

2008

ANALYSIS OF SUBPRIME MORTGAGE SERVICING PERFORMANCE

**DATA REPORT NO. 3
SEPTEMBER 2008**

**STATE FORECLOSURE PREVENTION
WORKING GROUP**

Executive Summary

Nearly one year ago, the State Foreclosure Prevention Working Group met with the 20 largest servicers of subprime mortgage loans to discuss opportunities to prevent unnecessary foreclosures. Over the past year, the State Working Group, composed of state attorneys general and state banking regulators, has collected data monthly from 13 of these 20 servicers and published two reports on subprime servicing performance. While some progress has been made in preventing foreclosures, the empirical evidence is profoundly disappointing. Too many homeowners face foreclosure without receiving any meaningful assistance by their mortgage servicer, a reality that is growing worse rather than better, as the number of delinquent loans, prime and subprime, increases.

Our report shows servicers have increased their use of loan modifications as a tool to avoid foreclosure, but in recent months the number of loans on track for a loan modification has declined precipitously, while the use of short sales has increased. Servicers appear to have reached the “low hanging fruit” of subprime loans facing interest rate resets, while not developing effective approaches to address the bulk of subprime loans which are in default before interest rate resets. The mortgage industry’s failure to develop systematic approaches to prevent foreclosures has only spurred declines in property values and further increased expected losses on mortgage loan portfolios. Based on the rising numbers of delinquent prime loans and projected numbers of payment option ARM loans facing reset over the next two years, we fear that continued reactive approaches will lead to another wave of unnecessary and preventable foreclosures.

Specific Findings:

1. **Nearly eight out of ten seriously delinquent homeowners are not on track for any loss mitigation outcome.** In our prior reports, seven out of ten homeowners were not on track for any loss mitigation outcome. This already disappointing ratio has become even worse, with 40,000 *fewer* loans in loss mitigation in May 2008 than in January 2008.
2. **New efforts to prevent foreclosures are on the decline, despite a temporary increase in loan modifications through the 2nd Quarter of 2008.** Unlike other data reports, we track both loan work-outs in process and those that have been finalized (closed). The number of homeowners working toward a loan modification has declined by 28% between January and May, falling to a level not seen since late in 2007. This decline stands in stark contrast to the 51% increase in loan modifications *closed* over this same period. This declining trend of new loans *in process* suggests that new loan modification approaches have been tailored to a limited group of homeowners. Instead of expanding loan modification options to reach a broader set of homeowners, more loss mitigation is being directed to selling homes short of foreclosure. In January, modifications in process outnumbered short sales in process by four to one; in May, that ratio had dropped to two to one.

3. **We estimate that one out of five loan modifications made in the past year are currently delinquent.** The high number of previously-modified loans currently delinquent indicates that significant numbers of modifications offered to homeowners have not been sustainable. Recent reports identify that many loan modifications are not providing any monthly payment relief to struggling homeowners. While banks and Wall Street firms continue to report record write-downs of mortgage loan portfolios and securities, these losses do not appear to be flowing down to homeowners in the form of sustainable loan modifications. We are concerned that unrealistic or “band-aid” modifications have only exacerbated and prolonged the current foreclosure crisis.
4. **Three hundred thousand subprime loans are in the process of foreclosure as of the end of May 2008.** Thirty-eight percent (38%) of seriously delinquent subprime loans are in the process of foreclosure, with over 131,000 foreclosures completed on subprime loans in May 2008 alone. Delinquency and foreclosure rates remain high and have a ripple effect through housing, mortgage, and financial markets.

Given the inability of servicers and investors to adjust their approaches to meet this unprecedented challenge, the State Working Group continues to see a need for new and broader-based approaches to loss mitigation that are focused on homeowner sustainability. One such program is the FDIC’s new approach for addressing delinquencies in IndyMac’s servicing portfolio.¹ We hope other servicers will adopt similar proactive programs based on systematically revising loans to affordable levels.

The State Working Group hopes that recently-enacted federal legislation to provide a new federally-guaranteed refinance program (Hope for Homeowners) will increase the level of refinancing for poorly performing subprime loans; however, the ultimate impact of that program has not yet been seen. Recent federal government interventions in the mortgage and financial markets offer an opportunity to develop more options for homeowners and better systematic loan modification approaches. While the federal government struggles with the implications of the recent financial markets crisis, state and local governments continue to implement new and innovative approaches to slow the pace of foreclosures that are devastating their communities.

¹ In August, the FDIC began offering IndyMac borrowers with delinquent home loans the opportunity to have their loan modified to achieve an affordable and sustainable monthly payment. The program involves a variety of tools to achieve a mortgage payment for homeowners that does not exceed 38% of the homeowners’ monthly income. *FDIC Implements Loan Modification Program for Distressed IndyMac Mortgage Loans*, FDIC Press Release, (Aug. 20, 2008), available at: <http://www.fdic.gov/news/news/press/2008/pr08067.html>.

Updates and Trends between October 2007 and May 2008

Our first report² provided detailed discussion of the purposes and formation of the State Foreclosure Prevention Working Group and a discussion of the data collected in October 2007, the first month of data collection from 13 of the 20 largest subprime mortgage servicers. The second report highlighted trends from October 2007 through and including January 2008 for the same 13 servicers.³

This third report provides four additional months of data and follows the trends of these servicers through May 2008. The third report also provides trend comparisons from October 2007 and uses the data reported in January 2008 as a benchmark to which to compare the most recent collection of data in May 2008.

A. Summary of Servicing Activity

The third report includes data from the same 13 servicers providing data used in the first two reports. This data accounts for approximately 57% of the subprime market and encompasses just over 4.6 million subprime loans. As servicer reporting moves forward, revisions and improvements continue to be made in data reporting by the servicers. While revisions in data have not created material changes in trends reported, the third report includes updated and revised data from past months' reporting.

Payment Resets

The data collected to date reiterate the trend of delinquency occurring in adjustable rate subprime and Alt-A loans prior to the initial rate reset. Thirty-three percent (33%) of the subprime loans facing reset in the 3rd quarter of 2009 are already delinquent in May 2008, up from 29% in January 2008 and 22% in October 2007. This continuing trend of a significant portion of ARM loans being delinquent well in advance of the initial reset date confirms earlier assessments that unsound loan products, weak underwriting and mortgage origination fraud have been the primary causes of the crisis in subprime mortgage lending.

Moreover, relatively few subprime and Alt-A loans continue to enter default within three months following their initial rate reset. While this figure rose to 4.15% in May 2008, it nonetheless represents a relatively small proportion of loans where delinquency can be attributed directly to payment shock associated with an initial rate reset.

² *Analysis of Subprime Mortgage Servicing Performance, Data Report No. 1*, State Foreclosure Prevention Working Group (Feb. 7, 2008), available at: <http://www.csbs.org/Content/NavigationMenu/Home/StateForeclosurePreventionWorkGroupDataReport.pdf>.

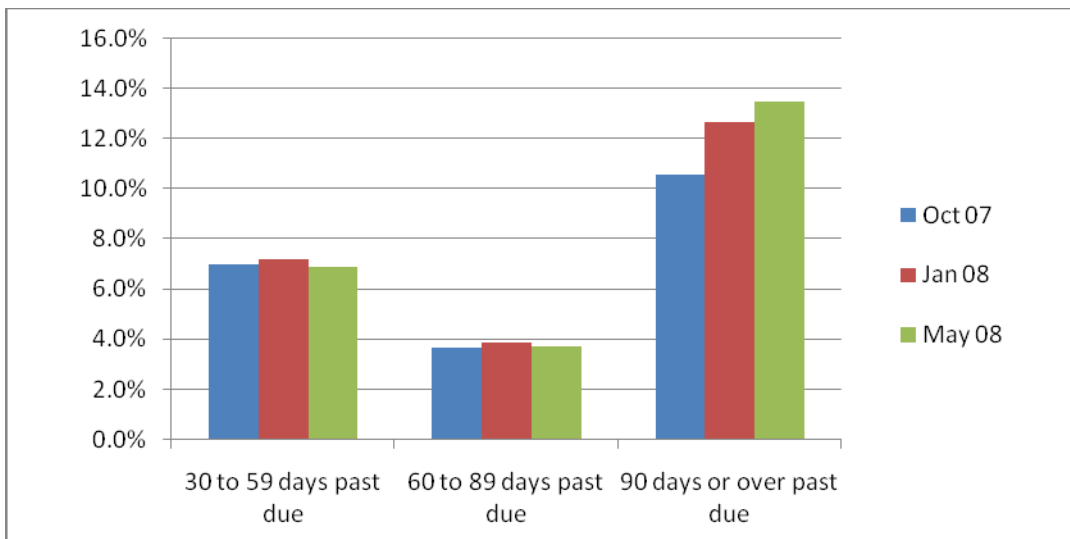
³ *Analysis of Subprime Mortgage Servicing Performance, Data Report No. 2*, State Foreclosure Prevention Working Group (Apr. 22, 2008), available at: <http://www.csbs.org/Content/NavigationMenu/Home/StateForeclosureApril2008.pdf>.

Table 1: Percent of Subprime and Alt-A Loans in Default by Date of Rate Reset

| | Oct 07 | Jan 08 | May 08 |
|--|--------|--------|--------|
| Delinquent Loans with initial rate reset in Quarter 3 of 2009 | 21.59% | 28.58% | 33.01% |
| Percent of Delinquent Loans which entered default within 3 months after initial rate reset | 2.96% | 3.19% | 4.15% |

Delinquency and Default

By the end of May, over 1.1 million subprime and Alt-A loans were at least 30 days delinquent. This represents a delinquency rate of 24.1% of subprime and Alt-A loans serviced. Further, in May 2008 over 620,000 subprime and Alt-A loans were delinquent for more than 90 days. As shown in Figure 1 below, while the rates of delinquency from 30 to 59 days and 60 to 89 days remained relatively constant, delinquencies for 90 days or more past due increased between October 2007 and May 2008.

Figure 1. Subprime and Alt-A Delinquency Rates

While not the focus of the State Working Group, another concerning trend is the increasing rate of delinquency and default among prime loans. The number and rate of prime delinquencies has climbed throughout the data collection period, with 5.2% of prime loans at least 30 days delinquent in May 2008, compared with a 3.8% prime delinquency rate in October 2007.

Foreclosure Activity

In May 2008, 305,000 loans were in the process of foreclosure, up 2.3% from the January 2008 level and up 10.9% from October 2007. Loans in the process of foreclosure in May 2008 represent 27.5% of all delinquent subprime and Alt-A loans, up from a figure of 25.5% of delinquent loans in October 2007.

