of Loans Closed	UPB	%	Individual Company (% allocation) High	Low	Median
Deed in lieu	71,679	0.23%	1.98%	0.01%	0.18%
Short sale	618,663	1.98%	27.84%	0.03%	3.29%
Total closed with borrower losing home	690,343	2.21%			
Forbearance	442,260	1.42%	14.39%	0.11%	3.67%
Repayment plan	3,156,365	10.11%	82.96%	0.13%	17.96%
Modification (principal reduction, interest rate &/or term of debt)	3,340,759	10.70%	80.06%	0.54%	16.42%
Total closed solutions with home retention	6,939,384	22.22%			
Refinance or paid in full	1,761,708	5.64%	35.11%	0.53%	3.37%
Reinstatement/Account made current	21,840,334	69.93%	92.93%	1.40%	14.47%
Total closed with resolution by borrower	23,602,042	75.57%			
Total	31,231,769	100.00%			
Prepayment penalty waived (from any of the above)	14,500				

	Number	Individual Company High	Low	Median

PROFILE OF MODIFICATIONS BY NUMBER OF LOANS

Time horizon for **closed** loan modifications
Modification effective for less than life of loan (e.g. 2 years)
Modification effective for life of loan
Did not report

Types of modifications **closed**
Modification by freezing interest rate at the initial/start rate
Modification by reducing the interest rate below the initial/start rate
Modification by reducing the interest rate below scheduled reset rate, but above start rate
Modification with extension of term
Modification with reduction in principal balance
Modification using two or more of above modifications (e.g. rate reduction and term change)
Other modification

PROFILE OF MODIFICATIONS BY UPB OF LOANS

Time horizon for **closed** loan modifications
Modification effective for less than life of loan (e.g. 2 years)
Modification effective for life of loan
Did not report

Types of modifications **closed**
Modification by freezing interest rate at the initial/start rate
Modification by reducing the interest rate below the initial/start rate
Modification by reducing the interest rate below scheduled reset rate, but above start rate
Modification with extension of term
Modification with reduction in principal balance
Modification using two or more of above modifications (e.g. rate reduction and term change)
Other modification

This data is in process of being collected and will be available in future releases.

Notes
For the individual company data, the Low and Average do not include companies which reported a zero value.

Number of Companies reporting a zero value in the following significant reporting items:

Delinquent sub-prime/Alt-A loans which entered delinquency within 3 payments of initial rate reset		2
In Process:	Deed in lieu	3
	Short sale	2
	Forebearance	6
	Repayment plan	2
	Modification	2
	Refinance or paid in full	8
	Reinstatement / account made current	5
Closed:	Deed in lieu	1
	Short sale	0
	Forebearance	4
	Repayment plan	1
	Modification	0
	Refinance or paid in full	1
	Reinstatement / account made current	1

APPENDIX B
CONSOLIDATED STATE REPORT

Consolidated State Report for Mortgage Servicers

Report as of the close of business: October 31, 2007

All dollar amounts are requesting the unpaid principal balance (UPB) and are to be in thousands (000's).

Company: ______________________________

Schedule I - Operational Profile

	Part A	Number	UPB
1	Total loans serviced		
1a	Serviced loans originated and funded by an unaffiliated party		
1b	Serviced loans where originator or funder is affiliated with the servicer		
2a	Serviced loans secured by owner-occupied residence		
2b	Serviced loans for investment or second residence property		
3a	Loans which are secured by a first mortgage only		
3b	Loans which are secured by a second mortgage only		
3c	Loans which you service both the first and second mortgage		
4	**Prime loans**		
4a	Fixed rate, fully amortizing		
4b	Hybrid ARMs (2/28, 3/27s, or similar)		
4c	Adjustable rate, fully amortizing		
4d	Loans with interest only feature		
4e	Payment Option ARMs and other loans with negative amortization feature		
4f	Other		
5	**Subprime & Alt-A loans**		
5a	Fixed rate, fully amortizing		
5b	Hybrid ARMs (2/28, 3/27s, or similar)		
5c	Adjustable rate, fully amortizing		
5d	Loans with interest only feature		
5e	Payment Option ARMs and other loans with negative amortization feature		
5f	Other		

Part B

Prime Loans

6 What is the total anticipated number and amount of **prime** loans where the interest rate will have its initial reset? What number and volume of these loans are currently over 30 days past due?

