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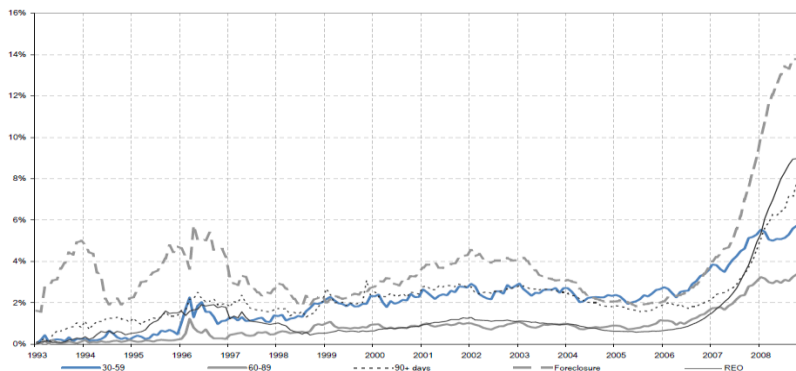
**MBA National Servicing Conference
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Current Challenges

Market Trends

- Escalating loan delinquencies
- Voluntary prepays in low single digits
- Loss severity continues to climb, driven by HPD, extension of timelines and supply from foreclosures
- Preliminary indications of subprime FCLs reaching a plateau but Alt-A and Prime are growing

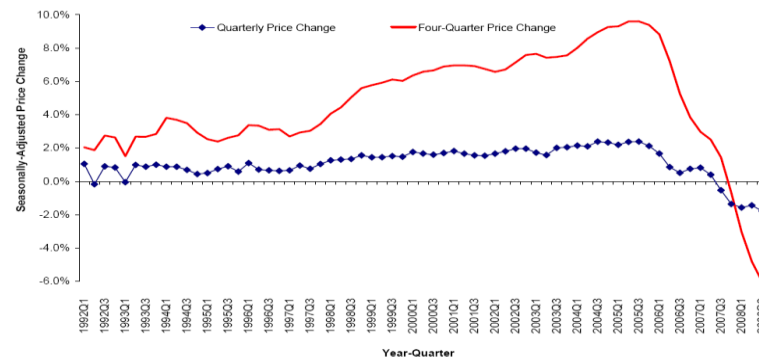
Delinquency, Foreclosure and REO Trends
1993 through Q3 2008



Regulatory Response

- HOPE NOW “Streamlined Modification Program”
- HOPE for Homeowners (H4H) – \$300B FHA plan intended to stem foreclosures
- TARP – \$700B from the government to help stabilize the financial system
- FDIC loan modification program being implemented at IndyMac
- Fannie SMP and EWP

FHFA HOUSE PRICE INDEX HISTORY FOR USA
Seasonally-Adjusted Price Change Measured in Purchase-Only Index



¹ Source: JPMorgan

Issues facing Servicers

Servicing Industry Challenges

Escalating loan delinquencies and defaults are straining servicer capacity and reducing operating effectiveness



Response

Later stage delinquencies are being serviced in a call center environment to address increased call volume

Increased industry and regulatory focus on borrower based solutions



Mass approach to modifications without communication with the borrower (including no doc/no verification loan modifications)

50% of the borrowers in foreclosure have never spoken to their servicer



Foreclosure moratorium at the state and local level; additional contact requirements and proposed nationwide moratorium

How do servicers effectively deliver borrower based solutions that will enhance portfolio performance and valuation?