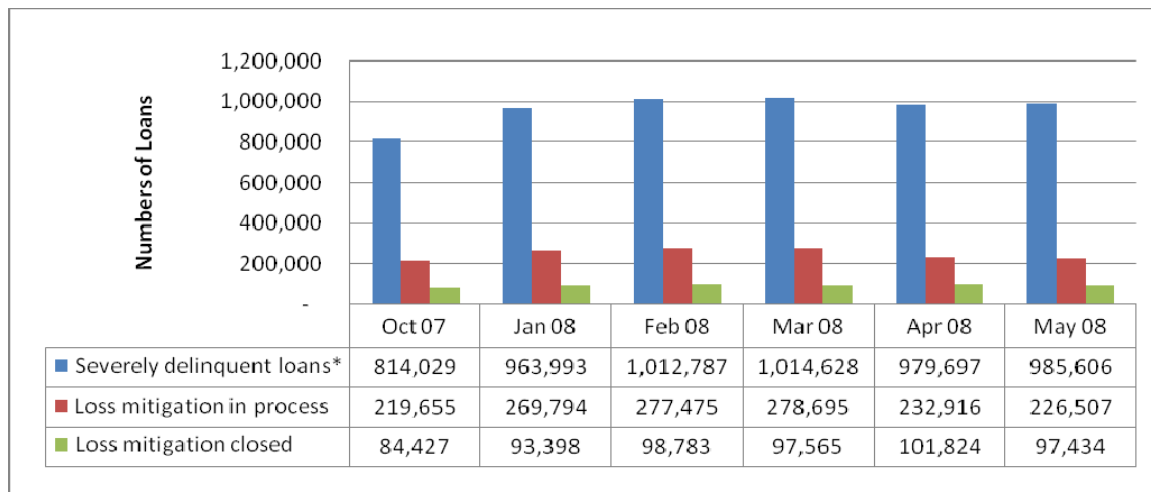
In May 2008, the 13 servicers reported 131,000 foreclosures completed on subprime and Alt-A loans, up 28.2% from foreclosures completed in October 2007. The highest number of foreclosures was reported in February 2008, which saw almost 146,000 foreclosures completed.

B. Loss Mitigation and Loan Modification

Our first two reports found that seven out of ten seriously delinquent borrowers were not in any type of loss mitigation. May 2008 data indicate that this proportion not receiving assistance has increased, with that number rising to nearly eight out of 10 seriously delinquent borrowers not involved in any loss mitigation efforts with their servicers.

Specifically, the data indicate that after increasing through January, February, and March 2008, the portion of loans in loss mitigation declined substantially in April and May. In fact, May 2008 represents the low point in the measurement period with 226,000 loans in loss mitigation. Throughout this period, loss mitigation efforts have not kept pace with the numbers of seriously delinquent borrowers. Only 23.0% of troubled borrowers in May 2008 were receiving any loss mitigation assistance.

Figure 2. Comparison of Seriously Delinquent (60+ days) Loans and Loss Mitigation Efforts In-Process



*Note: The data on seriously delinquent loans has been adjusted downward to exclude data from two servicers who do not currently report loss mitigation in process.

We have divided loss mitigation activities into three broad categories: 1) mitigations where the borrower loses the home (short sale and deed-in-lieu); 2) mitigations where the borrower retains possession of the home (forbearance, repayment plan, and modification); and 3) mitigations where the borrower's effort leads to resolving delinquency (refinance and reinstatement). Table 2 below shows that, through May, an increasing number of loss mitigation efforts result in the borrower losing possession of the home, while modifications where the borrower retains possession of the home have shrunk. The numbers of borrowers resolving delinquencies on their own declined moderately in this period.⁴

Table 2. Loss Mitigation Efforts as Percent of Seriously Delinquent (60+ days) Loans

| Loss Mitigation Efforts | Oct 07 | Jan 08 | May 08 |
|--|--------|--------|--------|
| Total in process with borrower losing home | 3.74% | 3.90% | 5.77% |
| Total in process of home retention | 21.30% | 22.47% | 15.96% |
| Total in process of being resolved by borrower | 1.94% | 1.62% | 1.25% |
| Total proportion in loss mitigation | 26.98% | 27.99% | 22.98% |

More specifically, between January and May, the numbers of borrowers losing their homes through deeds-in-lieu increased and those losing their homes through short sales increased by 54%. During the same period, the numbers of borrowers retaining their homes through forbearance decreased modestly by 6%, borrowers retaining their home through repayment plans decreased by 34%, and borrowers retaining their homes through loan modifications decreased by 28%.

Compared to last year, homeowners struggling to make their mortgage payments are less likely to receive loss mitigation assistance or to be able to retain their home through their own efforts. More homeowners are working with their servicer on options that require them to sell their home. These trends highlight the need for new servicing tools and approaches to increase the percentage of homeowners receiving assistance and to keep more of them in their homes.

Closed Loss Mitigations

Despite the declining trend in the numbers of borrowers retaining their homes through loss mitigation, a majority of borrowers that receive loss mitigation are able to retain their homes, as seen in Table 3 below. Consistent with our prior reports, many more homeowners find a way to reinstate their loans than would be predicted by the initial loss mitigation indication. In addition, the percentage of short sales in process highlights the shift of loss mitigation efforts toward home loss. As noted earlier, we believe that the modification programs offered by servicers have reached only a limited pool of

⁴ A recent survey of major subprime lenders suggests that non-FHA subprime lending has almost disappeared, with only five major lenders making subprime loans. *Subprime Originations All But Vanished in 2nd Quarter of 2008*, Inside B&C Lending (Aug. 29, 2008) at p. 1.

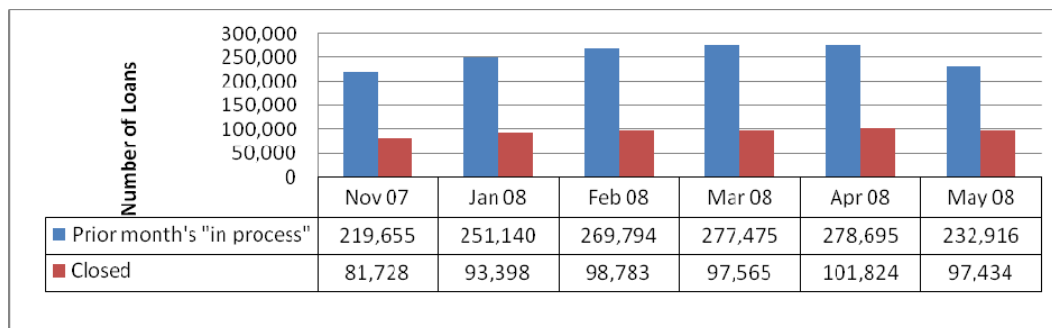
homeowners wanting to stay in their home, and instead of improving and expanding their programs to promote home retention, servicers have increased efforts directed to short sales, as a cheaper and quicker alternative to foreclosure.

Table 3. Loss Mitigation Efforts by Type In-Process vs. Closed in May 2008 as Percentage of All Loss Mitigation Efforts

| Home Retention | Loss Mitigation Efforts | In Process | Closed |
|-------------------------------|---------------------------|------------|--------|
| Borrower Loses Home | Deed in lieu | 2.09% | 0.37% |
| | Short sale | 23.04% | 6.83% |
| Borrower Retains Home | Forbearance | 8.27% | 2.54% |
| | Repayment plan | 15.10% | 28.82% |
| | Modification | 46.07% | 37.38% |
| Borrower Effort | Refinance or paid in full | 1.45% | 6.81% |
| | Reinstatement | 3.97% | 17.26% |
| Total Loss Mitigation Efforts | | 100.0% | 100.0% |

Through the reporting period, the proportion of closed loss mitigation efforts to the prior month's loss mitigation efforts in process has hovered around 40%. The inability to narrow the gap between in-process and closed loss mitigation efforts is a significant concern and is demonstrated in Figure 3 below. This is particularly discouraging in light of the substantial public and non-profit efforts that have gone into assisting borrowers and the increase in staffing at major servicers. The paperwork required for loss mitigation efforts is often cited as a reason for the failure of loss mitigation efforts to close. Servicers have raised concerns about borrowers failing to complete and return paperwork, while borrowers and foreclosure prevention counselors cite concerns over overwhelmed loss mitigation departments.

Figure 3. Loss Mitigation Closed Compared to Prior Month's Loss Mitigation In-Process

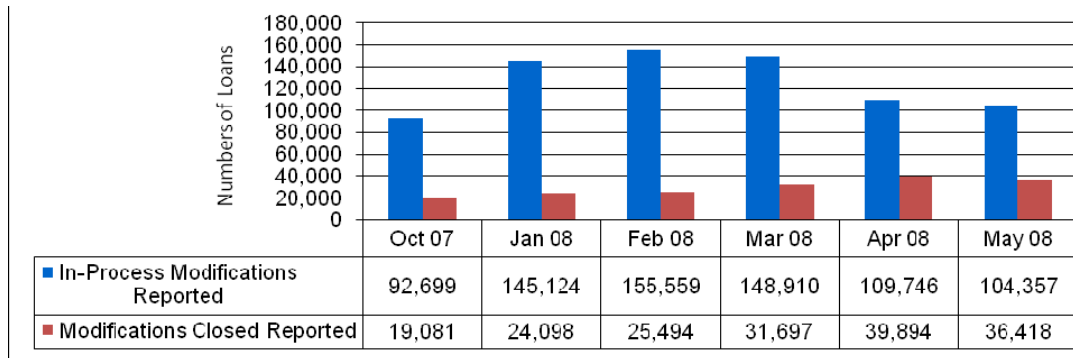


Loan Modifications

Loan modifications in process have declined significantly since January, while closed loan modifications have increased overall since January. As demonstrated in Figure 4,

loan modifications in process rose dramatically in early 2008 and then fell off substantially in April and May. We believe that this trend reflects a period of servicers increasing loss mitigation staff and implementing the ASF streamline modification program (“fast track” modification) in January and February 2008.

Figure 4. In-Process and Closed Modifications Reported by Month



The number of closed loan modifications increased by 51% between January 2008 and May 2008, reflecting the fruit of the increase in loan modifications in process in the early part of this year. Based on the recent declining trend in loan modifications in process, we are concerned that loan modifications closed will inevitably begin to decline in the near term.

Types of Loan Modifications

The data on types and duration of loan modifications still fall short of our desired level of consistency; however, we can note some changes in the profile of loan modifications during this period. Although prior reporting found a nearly even split between permanent, life-of-loan modifications and modifications effective for less than the life of the loan, the May 2008 data indicate the closing of life-of-loan modifications at a rate three times higher than the closing of modifications effective for a shorter period. While freezing the interest rate at the start/initial rate for adjustable rate mortgages was previously the most common type of modification, currently more modifications involve setting the interest rate above the start/initial rate but below the reset rate. Servicers continue to report only a small number of modifications reducing principal balance or extending mortgage terms; however, some modifications with these features may be reported as modifications with multiple features.

Re-defaults

Between October 2007 and May 2008, the number of delinquent subprime and Alt-A loans that had been modified in the last 12 months increased by 160%. While this figure represents only 5.29% of past-due subprime and Alt-A loans, this increase indicates that a portion of recent loan modifications have not been sustainable. Through May 2008, we estimate that one out of five loans receiving a modification in the past year is *currently* delinquent. This suggests a widespread lack of sustainability in modifications made to

date, consistent with recent research⁵ and anecdotal reports from counselors that many modifications have offered little, if any, payment reduction for homeowners. These band-aid modifications provide an appearance of addressing the subprime crisis, when in fact, they may simply be setting homeowners up for future failure and investors for greater losses.