		Interest Rate Reset		30+ Days Past Due	
		Number	UPB	Number	UPB
6a	4th Quarter 2007				
6b	1st Quarter 2008				
6c	2nd Quarter 2008				
6d	3rd Quarter 2008				
6e	4th Quarter 2008				
6f	1st Quarter 2009				
6g	2nd Quarter 2009				
6h	3rd Quarter 2009				

Sub-Prime & Alt-A Loans

7 What is the total anticipated number and amount of **sub-prime & Alt-A** loans where the interest rate will have its initial reset? What number and volume of these loans are currently over 30 days past due?

		Interest Rate Reset		30+ Days Past Due	
		Number	UPB	Number	UPB
7a	4th Quarter 2007				
7b	1st Quarter 2008				
7c	2nd Quarter 2008				
7d	3rd Quarter 2008				
7e	4th Quarter 2008				
7f	1st Quarter 2009				
7g	2nd Quarter 2009				
7h	3rd Quarter 2009				

Schedule II - Delinquency & Default

	Part A - Prime Loans	Number	UPB
1	Loans presently past due		
1a	30 to 59 days past due		
1b	60 to 89 days past due		
1c	90 days or over past due		
2	Loans from above which were modified in the last 12 months.		
3	Loans in process of foreclosure		
3a	Loans where notice of default sent		
3b	Loans where formal foreclosure procedings started		
4	Loans where foreclosure preceding completed (ORE)		
5	Loans which entered delinquency within 3 payments of initial rate reset		

	Part B - Subprime & Alt-A Loans	Number	UPB
6	Loans presently past due		
6a	30 to 59 days past due		
6b	60 to 89 days past due		
6c	90 days or over past due		
7	Loans from above which were modified in the last 12 months.		
8	Loans in process of foreclosure		
8a	Loans where notice of default sent		
8b	Loans where formal foreclosure procedings started		
9	Loans where foreclosure proceding completed (ORE)		
10	Loans which entered delinquency within 3 payments of initial rate reset		

Schedule III - Loss Mitigation and Modifications

UPB is at the time of resolution.

	Part A	Number	UPB
1	Loss Mitigation efforts **in process**		
1a	Deed in lieu		
1b	Short sale		
1c	Forbearance		
1d	Repayment plan		
1e	Refinance or paid in full		
1f	Reinstatement/Account made current		
1g	Modification (principal reduction, interest rate &/or term of debt)		

	Part B	Number	UPB
2	Loss mitigation efforts **closed**		
2a	Deed in lieu		
2b	Short sale		
2c	Forbearance		
2d	Repayment plan		
2e	Refinance or paid in full		
2f	Reinstatement/Account made current		
2g	Modification (principal reduction, interest rate &/or term of debt)		
3	Prepayment penalty waived (from any of the above)		

Part C

		Number	UPB
4	Time horizon for **closed** loan modifications		
4a	Modification effective for less than life of loan (e.g. 2 years)		
4b	Modification effective for life of loan		
5	Types of modifications **closed**		
5a	Modification by freezing interest rate at the initial/start rate		
5b	Modification by reducing the interest rate below the initial/start rate		
5c	Modification by reducing the interest rate below scheduled reset rate, but above start rate		
5d	Modification with extension of term		
5e	Modification with reduction in principal balance		
5f	Modification using two or more of above modifications (e.g. rate reduction and term change)		
5g	Other modification		

APPENDIX C
INSTRUCTIONS FOR CONSOLIDATED STATE REPORT

Instructions for Consolidated State Report for Mortgage Servicers

Intent
The Consolidated State Report (CSR) is intended to collect data on the status of residential mortgage portfolios, loss mitigation efforts, and foreclosures. The reports will provide important data on the status of the market. This report should also reduce the regulatory burden on the industry by providing a common reporting format which will be submitted to a single source and distributed to the pertinent state authorities.

The CSR should be completed on a consolidated basis, including all offices and subsidiaries.