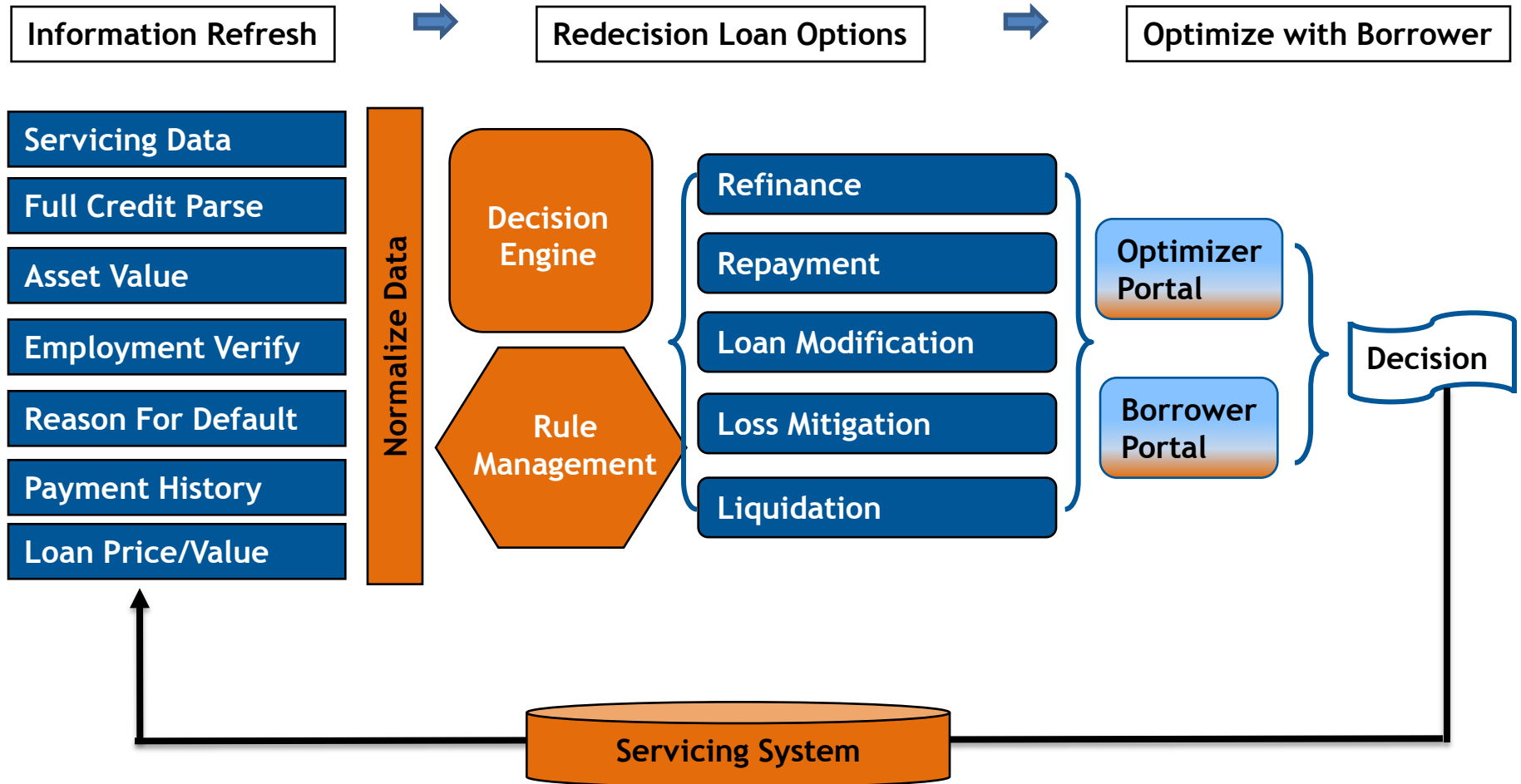
Borrower Based Solutions

- **Require Contact with the Borrower**
 - **High Touch Communication Strategy**
 - Manual call campaigns 125 to 200 accounts per FTE
 - Encourage staff to stay on the phone with borrowers as long as necessary to develop a resolution strategy
 - Engage field agents when borrowers can't be reached through conventional methods
- **Require analysis of the Borrower's Financial Situation**
 - **AU and Decision Support systems**
 - Servicers are being asked to re-underwrite portfolios
 - Industry emphasis has been on collateral based NPV decisions
 - **Credit Data, predictive scoring models**
 - Reach beyond DTI to examine performance
 - Prioritize outreach campaigns to increase pull through
 - **Document delivery and fulfillment**
 - Integrated document preparation
 - Electronic delivery and execution

Servicers need to creatively apply origination tools and techniques to borrower outreach and follow-up to expand penetration and execution of borrower based solutions.

RCS Approach

RCS approach applies a customized loss mitigation decision support program that evaluates all available data to determine optimal loan resolution solutions





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