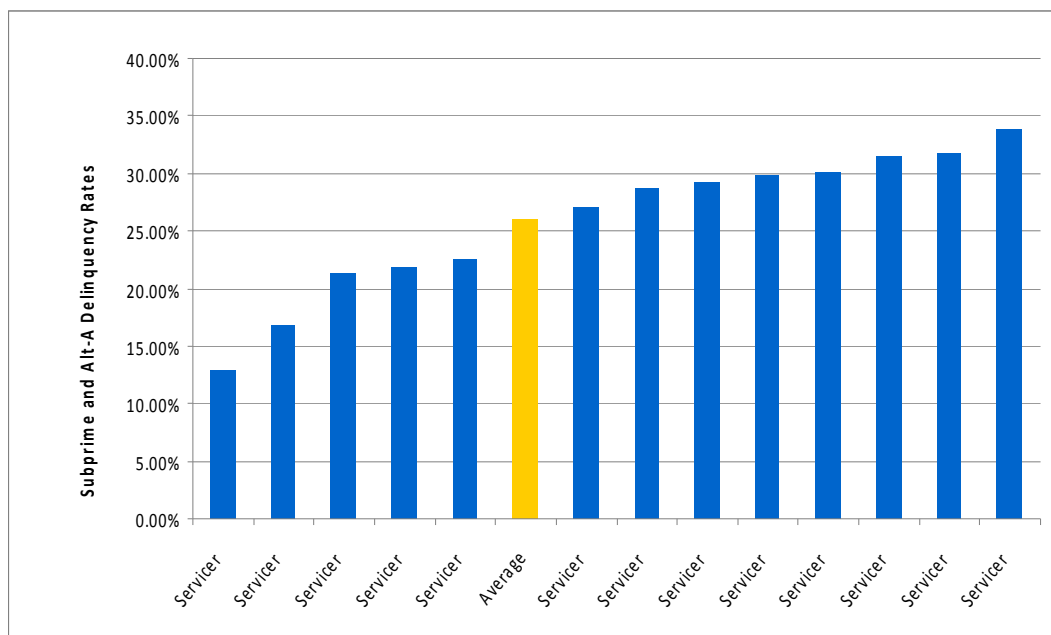
C. Variations Among Servicers

As noted in previous reports, servicers vary by size, specialization in subprime servicing, and affiliations with mortgage originators. As a result, reporting continues to indicate wide variation in the delinquency rates, foreclosure rates, and use and profile of loss mitigation tools.

Servicer Variation in May 2008

In May 2008, delinquency varied widely among the 13 servicers as demonstrated in Figure 5 below. Whereas one servicer reported a delinquency rate among subprime and Alt-A loans of 12.9%, another servicer reported a delinquency rate of 33.8%.

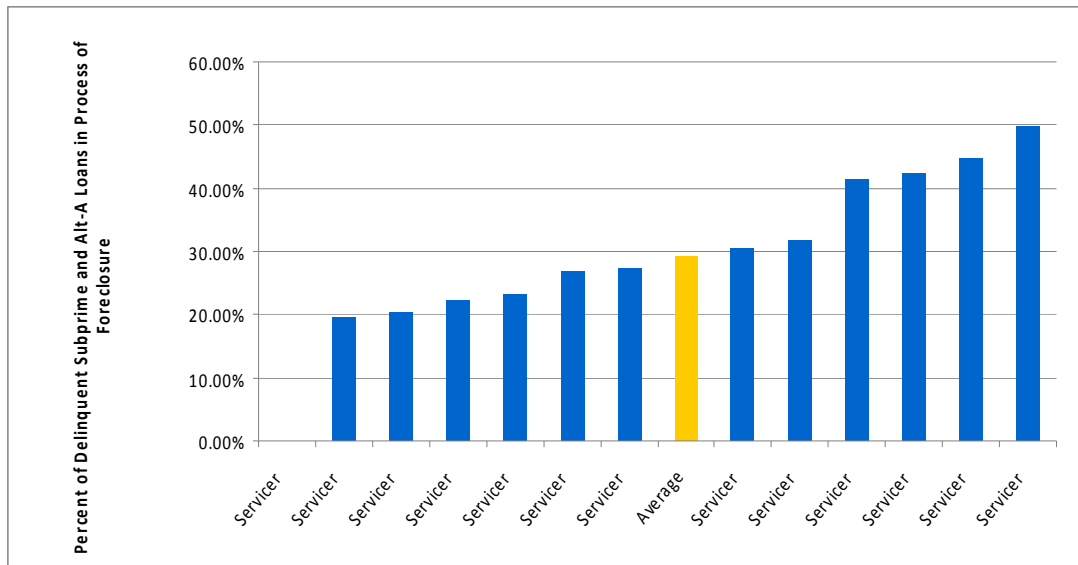
Figure 5. Delinquency Rates of Subprime and Alt-A Loans among Servicers in May 2008



⁵ See, e.g., *Rewriting Contracts, Wholesale: Data on Voluntary Mortgage Modifications from 2007 and 2008 Remittance Reports*, White, Alan M., (Aug. 26, 2008), available at SSRN: <http://ssrn.com/abstract=1259538> (only 50% of 4,300 loan modifications reported reduced the monthly payment of the homeowner); and *Testimony of Massachusetts Attorney General Martha Coakley*, U.S. House Financial Services Committee (Sept. 17, 2008), available at: http://www.mass.gov/Cago/docs/press/testimony_ag_sept17_loan_modification_hearing.pdf (“virtually none” of 144 loan modifications registered in Massachusetts led to reduction in monthly payment for homeowner).

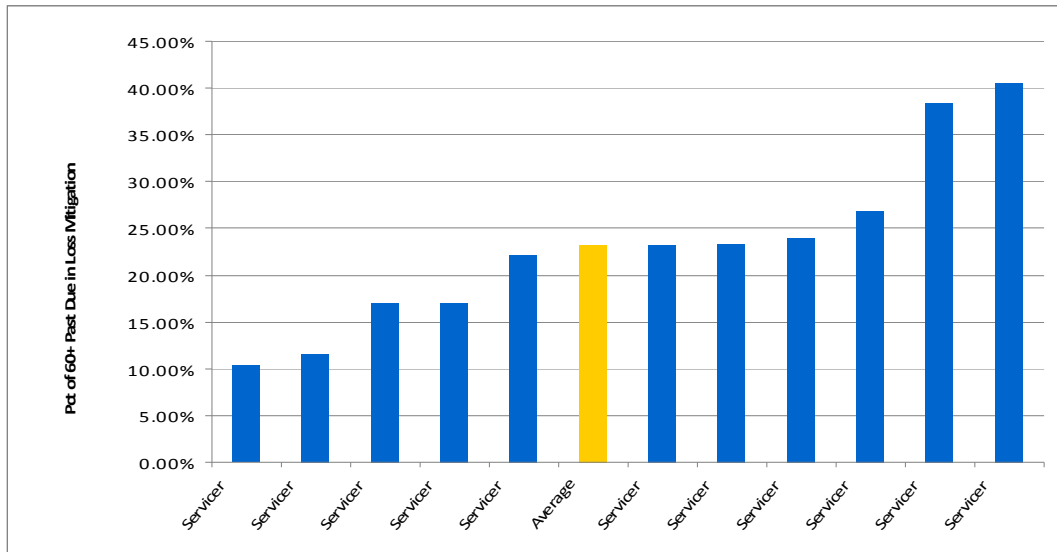
In addition, servicers differ by the proportion of delinquent loans that are in the process of foreclosure. As demonstrated in Figure 6 below, in May 2008, one servicer reported that only .03%, an unusually low proportion, of delinquent subprime and Alt-A loans in the process of foreclosure. On the other hand, another servicer reported that 49.8% of delinquent subprime and Alt-A loans were in the process of foreclosure.

Figure 6. Foreclosure Rates among Delinquent Subprime and Alt-A Loans among Servicers in May 2008



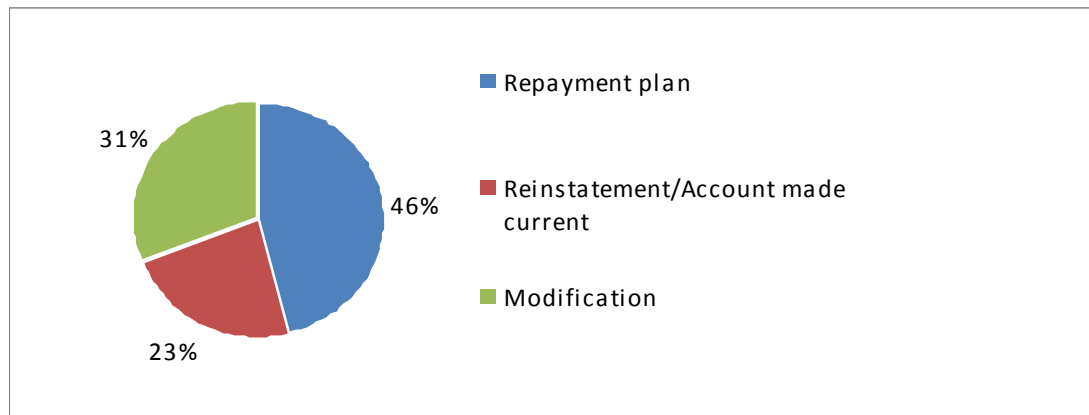
Moreover, the penetration of loss mitigation varies among servicers. While several servicers offered around 22% of seriously delinquent borrowers loss mitigation during May 2008, one servicer reported only 10.4% of seriously delinquent loans in loss mitigation. Further, one servicer reported 40.5% of seriously delinquent loans in loss mitigation efforts. These trends are illustrated in Figure 7.

Figure 7. Loss Mitigation In-Process as Percent of Seriously Delinquent (60+ days) Loans among Reporting Servicers in May 2008



Finally, servicers differ in the tools used most frequently in loss mitigation, as shown in Figure 8 below. In May 2008, repayment plans were the most used loss mitigation tool among six of 13 servicers. Following that were modifications, which were the most common tool for four of the servicers, and reinstatements, which were the most common tool among three servicers.

Figure 8. Breakdown of Most Commonly Used Loss Mitigation Tools among Servicers in May 2008



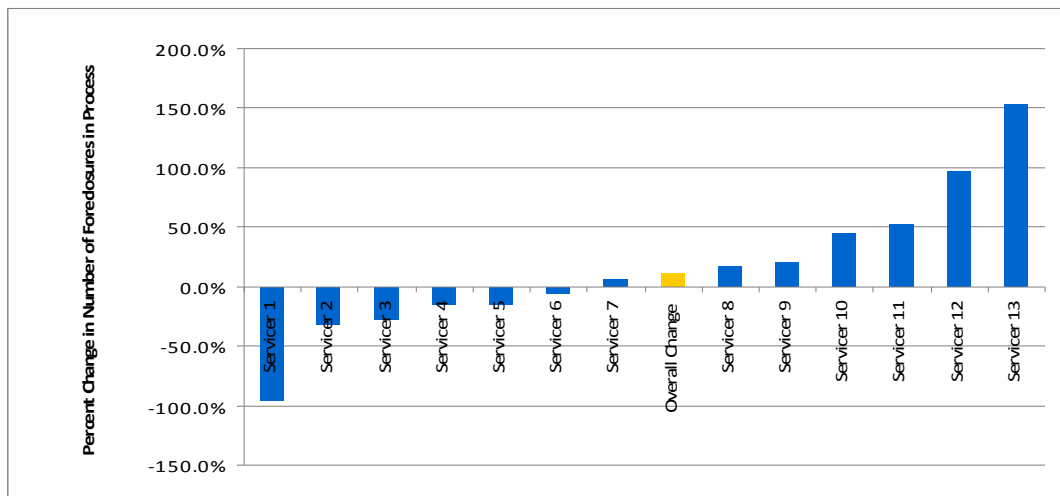
Trends among Individual Servicers

While our report focuses on the performance of the overall subprime servicing industry, there is great diversity among subprime servicers. Now that we have nine months of data, we can identify individual servicers’ trends on key performance metrics. For

example, the severe (90+) delinquency rate for subprime and Alt-A loans overall increased by 9.0% from October 2007 to May 2008, however, four servicers experienced moderate declines in this rate during this time. The servicer with the largest decline had a significant increase in numbers of foreclosures completed, suggesting that the reduction in seriously delinquent loans is the result of an aggressive (or efficient) foreclosure effort.