Schedule I
Report all balances as point in time as of the report date.

Item No.	Caption & Instructions

Part A

1 **Total loans serviced**
Report the total number and unpaid principle balance (UPB) for all first and second mortgage loans serviced by your company.

- *Items 1a & 1b should total to this item.*
- *Items 2a & 2b should total to this item*
- *Items 3a, 3b, & 3c should total to this item.*

1a **Serviced loans originated and funded by an unaffiliated party**
Report the total number and UPB for loans you service which were originated and funded by an entity not related to your company through common majority ownership, management or board of directors.

1b **Serviced loans where originator or funder is affiliated with the servicer**
Report the total number and UPB for loans you service which were originated or funded by an entity related to your company through common majority ownership, management or board of directors.

2a **Serviced loans secured by owner-occupied residence**

2b **Serviced loans for investment or second residence property**

3a **Loans which are secured by a first mortgage only**
Report the total number and UPB for loans which you only service a first mortgage.

3b **Loans which are secured by a second mortgage only**
Report the total number and UPB for loans which you only service a second mortgage.

3c **Loans which you service both the first and second mortgage**
Report the total number and UPB for loans which you service both the first and second mortgage. For the number of loans, count both loans.

4 **Prime Loans**
Report the total number and UPB for prime loans.

- *Items 4a, 4b, 4c, 4d, 4e, 4f should total to this item.*

4a **Fixed rate, fully amortizing**
Report the total number and UPB for prime loans which have a fixed rate of interest and are fully amortizing.

4b **Hybrid ARMs (2/28, 3/27 or similar)**
Report the total number and UPB for prime loans which provide low initial payments based on a fixed rate that expires after a short introductory period (two or three years), and then adjusts on a regular basis (e.g. every six months) to a variable rate plus a margin for the remaining term of the loan.

4c **Adjustable rate, fully amortizing**
Report the total number and UPB for adjustable rate, fully amortizing prime loans not meeting the definition in 4b.

4d **Loans with interest only feature**
Report the total number and UPB for prime loans which permit the payment of interest only at any point during the term.

4e **Payment Option ARMs and other loans with negative amortization feature**
Report the total number and UPB for prime loans with payment characteristics which may lead to negative amortization. Include any other loan with a negative amortization feature.

4f **Other**
Report the total number and UPB for prime loans which do not fit any of the above definitions, such as a loan with an extended amortization (e.g. a “40/30” loan with a 40 year amortization on a 30 year term (with a balloon payment at the end of the 30th year)

5 **Subprime & Alt-A loans**

Subprime refers to loans to borrowers who typically have weakened credit histories that include payment delinquencies and possibly more severe problems such as charge-offs, judgments, and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, debt-to-income (DTI) ratios, or other criteria that may encompass borrowers with incomplete credit histories. Subprime may also refer to loans with higher rates than prime loans, typically marketed to borrowers with subprime credit. Reporter should categorize loans based on commonly-accepted industry definitions.

Alt-A refers to loans to borrowers who do not qualify for prime credit or lack the required documentation to be a prime borrower or may have some of the characteristics of a sub-prime borrower.

- *Items 5a, 5b, 5c, 5d, 5e, & 5f should total to this item.*

5a-f **See respective descriptions for 4a-f.**

Part B

6 **What is the total anticipated number and amount of prime loans where the interest rate will have its initial reset? What number and volume of these loans are currently over 30 days past due?**

Report the total number and UPB of loans scheduled for an initial reset for each of the next 8 quarters. Also indicate the loans from the first two columns which are over 30 days past due.

7 **What is the total anticipated number and amount of subprime and Alt-A loans where the interest rate will have its initial reset? What number and volume of these loans are currently over 30 days past due?**

Report the total number and UPB of loans scheduled for an initial reset for each of the next 8 quarters. Also indicate the loans from the first two columns which are over 30 days past due.

Schedule II

Item No. **Caption & Instructions**

Part A – Prime Loans

1 **Loans presently past due**
*H*eading, *not a reporting field.*

1a **30 to 59 days past due**
Report number of loans and UPB for all prime loans where the minimum required payment has not been made for 30 to 59 days. For monthly pay loans, the borrower would be due for one payment and past due for one payment.

