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**STANDARD
& POOR'S**

Ratings

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Servicer Evaluation: CitiMortgage Inc.

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Opinion

The rankings on CitiMortgage Inc. (CMI), an indirect wholly owned subsidiary of Citigroup Inc., are affirmed at STRONG as a residential mortgage servicer and residential subprime servicer.

CMI continues to maintain sound controls and oversight within its servicing operation, and the company has made improvements in response to the challenging marketing conditions. A notable accomplishment was the successful conversion of its subprime portfolio, which was previously on a vendor-provided system, onto the company's proprietary servicing system. This change allowed CMI to better leverage the functionality of its internal system and reduced the costs associated with maintaining two separate technology environments. The company also redesigned and augmented aspects of its training program in key areas affecting customer service and collections. These enhancements included additional training for its customer service associates, enabling them to handle greater-aged accounts without necessitating a transfer to the default department.

The company's sound auditing program continues to employ multiple levels of control to maintain a sound servicing infrastructure and mitigate potential risk. The department improved upon its risk-control and self-assessment program to increase the frequency of its examinations, which allow the company to identify, accelerate, and more quickly resolve any issues. Management also continues to expand CMI's offshore functionality to increase productivity and efficiencies, while also expanding its disaster recovery options.

Metrics CMI provided through Standard & Poor's proprietary Servicer Evaluation Analytical Methodology (SEAM) questionnaire indicate that the company compares quite favorably with its peers. CMI's call center metrics remain sound, and the company continues to maintain commendable ratings with its large investor base. The company has acknowledged that its cancellation rates for lender-placed insurance are high (despite the small lender-placed borrower base) and is addressing this issue proactively through a Six Sigma project; preliminary results of this initiative show a significant improvement.

CMI applies appropriate and proactive default methodologies to reduce losses and assist delinquent borrowers. The company's proprietary scoring mechanisms allow it to effectively identify accounts requiring greater borrower communication. CMI has continued to focus on and augment its loss mitigation program, and recently announced a key new program that management expects will assist a significant number of its distressed borrowers over the coming months. The company also implements preapproved workouts and delays legal action for a period of time in an attempt to

present and approve workout plans to its customers.

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Outlook

The outlook is stable for residential mortgage servicing and residential mortgage subprime servicing. CMI plans to focus on maintaining its servicing performance while reducing losses through its loss mitigation initiatives. Management does not plan to aggressively grow the portfolio over the next year, due to both current market conditions and its desire to concentrate on operational developments. The company should continue its efforts to reduce lender placement cancellations and recidivism rates within its prime portfolio. CMI has the appropriate infrastructure, controls, and technology in place to remain a proficient residential mortgage and residential subprime mortgage servicer for a wide variety of investors.

Chart 1

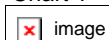


Chart 2

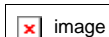


Table 1

Key Statistics 2008*

Loan portfolio totals

Volume (\$000s) 606,643,221

Loans (No.) 3,688,195

Delinquency (% of loans)

Total 1.70

30-day 0.96

60-day 0.02

90+ day 0.72

Foreclosure 0.43

Bankruptcy 0.32

Real estate owned (No.) 2,343

*As of June 30, 2008.