The overall number of subprime and Alt-A foreclosures in process has increased 10.9% since October 2007 and only slightly (2.4%) since January 2008. However, this trend varies greatly among servicers, as shown in Figure 9. About half the servicers experienced a drop in foreclosures in process, while the other half experienced an increase. These changes can be quite dramatic. For instance, one servicer experienced a decrease in foreclosures in process of 96% from October 2007 to May 2008, while another servicer experienced a 153% increase over the same time period.

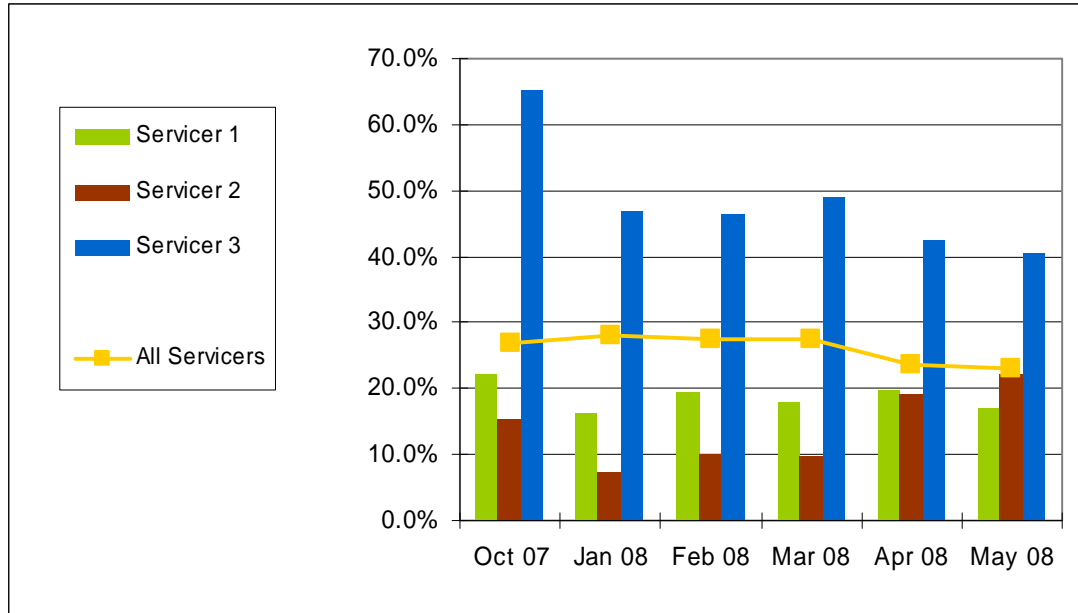
Figure 9. Percent Change in Number of Foreclosures in Process from October 2007 to May 2008



These trends, even for individual servicers, are not uniformly consistent in direction. For example, we noted that overall servicers increased loss mitigation in process in the early part of 2008, but that these efforts did not keep pace with the number of seriously delinquent loans. Figure 10 below shows the variability in individual servicer performance over this time.

Servicer 1 demonstrates a slightly below-average trend in loss mitigation in process throughout this period, with modest increases and decreases on a month-to-month basis. Servicer 2 is a low-performer in loss mitigation throughout the period, but shows a consistent upward trend in recent months to exceed Servicer 1 and reach the industry average. Servicer 3 consistently demonstrates well-above average loss mitigation penetration throughout the period, but the percentage of homeowners with seriously delinquent loans declined from 65% in October 2007 to 41% in May 2008. This tale of three servicers demonstrates the significant variability of servicer performance during this mortgage turmoil.

Figure 10. Loss Mitigation Efforts in Process as Percent of Seriously Delinquent (60+ days) Loans among Three Individual Servicers and All Servicers Reporting Loss Mitigation in Process



Similarly, servicers show great variation in the percentage of loan modifications in process. Overall, servicers increased their use of loan modifications between October 2007 and January 2008, followed by a decrease between January and May 2008; however, only three servicers had trends that followed the industry average. For example, while Servicer 5 in Table 4 below saw modest decreases in the use of modifications during both periods, Servicer 9 saw increases of nearly 200% during the same timeframe. Moreover, Servicer 6 posted a spectacular increase in the use of modifications from October to January, followed by a modest decrease from January to May.

Table 4. Percent Change in the Loan Modifications in Process from October 2007 to January 2008 and January 2008 to May 2008 among 11 Servicers Reporting Loss Mitigation in Process

| | Oct to Jan | Jan to May |
|---------------|------------|------------|
| Servicer 1 | 59.9% | 24.4% |
| Servicer 2 | 156.4% | -49.8% |
| Servicer 3 | 52.4% | -9.3% |
| Servicer 4 | 105.7% | 130.2% |
| Servicer 5 | -32.2% | -22.5% |
| Servicer 6 | 604.1% | -17.0% |
| Servicer 7 | 71.7% | 4.3% |
| Servicer 8 | 324.7% | 1.7% |
| Servicer 9 | 194.6% | 197.1% |
| Servicer 10 | 50.0% | -44.0% |
| Servicer 11 | 11.0% | 28.0% |
| All Servicers | 56.6% | -28.1% |

Finally, the majority of servicers demonstrated increases in the numbers of loan modifications closed during the period from October 2007 to May 2008. The most striking increase came from a servicer that increased its closed modifications from 15 in October to over 6,600 in May. Servicers completing larger numbers of modifications at the beginning of data collection in October also reported increases, though not as dramatic. In this period, only one servicer, Servicer 5 from Table 4 above, reported a decrease in the number of loan modifications closed.

Conclusion

Recent events on Wall Street have demonstrated the connection between the financial health of the American homeowner and the health of our financial markets. Over the past year, the State Working Group has focused on how the mortgage servicing system can reduce the numbers of unnecessary foreclosures as a way to benefit homeowners, investors, and local communities. The mortgage servicing system was not designed to work-out loans on this magnitude, and while progress has been made, that progress pales in comparison to the numbers of homeowners needing assistance. The need for systematic approaches and comprehensive solutions to current foreclosure levels is urgent. We believe that changing the approaches and the options for homeowners struggling to make their mortgage payments is essential to the long-term health of not just homeowners and our communities, but also of our financial markets.

APPENDIX A

**CONSOLIDATED STATE REPORT FOR MORTGAGE SERVICERS
DATA AS OF MAY 31, 2008**

Consolidated State Report for Mortgage Servicers

Consolidated Report as of May 31, 2008 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 | 15,055,149 | 100.00% | 2,377,609,435 | 100.00% |
| Serviced loans originated and funded by an unaffiliated party | 7,853,090 | 52.16% | 1,286,564,574 | 54.11% |
| Serviced loans where originator or funder is affiliated with the servicer | 6,911,191 | 45.91% | 1,045,195,834 | 43.96% |
| Serviced loans secured by owner-occupied residence* | 12,768,799 | 84.81% | 2,067,996,927 | 86.98% |
| Serviced loans for investment or second residence property* | 2,270,591 | 15.08% | 307,396,690 | 12.93% |
| Loans which are secured by a first mortgage only* | 11,362,854 | 75.47% | 2,098,717,870 | 88.27% |
| Loans which are secured by a second mortgage only* | 1,142,819 | 7.59% | 60,064,719 | 2.53% |
| Loans which you service both the first and second mortgage* | 2,542,896 | 16.89% | 218,430,216 | 9.19% |
| *Reported data reconciles within 2%. | | | | |
| Prime Loans (8 servicers reporting) | 10,203,127 | 100.00% | 1,618,497,405 | 100.00% |
| Fixed rate, fully amortizing | 7,403,613 | 72.56% | 1,069,439,743 | 66.08% |
| Hybrid ARMs (2/28, 3/27s, or similar) | 1,204,734 | 11.81% | 263,209,537 | 16.26% |
| Adjustable rate, fully amortizing | 859,398 | 8.42% | 43,297,719 | 2.68% |
| Loans with interest only feature | 419,851 | 4.11% | 122,464,684 | 7.57% |
| Payment Option ARMs and other loans with negative amortization feature | 315,438 | 3.09% | 120,078,345 | 7.42% |
| Other | 93 | 0.00% | 7,378 | 0.00% |
| Subprime & Alt-A Loans (13 servicers reporting) | 4,614,279 | 100.00% | 730,104,695 | 100.00% |
| Fixed rate, fully amortizing | 2,397,424 | 51.96% | 288,221,306 | 39.48% |
| Hybrid ARMs (2/28, 3/27s, or similar) | 1,304,654 | 28.27% | 237,499,800 | 32.53% |
| Adjustable rate, fully amortizing | 88,328 | 1.91% | 17,618,251 | 2.41% |
| Loans with interest only feature | 434,232 | 9.41% | 113,690,493 | 15.57% |
| Payment Option ARMs and other loans with negative amortization feature | 116,795 | 2.53% | 43,905,768 | 6.01% |
| Other | 272,846 | 5.91% | 29,169,078 | 4.00% |

Consolidated State Report for Mortgage Servicers

Consolidated Report as of May 31, 2008 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.