1b **60 to 89 days past due**
Report number of loans and UPB for all prime loans where the minimum required payment has not been made for 60 to 89 days. For monthly pay loans, the borrower would be due for one payment and past due for two payments.

1c **90 days past due or over**
Report number of loans and UPB for all prime loans where the minimum required payment has not been made for at least 90 days. For monthly pay loans, the borrower would be due for one payment and past due for three payments.

2 **Loans from above which were modified in the last 12 months**
Report number of loans and UPB for loans reported in 1a, 1b, or 1c, which have had any type of debt modification to mitigate potential loss and/or accommodate the needs of the borrower.

3 **Loans in process of foreclosure**
Report number of loans and UPB for loans reported in 1a, 1b, or 1c, which are considered to be in process of foreclosure.

- *Items 3a & 3b should total to this item.*

3a **Loans where notice of default sent**
Report number of loans and UPB for loans where during the reporting period, the borrower has been notified of default. No other action towards foreclosure has been taken.

3b **Loans where formal foreclosure proceedings started**
Report number of loans and UPB for loans where the foreclosure process has begun. (Example: Judicial filing or public notice).

4 **Loans where foreclosure preceding completed (ORE)**
Report number of loans and UPB at the time of foreclosure for mortgages which have completed foreclosure resulting in the transfer of ownership of the residence or the effective control over the property.

5 **Loans which entered delinquency within 3 payments of initial rate reset**
Report number of loans and UPB for loans reported in 1a, 1b, or 1c, which became delinquent within 3 payments of the interest rate on the loan resetting.

Part B – Subprime & Alt-A Loans

6 – 10 **See respective descriptions for 1 – 5 above.**

Schedule III

Item No.	Caption & Instructions
Part A	
1	**Loss mitigation efforts in process** *Heading, not a reporting field.* In this part, report loss mitigation efforts which are in process, but not yet complete. Report the number of loans and UPB in the category agreed to but not finalized or in the category most likely to occur.
1a	**Deed in lieu** Borrower deeds the property to the servicer to avoid foreclosure.
1b	**Short sale** Borrower sells property to a third party prior to foreclosure sale and the servicer forgives any shortage on UPB.
1c	**Forbearance** A postponement of payment on the loan.
1d	**Repayment plan** Increased payments for a specific period of time to allow the borrower to bring the loan current.
1e	**Refinance or paid in full** Borrower will secure a new loan to pay-off the existing debt or pay off in full by some other means.
1f	**Reinstatement/Account made current** Borrower will pay all past due amounts.
1g	**Modification (principal reduction, interest rate &/or term of debt)** Some or all the terms of the debt are changed to enable the borrower to service the obligation.
Part B	
2	**Loss mitigation efforts closed** *Heading, not a reporting field.* In this part, report loss mitigation efforts which have been closed during the reporting period. Report the number of loans and UPB in the appropriate category following the definitions from above.

3 **Prepayment penalty waived (from any of the above)**
Report the number and amount of any prepayment penalties waived as part of any of the above actions.

Part C

4 **Time horizon for closed loan modifications**
Heading, not a reporting field.
- *The sum of 4a & 4b should equal 1g in Part B.*

4a **Modification effective for less than life of loan (e.g. 2 years)**
Report number of loans and UPB for modifications which do not cover the full term of the loan.

4b **Modification effective for life of loan**
Report number of loans and UPB for modification which are effective for the full term of the loan.

5 **Types of modifications closed**
Heading, not a reporting field.
Report the number of loans and UPB for each type of modification listed below. Note that item 5f is the reporting field for modifications with multiple characteristics.
- *The sum of 5a through 5g should equal 1g in Part B.*

5a **Modification by freezing interest rate at the initial/start rate**

5b **Modification by reducing the interest rate below the initial/start rate**

5c **Modification by reducing the interest rate below scheduled reset rate, but above start rate.**

5d **Modification with extension of term**

5e **Modification with reduction in principal balance**

5f **Modification using two or more of above modifications (e.g. rate reduction and term change)**

5g **Other modification**

Schedule IV

Report the number of loans serviced and the UPB by state.