Chart 3

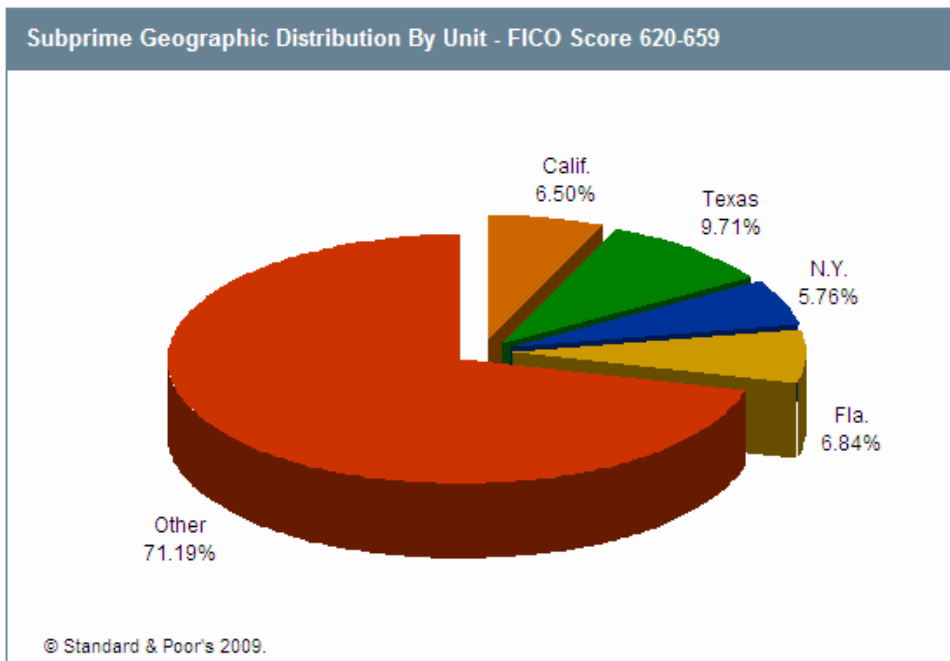


Chart 4

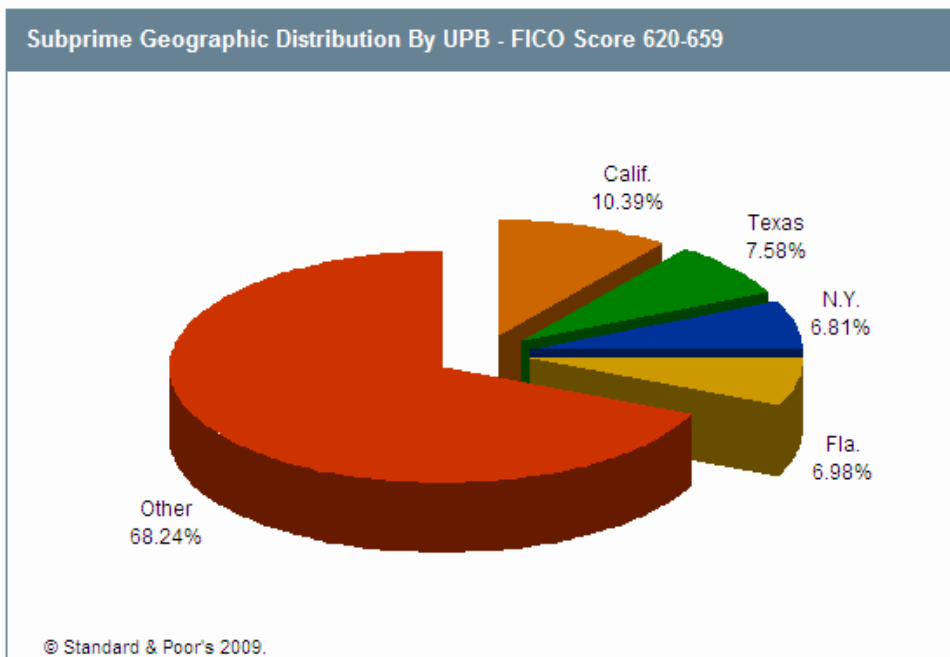


Chart 5

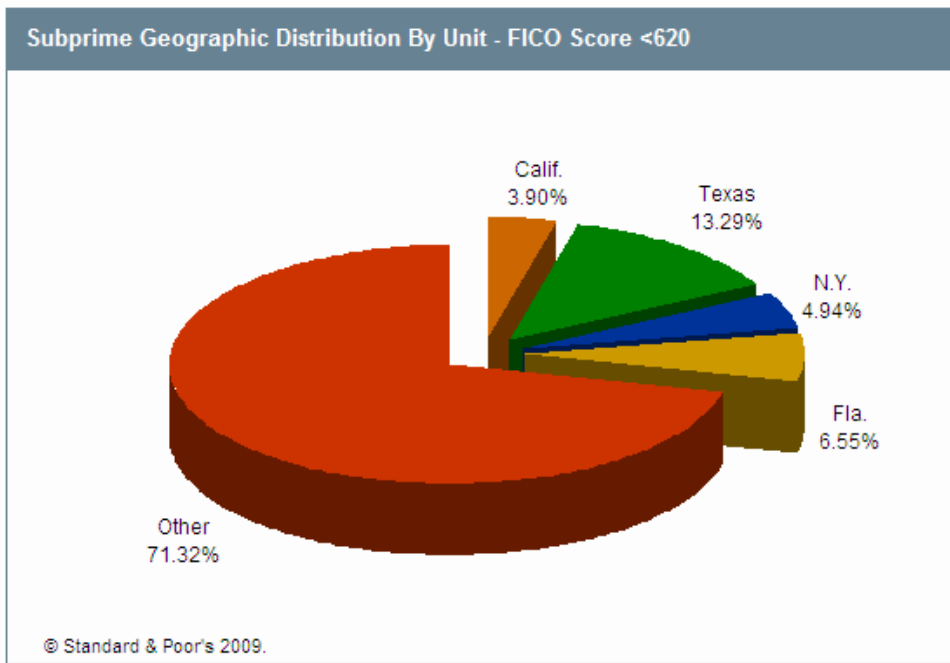


Chart 6

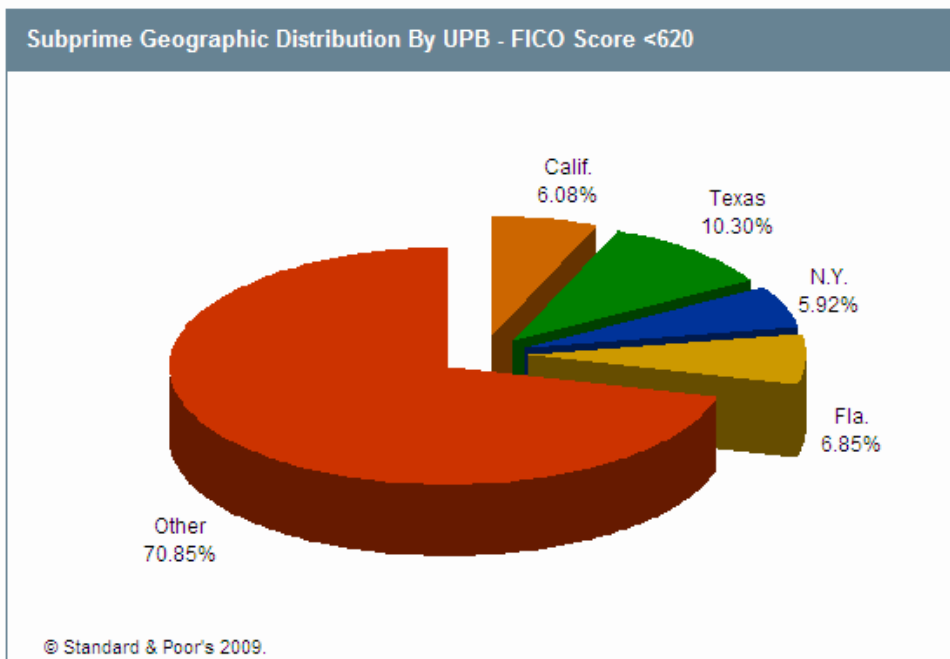


Table 2

Key Statistics 2008***Subprime Loan Administration****Loan Portfolio Total**

Volume (\$000) 131,152,853

Assets (No.) 1,043,042

Delinquency (% of loans)

Total 14.09

30-59 day 8.30

60-89 day	0.41
90+-day	5.38
Foreclosure	2.46
Bankruptcy	2.39
REO (No.)	4,699

*As of June 30.