DELINQUENCY BY QUARTER OF INITIAL RESET

Number of Prime Loans

| | Resetting Total | 30+ Days Past Due | | Individual Company % | | |
|------------------------------------|-----------------|-------------------|--------|----------------------|--------|--------|
| | | Number | % | High | Low | Median |
| 4th Quarter 2007 | 16,671 | 5,467 | 32.79% | 33.39% | 15.63% | 31.26% |
| 1st Quarter 2008 | 12,918 | 3,171 | 24.55% | 25.71% | 20.93% | 23.81% |
| 2nd Quarter 2008 | 17,787 | 2,822 | 15.87% | 20.00% | 11.41% | 16.94% |
| 3rd Quarter 2008 | 26,388 | 3,675 | 13.93% | 39.13% | 1.62% | 15.31% |
| 4th Quarter 2008 | 20,283 | 1,974 | 9.73% | 10.03% | 0.00% | 5.45% |
| 1st Quarter 2009 | 15,773 | 1,427 | 9.05% | 16.67% | 1.74% | 9.25% |
| 2nd Quarter 2009 | 29,912 | 1,691 | 5.65% | 17.39% | 1.60% | 4.91% |
| 3rd Quarter 2009 | 29,733 | 1,997 | 6.72% | 7.34% | 3.61% | 4.05% |
| Eight Quarter Total | 169,465 | 22,224 | 13.11% | | | |
| Percent of Total Serviced | 1.66% | | | | | |
| Percent of non-fixed rate products | 6.05% | | | | | |

UPB of Prime Loans

| | Resetting Total | 30+ Days Past Due | | Individual Company % | | |
|------------------------------------|-----------------|-------------------|--------|----------------------|--------|--------|
| | | UPB | % | High | Low | Median |
| 4th Quarter 2007 | 4,173,906 | 1,264,409 | 30.29% | 34.48% | 19.35% | 29.08% |
| 1st Quarter 2008 | 2,909,075 | 802,385 | 27.58% | 29.07% | 23.50% | 24.09% |
| 2nd Quarter 2008 | 4,025,308 | 714,826 | 17.76% | 18.93% | 13.38% | 16.02% |
| 3rd Quarter 2008 | 6,199,295 | 957,156 | 15.44% | 41.24% | 1.12% | 10.15% |
| 4th Quarter 2008 | 4,659,350 | 500,748 | 10.75% | 11.12% | 0.00% | 6.23% |
| 1st Quarter 2009 | 3,583,387 | 368,985 | 10.30% | 15.15% | 1.41% | 10.70% |
| 2nd Quarter 2009 | 7,465,478 | 443,328 | 5.94% | 20.85% | 1.15% | 5.07% |
| 3rd Quarter 2009 | 7,147,419 | 527,733 | 7.38% | 8.07% | 3.25% | 4.26% |
| Eight Quarter Total | 40,163,218 | 5,579,572 | 13.89% | | | |
| Percent of Total Serviced | 2.48% | | | | | |
| Percent of non-fixed rate products | 7.31% | | | | | |

Consolidated State Report for Mortgage Servicers

Consolidated Report as of May 31, 2008 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.

DELINQUENCY BY QUARTER OF INITIAL RESET

Number of Sub-Prime & Alt-A Loans

| | Resetting Total | 30+ Days Past Due | | Individual Company % | | |
|------------------------------------|-----------------|-------------------|--------|----------------------|--------|--------|
| | | Number | % | High | Low | Median |
| 4th Quarter 2007 | 70,792 | 35,067 | 49.54% | 64.71% | 41.08% | 51.84% |
| 1st Quarter 2008 | 68,546 | 33,869 | 49.41% | 61.00% | 41.24% | 48.20% |
| 2nd Quarter 2008 | 104,614 | 45,773 | 43.75% | 65.71% | 29.13% | 46.02% |
| 3rd Quarter 2008 | 174,470 | 74,087 | 42.46% | 51.01% | 28.69% | 42.37% |
| 4th Quarter 2008 | 188,804 | 81,470 | 43.15% | 51.28% | 26.91% | 38.40% |
| 1st Quarter 2009 | 153,468 | 62,985 | 41.04% | 48.07% | 24.28% | 39.21% |
| 2nd Quarter 2009 | 91,106 | 32,107 | 35.24% | 45.31% | 23.78% | 34.40% |
| 3rd Quarter 2009 | 59,387 | 19,602 | 33.01% | 41.84% | 23.73% | 32.66% |
| Eight Quarter Total | 911,187 | 384,960 | 42.25% | | | |
| Percent of Total Serviced | 19.75% | | | | | |
| Percent of non-fixed rate products | 41.10% | | | | | |

UPB of Sub-Prime & Alt-A Loans

| | Resetting Total | 30+ Days Past Due | | Individual Company % | | |
|------------------------------------|-----------------|-------------------|--------|----------------------|--------|--------|
| | | Number | % | High | Low | Median |
| 4th Quarter 2007 | 15,641,070 | 7,846,053 | 50.16% | 70.70% | 37.99% | 56.00% |
| 1st Quarter 2008 | 14,417,996 | 7,433,619 | 51.56% | 67.81% | 39.48% | 53.64% |
| 2nd Quarter 2008 | 21,551,603 | 10,078,662 | 46.77% | 59.55% | 31.30% | 48.78% |
| 3rd Quarter 2008 | 36,891,876 | 16,913,494 | 45.85% | 55.65% | 30.93% | 44.60% |
| 4th Quarter 2008 | 41,370,426 | 19,439,465 | 46.99% | 55.89% | 28.83% | 44.27% |
| 1st Quarter 2009 | 35,062,388 | 15,735,423 | 44.88% | 49.79% | 26.21% | 43.82% |
| 2nd Quarter 2009 | 20,242,267 | 7,671,957 | 37.90% | 51.21% | 25.16% | 37.34% |
| 3rd Quarter 2009 | 13,079,926 | 4,538,875 | 34.70% | 43.51% | 24.81% | 34.30% |
| Eight Quarter Total | 198,257,553 | 89,657,548 | 45.22% | | | |
| Percent of Total Serviced | 27.15% | | | | | |
| Percent of non-fixed rate products | 44.87% | | | | | |

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Consolidated Report as of May 31, 2008 for 13 Companies

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DELINQUENCY & DEFAULT

| Number of Sub-Prime & Alt-A Loans | Number | Individual Company (% of Serviced) | | |
|---|-----------|------------------------------------|--------|--------|
| | | High | Low | Median |
| 30 to 59 days | 317,097 | 9.77% | 3.86% | 7.47% |
| 60 to 89 days | 171,378 | 5.61% | 2.35% | 3.31% |
| 90 days or over | 621,588 | 23.80% | 4.20% | 15.79% |
| Total | 1,110,063 | | | |
| Percentage of Sub-Prime & Alt-A Loans Serviced | 24.06% | 33.81% | 12.90% | 28.67% |
| Loans from above which were modified in the last 12 months. | 58,703 | | | |
| Percentage of total past due | 5.29% | 33.85% | 0.10% | 2.49% |
| Loans which entered delinquency within 3 payments of initial rate reset | 46,041 | | | |
| Percentage of total past due | 4.15% | 21.62% | 0.33% | 3.61% |
| Loans where notice of default sent | 117,229 | | | |
| Loans where formal foreclosure proceedings started | 187,905 | | | |
| Total Loans in Process of Foreclosure | 305,134 | | | |
| Percentage of total past due | 27.49% | 57.84% | 0.03% | 27.35% |
| Loans where foreclosure proceeding completed (ORE) | 131,431 | | | |

| UPB of Sub-Prime & Alt-A Loans | UPB | Individual Company (% of Serviced) | | |
|---|-------------|------------------------------------|--------|--------|
| | | High | Low | Median |
| 30 to 59 days | 49,057,102 | 9.95% | 3.97% | 6.92% |
| 60 to 89 days | 28,374,038 | 5.81% | 2.39% | 3.66% |
| 90 days or over | 101,003,350 | 28.18% | 3.51% | 18.09% |
| Total | 178,434,491 | | | |
| Percentage of Sub-Prime & Alt-A Loans Serviced | 24.44% | 37.04% | 12.27% | 31.24% |
| Loans from above which were modified in the last 12 months. | 10,937,598 | | | |
| Percentage of total past due | 6.13% | 33.24% | 0.12% | 3.24% |
| Loans which entered delinquency within 3 payments of initial rate reset | 9,483,320 | | | |
| Percentage of total past due | 5.31% | 31.48% | 0.61% | 5.75% |
| Loans where notice of default sent | 23,326,997 | | | |
| Loans where formal foreclosure proceedings started | 42,247,661 | | | |
| Total Loans in Process of Foreclosure | 65,574,658 | | | |
| Percentage of total past due | 36.75% | 113.49% | 0.02% | 38.85% |
| Loans where foreclosure proceeding completed (ORE) | 28,688,380 | | | |

Consolidated State Report for Mortgage Servicers

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LOSS MITIGATION & MODIFICATIONS

| Number of Loans In-Process | Number | % | Individual Company (% allocation) | | |
|---|---------|---------|-----------------------------------|--------|--------|
| | | | High | Low | Median |
| Deed in lieu | 4,728 | 2.09% | 4.64% | 0.17% | 0.50% |
| Short sale | 52,181 | 23.04% | 36.53% | 4.14% | 21.51% |
| Total in process with borrower losing home | 56,909 | 25.12% | | | |
| Percent of past due 60 days+* | 5.77% | | 9.96% | 0.60% | 3.90% |
| Forbearance | 18,735 | 8.27% | 45.76% | 0.15% | 5.06% |
| Repayment plan | 34,211 | 15.10% | 40.99% | 0.00% | 12.33% |
| Modification (principal reduction, interest rate &/or term of debt) | 104,357 | 46.07% | 83.58% | 9.43% | 41.82% |
| Total in process of home retention | 157,303 | 69.45% | | | |
| Percent of past due 60 days+* | 15.96% | | 36.90% | 6.19% | 16.27% |
| Refinance or paid in full | 3,293 | 1.45% | 41.44% | 1.55% | 1.85% |
| Reinstatement/Account to be made current | 9,002 | 3.97% | 53.24% | 3.00% | 3.78% |
| Total in process of being resolved by borrower | 12,295 | 5.43% | | | |
| Percent of past due 60 days+* | 1.25% | | 5.10% | 0.07% | 1.01% |
| Total loans in loss mitigation | 226,507 | 100.00% | | | |
| Percent of past due 60 days+* | 22.98% | | 40.54% | 10.39% | 23.18% |

| UPB of Loans In Process | UPB | % | Individual Company (% allocation) | | |
|---|------------|---------|-----------------------------------|--------|--------|
| | | | High | Low | Median |
| Deed in lieu | 1,137,814 | 2.46% | 5.20% | 0.20% | 0.59% |
| Short sale | 12,460,587 | 26.96% | 40.77% | 5.16% | 24.14% |
| Total in process of borrower losing home | 13,598,401 | 29.43% | | | |
| Percent of past due 60 days+* | 8.14% | | 15.55% | 0.70% | 4.75% |
| Forbearance | 3,239,904 | 7.01% | 43.79% | 0.10% | 4.48% |
| Repayment plan | 6,140,505 | 13.29% | 37.67% | 0.00% | 10.14% |
| Modification (principal reduction, interest rate &/or term of debt) | 20,840,461 | 45.10% | 85.50% | 10.66% | 41.47% |
| Total in process of home retention | 30,220,871 | 65.40% | | | |
| Percent of past due 60 days+* | 18.10% | | 47.59% | 6.98% | 16.43% |
| Refinance or paid in full | 864,152 | 1.87% | 20.49% | 0.00% | 0.84% |
| Reinstatement/Account made current | 1,527,641 | 3.31% | 29.26% | 0.00% | 1.96% |
| Total in process of being resolved by borrower | 2,391,793 | 5.18% | | | |
| Percent of past due 60 days+* | 1.43% | | 6.93% | 0.05% | 0.90% |
| Total loans in loss mitigation | 46,211,064 | 100.00% | | | |
| Percent of past due 60 days+* | 27.68% | | 63.29% | 11.79% | 25.92% |

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

Consolidated State Report for Mortgage Servicers

Consolidated Report as of May 31, 2008 for 13 Companies

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LOSS MITIGATION & MODIFICATIONS

| Number of Loans Closed | Number | % | Individual Company (% allocation) | | |
|---|--------|---------|-----------------------------------|-------|--------|
| | | | High | Low | Median |
| Deed in lieu | 357 | 0.37% | 1.14% | 0.00% | 0.30% |
| Short sale | 6,656 | 6.83% | 30.39% | 0.86% | 7.11% |
| Total closed with borrower losing home | 7,013 | 7.20% | | | |
| Forbearance | 2,471 | 2.54% | 9.64% | 0.00% | 0.96% |
| Repayment plan | 28,079 | 28.82% | 59.18% | 0.01% | 30.05% |
| Modification (principal reduction, interest rate &/or term of debt) | 36,418 | 37.38% | 90.27% | 6.28% | 38.45% |
| Total closed solutions with home retention | 66,968 | 68.73% | | | |
| Refinance or paid in full | 6,632 | 6.81% | 41.44% | 0.27% | 2.15% |
| Reinstatement/Account made current | 16,821 | 17.26% | 53.24% | 0.00% | 5.87% |
| Total closed with resolution by borrower | 23,453 | 24.07% | | | |
| Total | 97,434 | 100.00% | | | |
| Prepayment penalty waived (from any of the above) | 3,893 | 4.00% | | | |

| UPB of Loans Closed | UPB | % | Individual Company (% allocation) | | |
|---|------------|---------|-----------------------------------|-------|--------|
| | | | High | Low | Median |
| Deed in lieu | 75,748 | 0.46% | 1.07% | 0.00% | 0.31% |
| Short sale | 1,025,629 | 6.24% | 33.98% | 0.05% | 3.38% |
| Total closed with borrower losing home | 1,101,377 | 6.70% | | | |
| Forbearance | 377,391 | 2.30% | 9.88% | 0.00% | 1.23% |
| Repayment plan | 4,947,315 | 30.10% | 58.79% | 1.95% | 27.71% |
| Modification (principal reduction, interest rate &/or term of debt) | 6,911,500 | 42.05% | 91.71% | 8.97% | 37.49% |
| Total closed solutions with home retention | 12,236,206 | 74.44% | | | |
| Refinance or paid in full | 810,987 | 4.93% | 26.03% | 0.00% | 1.21% |
| Reinstatement/Account made current | 2,288,475 | 13.92% | 53.55% | 0.00% | 4.72% |
| Total closed with resolution by borrower | 3,099,462 | 18.86% | | | |
| Total | 16,437,045 | 100.00% | | | |
| Prepayment penalty waived (from any of the above) | 587,273 | 3.57% | | | |

Consolidated State Report for Mortgage Servicers

Consolidated Report as of May 31, 2008 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.

| PROFILE OF MODIFICATIONS BY NUMBER OF LOANS | Number | % | Individual Company (% allocation) | | | | | |
|---|--------|--------|--|-----|--------|--|--|--|
| | | | High | Low | Median | | | |
| <u>Time horizon for closed loan modifications</u> | | | | | | | | |
| Modification effective for less than life of loan (e.g. 2 years) | 5,117 | 13.31% | This data is in the process of being collected and will be included in future reports. | | | | | |
| Modification effective for life of loan | 18,544 | 48.23% | | | | | | |
| Did not report | 14,787 | 38.46% | | | | | | |
| <u>Types of modifications closed</u> | | | | | | | | |
| Modification by freezing interest rate at the initial/start rate | 5,685 | 14.88% | | | | | | |
| Modification by reducing the interest rate below the initial/start rate | 1,806 | 4.73% | | | | | | |
| Modification by reducing the interest rate below scheduled reset rate, but above start rate | 9,078 | 23.76% | | | | | | |
| Modification with extension of term | 46 | 0.12% | | | | | | |
| Modification with reduction in principal balance | 41 | 0.11% | | | | | | |
| Modification using two or more of above modifications (e.g. rate reduction and term change) | 5,623 | 14.72% | | | | | | |
| Other modification | 15,924 | 41.68% | | | | | | |

| PROFILE OF MODIFICATIONS BY UPB OF LOANS | UPB | % | Individual Company (% allocation) | | | | | |
|---|--------------|--------|--|-----|---------|--|--|--|
| | | | High | Low | Average | | | |
| <u>Time horizon for closed loan modifications</u> | | | | | | | | |
| Modification effective for less than life of loan (e.g. 2 years) | 1,040,241 | 14.01% | This data is in the process of being collected and will be included in future reports. | | | | | |
| Modification effective for life of loan | 3,300,926 | 44.44% | | | | | | |
| Did not report | 3,085,946 | 41.55% | | | | | | |
| <u>Types of modifications closed</u> | | | | | | | | |
| Modification by freezing interest rate at the initial/start rate | 1,109,066.82 | 15.47% | | | | | | |
| Modification by reducing the interest rate below the initial/start rate | 402,666.11 | 5.62% | | | | | | |
| Modification by reducing the interest rate below scheduled reset rate, but above start rate | 1,666,186.13 | 23.24% | | | | | | |
| Modification with extension of term | 6,993.24 | 0.10% | | | | | | |
| Modification with reduction in principal balance | 5,775.05 | 0.08% | | | | | | |
| Modification using two or more of above modifications (e.g. rate reduction and term change) | 1,231,401.34 | 17.17% | | | | | | |
| Other modification | 2,747,663.59 | 38.32% | | | | | | |

Consolidated State Report for Mortgage Servicers

Consolidated Report as of May 31, 2008 for 13 Companies

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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 | 2 |
| Short sale | 2 |
| Forebearance | 4 |
| Repayment plan | 3 |
| Modification | 6 |
| Refinance or paid in full | 4 |
| Reinstatement / account made current | 2 |
| Closed: | |
| Deed in lieu | 2 |
| Short sale | 0 |
| Forebearance | 3 |
| Repayment plan | 0 |
| Modification | 0 |
| Refinance or paid in full | 1 |
| Reinstatement / account made current | 0 |

APPENDIX B

**CONSOLIDATED STATE REPORT FOR MORTGAGE SERVICERS
TREND DATA FROM OCTOBER 2007 TO MAY 2008**

Trend Data from Consolidated State Report for Mortgage Servicers

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

All numbers of loans are the actual number.

| | May 08 | April 08 | March 08 | February 08 | January 08 | October 07 | | | |
|--|---------------|-----------------|-----------------|--------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|
| Number of Servicers Reporting | 13 | 13 | 13 | 13 | 13 | 13 | | | |
| Initial Rate Reset & Delinquency | | | | | | | | | |
| <i>Percentage of loans scheduled for initial rate reset in the next 8 quarters which are currently 30+ days delinquent</i> | | | | | | | | | |
| Prime | 13.11% | 12.31% | 11.80% | 10.99% | 10.43% | 7.36% | | | |
| Sub-Prime & Alt- A | 42.25% | 41.05% | 39.51% | 36.94% | 37.61% | 30.74% | | | |
| DELINQUENCY & DEFAULT- PRIME | | | | | | | | | |
| | May 08 | April 08 | March 08 | February 08 | January 08 | October 07 | Percentage Change | | |
| | | | | | | | Jan to May | Oct to Jan | Oct to May |
| Number of Prime Loans | | | | | | | | | |
| 30 to 59 days | 245,202 | 252,111 | 236,452 | 246,469 | 246,585 | 238,445 | -0.56% | 3.41% | 2.83% |
| 60 to 89 days | 99,867 | 99,338 | 95,563 | 95,388 | 91,973 | 88,202 | 8.58% | 4.28% | 13.23% |
| 90 days or over | 183,601 | 171,960 | 170,132 | 164,679 | 129,880 | 62,069 | 41.36% | 109.25% | 195.80% |
| Total | 528,670 | 523,409 | 502,147 | 506,536 | 468,438 | 388,716 | 12.86% | 20.51% | 36.00% |
| Percentage of Prime Loans Serviced | 5.18% | 5.12% | 4.89% | 4.93% | 4.56% | 3.78% | | | |
| Loans from above which were modified in the last 12 months. | 7,920 | 8,321 | 8,561 | 8,441 | 5,822 | 5,348 | 36.04% | 8.86% | 48.09% |
| Percentage of total past due | 1.50% | 1.59% | 1.70% | 1.67% | 1.24% | 1.38% | | | |
| Loans which entered delinquency within 3 payments of initial rate reset | 103 | 188 | 421 | 325 | 362 | 310 | -71.55% | 16.77% | -66.77% |
| Percentage of total past due | 0.02% | 0.04% | 0.08% | 0.06% | 0.08% | 0.08% | | | |
| Loans where notice of default sent | 25,395 | 21,602 | 17,619 | 13,110 | 9,029 | 9,538 | 181.26% | -5.34% | 166.25% |
| Loans where formal foreclosure proceedings started | 54,415 | 52,588 | 45,903 | 39,832 | 31,733 | 28,433 | 71.48% | 11.61% | 91.38% |
| Total Loans in Process of Foreclosure | 79,810 | 74,190 | 63,522 | 52,942 | 40,762 | 37,971 | 95.80% | 7.35% | 110.19% |
| Percentage of total past due | 15.10% | 14.17% | 12.65% | 10.45% | 8.70% | 9.77% | | | |
| Loans where foreclosure proceeding completed (ORE) | 37,566 | 35,212 | 33,061 | 32,265 | 27,510 | 23,944 | 36.55% | 14.89% | 56.89% |
| DELINQUENCY & DEFAULT- PRIME | | | | | | | | | |
| | May 08 | April 08 | March 08 | February 08 | January 08 | October 07 | Jan to May | Oct to Jan | Oct to May |
| UPB of Prime Loans | | | | | | | | | |
| 30 to 59 days | 39,758,091 | 40,900,048 | 38,994,856 | 40,844,050 | 39,278,862 | 36,413,539 | 1.22% | 7.87% | 9.18% |
| 60 to 89 days | 17,679,760 | 17,363,572 | 17,245,345 | 16,890,953 | 15,300,461 | 14,258,173 | 15.55% | 7.31% | 24.00% |
| 90 days or over | 31,081,161 | 29,193,858 | 29,244,301 | 28,147,874 | 19,920,639 | 9,124,887 | 56.02% | 118.31% | 240.62% |
| Total | 88,519,012 | 87,457,479 | 85,484,502 | 85,882,877 | 74,499,962 | 59,796,599 | 18.82% | 24.59% | 48.03% |
| Percentage of Prime Loans Serviced | 5.47% | 5.41% | 5.25% | 5.30% | 4.45% | 3.73% | | | |
| Loans from above which were modified in the last 12 months. | 1,312,282 | 1,402,933 | 1,463,358 | 1,430,436 | 900,883 | 813,347 | 45.67% | 10.76% | 61.34% |
| Percentage of total past due | 1.48% | 1.60% | 1.71% | 1.67% | 1.21% | 1.36% | | | |
| Loans which entered delinquency within 3 payments of initial rate reset | 44,213 | 53,611 | 85,482 | 102,484 | 126,846 | 112,468 | -65.14% | 12.78% | -60.69% |
| Percentage of total past due | 0.05% | 0.06% | 0.10% | 0.12% | 0.17% | 0.19% | | | |
| Loans where notice of default sent | 10,142,921 | 8,526,371 | 6,851,656 | 5,186,878 | 3,546,386 | 3,802,116 | 186.01% | -6.73% | 166.77% |
| Loans where formal foreclosure proceedings started | 12,783,005 | 12,164,132 | 10,332,910 | 8,828,502 | 6,499,468 | 5,778,674 | 96.68% | 12.47% | 121.21% |
| Total Loans in Process of Foreclosure | 22,925,926 | 20,690,503 | 17,184,566 | 14,015,380 | 10,045,854 | 9,580,790 | 128.21% | 4.85% | 139.29% |
| Percentage of total past due | 25.90% | 23.66% | 20.10% | 16.32% | 13.48% | 16.02% | | | |
| Loans where foreclosure proceeding completed (ORE) | 8,920,717 | 8,060,463 | 7,443,288 | 7,420,742 | 5,980,112 | 5,165,182 | 49.17% | 15.78% | 72.71% |