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Profile

CMI employs a total of 3,600 personnel in its first-mortgage operations, which consist of prime and subprime products. In aggregate, there are more than 11,000 employees in the mortgage division. Production sources in 2008 were divided among the company's correspondent (56%), retail (21%), and wholesale (23%) networks. The former two increased 11% and 6% compared with 2007, while the latter decreased by 12%. Retail volume derives from lending consultants in the bank's branches, affiliate relationships, a corporate relocation program, employee loans, and consumer direct/Internet activity. Correspondent volume comes from various flow and bond administration programs (management no longer pursues bulk purchases), while wholesale channels include CMI's broker network. In October 2008, management announced that it was decreasing its wholesale base from 9,000 brokers to approximately 1,000, who represent the most likely source of business. The wholesale network only originates first mortgages. Additionally, there is now one national sales director who oversees the three channels, unlike the previous model that entailed separate vice presidents who supervised their respective divisions.

There have been only two portfolio transfers in 2008, and Citigroup recently announced that it sold the Citi Residential Lending servicing portfolio, which consisted of a large number of subprime accounts, to another entity. Previously, management planned to integrate this portfolio (formerly serviced by Ameriquest Mortgage Company until CMI acquired it in 2007), but later decided to offer it for sale.

The company is the fourth-largest prime servicer in the U.S., based both on the number of loans serviced and dollar volume as of Sept. 30, 2008, according to data compiled by "National Mortgage News." CMI is an approved servicer for FNMA, FHLMC, GNMA, and other private investors. The business model for 2009 emphasizes an originate-to-sale model that focuses on servicing retained sales to FNMA, FHLMC, and GNMA. The current customer profile reflects an average 717 FICO score with a 65% origination loan-to-value ratio and an approximate outstanding average balance of \$153,000.

The mortgage servicing company operates from sites located in O'Fallon, Mo; Frederick, Md.; Fort Mill, S.C.; Dallas; Phoenix; Tucson, and a new location in Jacksonville, Fla. A small facility based in Des Moines, Iowa, was closed in 2008. The Jacksonville site, staffed by 47 personnel, leverages an existing location and assists with certain escrow functions. Nondefault functions reside in all sites except for Phoenix and Fort Mill. Default operations reside in Frederick, Fort Mill, O'Fallon, Dallas, Phoenix, and now Tucson. Management outsources certain servicing tasks to India, where its vendor has offices located in Mumbai and Chennai, and it recently established offshore responsibilities in Manila, Philippines.

Management has represented that there are no material lawsuits outstanding that would have an adverse impact on the company. For further information, please see the parent company's SEC filings.

All statistics referenced in the report reflect data received for the semiannual period ending June 30, 2008, unless otherwise noted. When applicable, comparison data is year over year.

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Management And Organization

The ranking for management and organization is affirmed at STRONG.

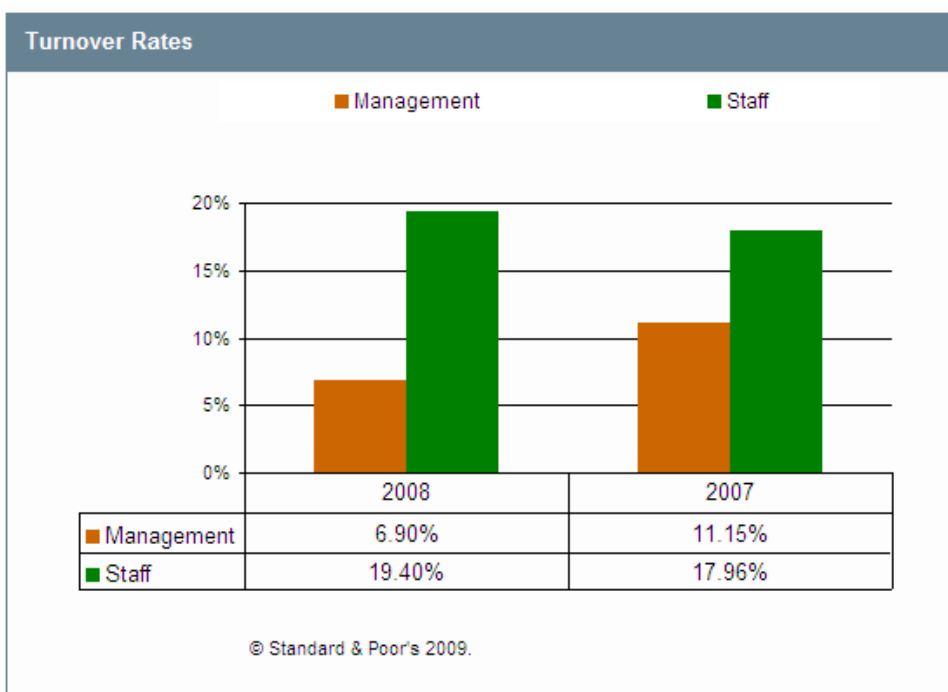
Management and staff recruitment, development, and training