Trend Data from Consolidated State Report for Mortgage Servicers

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All numbers of loans are the actual number.

| DELINQUENCY & DEFAULT- SUBPRIME & ALT-A | May 08 | April 08 | March 08 | February 08 | January 08 | October 07 | Jan to May | Oct to Jan | Oct to May |
|---|---------------|-----------------|-----------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Number of Sub-Prime & Alt-A Loans | | | | | | | | | |
| 30 to 59 days | 317,097 | 327,778 | 319,693 | 329,585 | 357,854 | 356,287 | -11.39% | 0.44% | -11.00% |
| 60 to 89 days | 171,378 | 172,325 | 170,340 | 175,535 | 192,302 | 186,208 | -10.88% | 3.27% | -7.96% |
| 90 days or over | 621,588 | 623,498 | 661,887 | 657,276 | 627,076 | 537,604 | -0.88% | 16.64% | 15.62% |
| Total | 1,110,063 | 1,123,601 | 1,151,920 | 1,162,396 | 1,177,232 | 1,080,099 | -5.71% | 8.99% | 2.77% |
| Percentage of Sub-Prime & Alt-A Loans Serviced | 24.06% | 23.99% | 24.12% | 23.87% | 23.69% | 21.22% | | | |
| Loans from above which were modified in the last 12 months. | 58,703 | 52,455 | 47,380 | 47,651 | 32,053 | 22,568 | 83.14% | 42.03% | 160.12% |
| Percentage of total past due | 5.29% | 4.67% | 4.11% | 4.10% | 2.72% | 2.09% | | | |
| Loans which entered delinquency within 3 payments of initial rate reset | 46,041 | 43,871 | 42,854 | 34,076 | 37,518 | 32,001 | 22.72% | 17.24% | 43.87% |
| Percentage of total past due | 4.15% | 3.90% | 3.72% | 2.93% | 3.19% | 2.96% | | | |
| Loans where notice of default sent | 117,229 | 113,044 | 131,880 | 129,067 | 134,209 | 133,940 | -12.65% | 0.20% | -12.48% |
| Loans where formal foreclosure proceedings started | 187,905 | 188,481 | 165,271 | 164,771 | 163,920 | 141,269 | 14.63% | 16.03% | 33.01% |
| Total Loans in Process of Foreclosure | 305,134 | 301,525 | 297,151 | 293,838 | 298,129 | 275,209 | 2.35% | 8.33% | 10.87% |
| Percentage of total past due | 27.49% | 26.84% | 25.80% | 25.28% | 25.32% | 25.48% | | | |
| Loans where foreclosure proceeding completed (ORE) | 131,431 | 127,218 | 123,267 | 145,890 | 134,001 | 102,537 | -1.92% | 30.69% | 28.18% |
| | | | | | | | | | |
| DELINQUENCY & DEFAULT- SUBPRIME & ALT-A | May 08 | April 08 | March 08 | February 08 | January 08 | October 07 | Jan to May | Oct to Jan | Oct to May |
| UPB of Sub-Prime & Alt-A Loans | | | | | | | | | |
| 30 to 59 days | 49,057,102 | 50,772,347 | 50,016,613 | 51,967,777 | 55,276,369 | 54,730,585 | -11.25% | 1.00% | -10.37% |
| 60 to 89 days | 28,374,038 | 28,601,882 | 28,545,137 | 29,272,344 | 31,431,562 | 30,230,433 | -9.73% | 3.97% | -6.14% |
| 90 days or over | 101,003,350 | 101,056,505 | 110,079,452 | 107,681,285 | 99,919,391 | 76,742,009 | 1.08% | 30.20% | 31.61% |
| Total | 178,434,491 | 180,430,734 | 188,641,201 | 188,921,406 | 186,627,322 | 161,703,028 | -4.39% | 15.41% | 10.35% |
| Percentage of Sub-Prime & Alt-A Loans Serviced | 24.44% | 24.32% | 25.00% | 24.59% | 23.85% | 20.29% | | | |
| Loans from above which were modified in the last 12 months. | 10,937,598 | 9,625,162 | 8,654,151 | 8,580,160 | 5,422,219 | 3,519,093 | 101.72% | 54.08% | 210.81% |
| Percentage of total past due | 6.13% | 5.33% | 4.59% | 4.54% | 2.91% | 2.18% | | | |
| Loans which entered delinquency within 3 payments of initial rate reset | 9,483,320 | 8,843,854 | 8,734,576 | 6,722,802 | 7,589,456 | 5,605,447 | 24.95% | 35.39% | 69.18% |
| Percentage of total past due | 5.31% | 4.90% | 4.63% | 3.56% | 4.07% | 3.47% | | | |
| Loans where notice of default sent | 23,326,997 | 22,501,932 | 26,235,021 | 24,281,237 | 23,686,441 | 25,170,702 | -1.52% | -5.90% | -7.32% |
| Loans where formal foreclosure proceedings started | 42,247,661 | 41,953,243 | 36,215,919 | 35,405,345 | 34,313,851 | 28,762,137 | 23.12% | 19.30% | 46.89% |
| Total Loans in Process of Foreclosure | 65,574,658 | 64,455,174 | 62,450,939 | 59,686,582 | 58,000,292 | 53,932,839 | 13.06% | 7.54% | 21.59% |
| Percentage of total past due | 36.75% | 35.72% | 33.11% | 31.59% | 31.08% | 33.35% | | | |
| Loans where foreclosure proceeding completed (ORE) | 28,688,380 | 27,310,158 | 25,821,030 | 30,411,068 | 27,256,957 | 19,080,911 | 5.25% | 42.85% | 50.35% |

Trend Data from Consolidated State Report for Mortgage Servicers

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

All numbers of loans are the actual number.

| LOSS MITIGATION & MODIFICATIONS- IN PROCESS | May 08 | April 08 | March 08 | February 08 | January 08 | October 07 | Jan to May | Oct to Jan | Oct to May |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|--------------|
| Number of Loans In-Process | | | | | | | | | |
| Deed in lieu | 4,728 | 3,684 | 2,347 | 2,683 | 3,728 | 3,715 | 26.82% | 0.35% | 27.27% |
| Short sale | 52,181 | 46,267 | 46,874 | 34,643 | 33,843 | 26,717 | 54.19% | 26.67% | 95.31% |
| Total in process with borrower losing home | 56,909 | 49,951 | 49,221 | 37,326 | 37,571 | 30,432 | 51.47% | 23.46% | 87.00% |
| Percent of past due 60 days+ | 5.77% | 5.10% | 4.85% | 3.69% | 3.90% | 3.74% | | | |
| Forbearance | 18,735 | 18,157 | 19,489 | 18,976 | 20,003 | 19,029 | -6.34% | 5.12% | -1.55% |
| Repayment plan | 34,211 | 40,579 | 46,707 | 49,819 | 51,472 | 61,673 | -33.53% | -16.54% | -44.53% |
| Modification (principal reduction, interest rate &/or term of debt) | 104,357 | 109,746 | 148,910 | 155,559 | 145,124 | 92,699 | -28.09% | 56.55% | 12.58% |
| Total in process of home retention | 157,303 | 168,482 | 215,106 | 224,354 | 216,599 | 173,401 | -27.38% | 24.91% | -9.28% |
| Percent of past due 60 days+ | 15.96% | 17.20% | 21.20% | 22.15% | 22.47% | 21.30% | | | |
| Refinance or paid in full | 3,293 | 3,708 | 3,417 | 3,303 | 3,207 | 3,104 | 2.68% | 3.32% | 6.09% |
| Reinstatement/Account to be made current | 9,002 | 10,775 | 10,951 | 12,492 | 12,417 | 12,718 | -27.50% | -2.37% | -29.22% |
| Total in process of being resolved by borrower | 12,295 | 14,483 | 14,368 | 15,795 | 15,624 | 15,822 | -21.31% | -1.25% | -22.29% |
| Percent of past due 60 days+ | 1.25% | 1.48% | 1.42% | 1.56% | 1.62% | 1.94% | | | |
| Total loans in loss mitigation | 226,507 | 232,916 | 278,695 | 277,475 | 269,794 | 219,655 | -16.04% | 22.83% | 3.12% |
| Percent of past due 60 days+ | 22.98% | 23.77% | 27.47% | 27.40% | 27.99% | 26.98% | | | |

* Figures used for 60+ days past due in this section have been adjusted to remove delinquency data for two servicers not reporting loss mitigation in process.

| LOSS MITIGATION & MODIFICATIONS- IN PROCESS | May 08 | April 08 | March 08 | February 08 | January 08 | October 07 | Jan to May | Oct to Jan | Oct to May |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|---------------|---------------|
| UPB of Loans In Process | | | | | | | | | |
| Deed in lieu | 1,137,814 | 896,260 | 577,150 | 653,529 | 896,753 | 892,877 | 26.88% | 0.43% | 27.43% |
| Short sale | 12,460,587 | 11,214,716 | 11,583,846 | 8,228,501 | 7,776,317 | 5,732,854 | 60.24% | 35.64% | 117.35% |
| Total in process of borrower losing home | 13,598,401 | 12,110,977 | 12,160,997 | 8,882,030 | 8,673,070 | 6,625,731 | 56.79% | 30.90% | 105.24% |
| Percent of past due 60 days+ | 8.14% | 7.32% | 6.94% | 5.06% | 5.50% | 5.35% | | | |
| Forbearance | 3,239,904 | 3,048,409 | 3,274,055 | 3,027,976 | 3,138,235 | 3,140,969 | 3.24% | -0.09% | 3.15% |
| Repayment plan | 6,140,505 | 7,175,567 | 10,640,829 | 8,755,838 | 9,145,998 | 10,395,677 | -32.86% | -12.02% | -40.93% |
| Modification (principal reduction, interest rate &/or term of debt) | 20,840,461 | 21,842,125 | 30,891,097 | 32,044,055 | 29,418,392 | 16,738,507 | -29.16% | 75.75% | 24.51% |
| Total in process of home retention | 30,220,871 | 32,066,101 | 44,805,981 | 43,827,868 | 41,702,625 | 30,275,153 | -27.53% | 37.75% | -0.18% |
| Percent of past due 60 days+ | 18.10% | 19.37% | 25.58% | 24.96% | 26.46% | 24.43% | | | |
| Refinance or paid in full | 864,152 | 959,700 | 861,035 | 824,042 | 770,274 | 687,057 | 12.19% | 12.11% | 25.78% |
| Reinstatement/Account made current | 1,527,641 | 1,754,780 | 1,812,400 | 2,021,641 | 1,970,743 | 2,017,828 | -22.48% | -2.33% | -24.29% |
| Total in process of being resolved by borrower | 2,391,793 | 2,714,481 | 2,673,436 | 2,845,683 | 2,741,017 | 2,704,885 | -12.74% | 1.34% | -11.58% |
| Percent of past due 60 days+ | 1.43% | 1.64% | 1.53% | 1.62% | 1.74% | 2.18% | | | |
| Total loans in loss mitigation | 46,211,064 | 46,891,559 | 59,640,413 | 55,555,581 | 53,116,712 | 39,605,769 | -13.00% | 34.11% | 16.68% |
| Percent of past due 60 days+ | 27.68% | 28.33% | 34.05% | 32.19% | 33.71% | 31.95% | | | |

* Figures used for 60+ days past due in this section have been adjusted to remove delinquency data for two servicers not reporting loss mitigation in process.

Trend Data from Consolidated State Report for Mortgage Servicers

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

All numbers of loans are the actual number.

| LOSS MITIGATION & MODIFICATIONS- CLOSED | May 08 | April 08 | March 08 | February 08 | January 08 | October 07 | Jan to May | Oct to Jan | Oct to May |
|---|---------------|-----------------|-----------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Number of Loans Closed | | | | | | | | | |
| Deed in lieu | 357 | 322 | 423 | 370 | 342 | 356 | 4.39% | -3.93% | 0.28% |
| Short sale | 6,656 | 5,927 | 5,734 | 4,201 | 3,900 | 3,456 | 70.67% | 12.85% | 92.59% |
| Total closed with borrower losing home | 7,013 | 6,249 | 6,157 | 4,571 | 4,242 | 3,812 | 65.32% | 11.28% | 83.97% |
| Percent of month's total closed | 7.20% | 6.14% | 6.31% | 4.63% | 4.54% | 4.52% | | | |
| Forbearance | 2,471 | 3,241 | 4,070 | 3,550 | 3,584 | 3,335 | -31.05% | 7.47% | -25.91% |
| Repayment plan | 28,079 | 27,374 | 26,793 | 32,392 | 28,128 | 26,153 | -0.17% | 7.55% | 7.36% |
| Modification (principal reduction, interest rate &/or term of debt) | 36,418 | 39,894 | 31,697 | 25,494 | 24,098 | 19,081 | 51.12% | 26.29% | 90.86% |
| Total closed solutions with home retention | 66,968 | 70,509 | 62,560 | 61,436 | 55,810 | 48,569 | 19.99% | 14.91% | 37.88% |
| Percent of month's total closed | 68.73% | 69.25% | 64.12% | 62.19% | 59.76% | 57.53% | | | |
| Refinance or paid in full | 6,632 | 7,204 | 7,397 | 7,482 | 12,185 | 11,905 | -45.57% | 2.35% | -44.29% |
| Reinstatement/Account made current | 16,821 | 17,862 | 21,451 | 25,294 | 21,161 | 20,141 | -20.51% | 5.06% | -16.48% |
| Total closed with resolution by borrower | 23,453 | 25,066 | 28,848 | 32,776 | 33,346 | 32,046 | -29.67% | 4.06% | -26.81% |
| Percent of month's total closed | 24.07% | 24.62% | 29.57% | 33.18% | 35.70% | 37.96% | | | |
| Total loans closed | 97,434 | 101,824 | 97,565 | 98,783 | 93,398 | 84,427 | 4.32% | 10.63% | 15.41% |
| Percentage of the previous month's in-process | 41.83% | 36.54% | 35.16% | 36.61% | 37.19% | | | | |
| Prepayment penalty waived (from any of the above) | 3,893 | 4,584 | 3,917 | 3,347 | 3,831 | 2,647 | 1.62% | 44.73% | 47.07% |
| Percent of month's total closed | 4.00% | 4.50% | 4.01% | 3.39% | 4.10% | 3.14% | | | |
| LOSS MITIGATION & MODIFICATIONS- CLOSED | | | | | | | | | |
| UPB of Loans Closed | | | | | | | | | |
| Deed in lieu | 75,748 | 74,236 | 90,217 | 78,599 | 76,537 | 71,679 | -1.03% | 6.78% | 5.68% |
| Short sale | 1,025,629 | 948,929 | 951,232 | 1,360,737 | 548,640 | 609,845 | 86.94% | -10.04% | 68.18% |
| Total closed with borrower losing home | 1,101,377 | 1,023,165 | 1,041,449 | 1,439,336 | 625,177 | 681,524 | 76.17% | -8.27% | 61.60% |
| Percent of month's total closed | 6.70% | 5.92% | 6.54% | 9.32% | 4.30% | 5.15% | | | |
| Forbearance | 377,391 | 506,254 | 608,159 | 533,545 | 537,659 | 477,087 | -29.81% | 12.70% | -20.90% |
| Repayment plan | 4,947,315 | 4,855,716 | 4,743,535 | 5,018,000 | 4,455,552 | 3,993,898 | 11.04% | 11.56% | 23.87% |
| Modification (principal reduction, interest rate &/or term of debt) | 6,911,500 | 7,552,097 | 5,797,908 | 4,707,295 | 4,370,546 | 3,340,491 | 58.14% | 30.84% | 106.90% |
| Total closed solutions with home retention | 12,236,206 | 12,914,067 | 11,149,602 | 10,258,840 | 9,363,757 | 7,811,475 | 30.68% | 19.87% | 56.64% |
| Percent of month's total closed | 74.44% | 74.78% | 70.00% | 66.43% | 64.44% | 58.97% | | | |
| Refinance or paid in full | 810,987 | 882,184 | 927,300 | 659,210 | 1,960,238 | 2,184,936 | -58.63% | -10.28% | -62.88% |
| Reinstatement/Account made current | 2,288,475 | 2,450,878 | 2,810,642 | 3,084,559 | 2,581,609 | 2,567,542 | -11.35% | 0.55% | -10.87% |
| Total closed with resolution by borrower | 3,099,462 | 3,333,062 | 3,737,942 | 3,743,768 | 4,541,847 | 4,752,478 | -31.76% | -4.43% | -34.78% |
| Percent of month's total closed | 18.86% | 19.30% | 23.47% | 24.24% | 31.26% | 35.88% | | | |
| Total loans closed | 16,437,045 | 17,270,294 | 15,928,992 | 15,441,944 | 14,530,781 | 13,245,478 | 13.12% | 9.70% | 24.10% |
| Percentage of the previous month's in-process | 35.05% | 28.96% | 28.67% | 29.07% | 29.83% | | | | |
| Prepayment penalty waived (from any of the above) | 587,273 | 684,783 | 652,875 | 639,458 | 729,820 | 540,598 | -19.53% | 35.00% | 8.63% |
| Percent of month's total closed | 3.57% | 3.97% | 4.10% | 4.14% | 5.02% | 4.08% | | | |

Trend Data from Consolidated State Report for Mortgage Servicers

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

All numbers of loans are the actual number.

| PROFILE OF CLOSED MODIFICATIONS | May 08 | April 08 | March 08 | February 08 | January 08 | October 07 | Jan to May | Oct to Jan | Oct to May |
|---|--------|----------|----------|-------------|------------|------------|------------|------------|------------|
| Number of Loans Closed | | | | | | | | | |
| <u>Time horizon for closed loan modifications</u> | | | | | | | | | |
| Modification effective for less than life of loan (e.g. 2 years) | 5,117 | 7,045 | 7,528 | 6,705 | 5,550 | 3,850 | -7.80% | 44.16% | 32.91% |
| Modification effective for life of loan | 18,544 | 19,786 | 13,535 | 10,623 | 9,625 | 5,995 | 92.66% | 60.55% | 209.32% |
| Did not report | 14,787 | 16,152 | 13,890 | 10,260 | 11,193 | 9,236 | 32.11% | 21.19% | 60.10% |
| <u>Types of modifications closed</u> | | | | | | | | | |
| Modification by freezing interest rate at the initial/start rate | 5,685 | 8,681 | 4,659 | 5,765 | 5,039 | 2,399 | 12.82% | 110.05% | 136.97% |
| Modification by reducing the interest rate below the initial/start rate | 1,806 | 1,501 | 2,994 | 1,258 | 1,679 | 292 | 7.56% | 475.00% | 518.49% |
| Modification by reducing the interest rate below scheduled reset rate, but above start rate | 9,078 | 4,618 | 5,756 | 4,384 | 2,503 | 738 | 262.68% | 239.16% | 1130.08% |
| Modification with extension of term | 46 | 141 | 98 | 85 | 134 | 327 | -65.67% | -59.02% | -85.93% |
| Modification with reduction in principal balance | 41 | 96 | 64 | 49 | 36 | 17 | 13.89% | 111.76% | 141.18% |
| Modification using two or more of above modifications (e.g. rate reduction and term change) | 5,623 | 4,779 | 4,250 | 3,878 | 6,308 | 2,960 | -10.86% | 113.11% | 89.97% |
| Other modification | 15,924 | 22,645 | 16,449 | 10,728 | 9,877 | 12,051 | 61.22% | -18.04% | 32.14% |

| PROFILE OF CLOSED MODIFICATIONS | May 08 | April 08 | March 08 | February 08 | January 08 | October 07 | Jan to May | Oct to Jan | Oct to May |
|---|-----------|-----------|-----------|-------------|------------|------------|------------|------------|------------|
| UPB of Loans Closed | | | | | | | | | |
| <u>Time horizon for closed loan modifications</u> | | | | | | | | | |
| Modification effective for less than life of loan (e.g. 2 years) | 1,040,241 | 1,444,836 | 1,488,443 | 1,341,137 | 1,159,738 | 815,013 | -10.30% | 42.30% | 27.63% |
| Modification effective for life of loan | 3,300,926 | 3,456,153 | 2,242,077 | 1,818,898 | 1,606,876 | 1,045,799 | 105.43% | 53.65% | 215.64% |
| Did not report | 3,085,946 | 3,099,921 | 2,645,962 | 1,873,027 | 1,954,280 | 1,479,666 | 57.91% | 32.08% | 108.56% |
| <u>Types of modifications closed</u> | | | | | | | | | |
| Modification by freezing interest rate at the initial/start rate | 1,109,067 | 1,737,326 | 920,926 | 1,099,367 | 991,981 | 582,158 | 11.80% | 70.40% | 90.51% |
| Modification by reducing the interest rate below the initial/start rate | 402,666 | 314,019 | 413,331 | 211,662 | 274,194 | 66,239 | 46.85% | 313.95% | 507.90% |
| Modification by reducing the interest rate below scheduled reset rate, but above start rate | 1,666,186 | 991,945 | 1,136,430 | 813,480 | 495,422 | 135,759 | 236.32% | 264.93% | 1127.31% |
| Modification with extension of term | 6,993 | 21,912 | 16,591 | 11,631 | 19,958 | 41,638 | -64.96% | -52.07% | -83.20% |
| Modification with reduction in principal balance | 5,775 | 15,187 | 9,695 | 8,924 | 6,732 | 1,464 | -14.22% | 359.86% | 294.48% |
| Modification using two or more of above modifications (e.g. rate reduction and term change) | 1,231,401 | 939,623 | 799,466 | 701,855 | 1,060,613 | 478,842 | 16.10% | 121.50% | 157.16% |
| Other modification | 2,747,664 | 3,850,137 | 2,904,153 | 2,033,060 | 1,676,579 | 1,945,672 | 63.89% | -13.83% | 41.22% |