CMI exhibits excellent management depth. Its senior personnel have extensive prior backgrounds in the servicing marketplace.

- Senior managers average an excellent 22 years of industry experience and 10 years of

- tenure with the company;
- Middle managers average 12 years expertise and 10 years with CMI;
- The turnover rate for management is excellent and has decreased to 6.9%; and
- Staff turnover averages a satisfactory 19.4%, which is mainly stable compared with 2007.

Chart 7



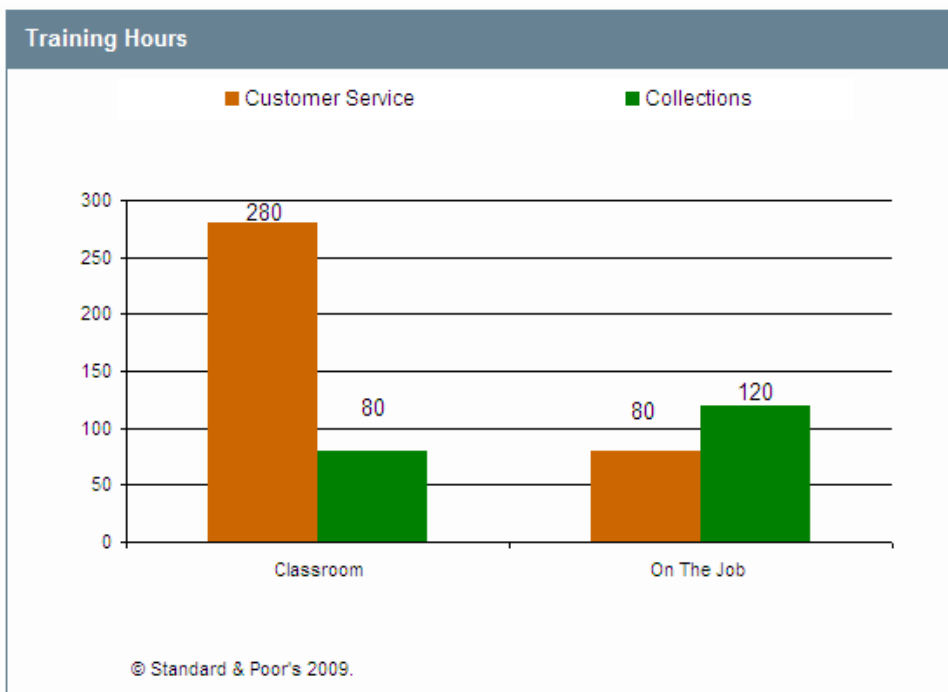
CMI's Learning and Performance Solutions group ensures that all staff members are appropriately trained and knowledgeable in their job responsibilities. A staff of 28 dedicated personnel addresses servicing topics. An additional four centers of excellence teams (22 staff members) assist with instructional design, leadership, learning management, and writing of the training materials. Approximately 80% of the training staff has industry and training experience, which greatly assists when developing and revising training materials. As expected, the customer service and collection programs are especially structured. The training regimen includes the following:

- A new hire orientation that lasts for one day and introduces the employee to CMI, the parent company, and gives a general overview of the mortgage banking environment;
- Approximately 80 hours of average formal training per employee;
- "Right Start" training, conducted over the first three months of employment;
- The company applies "best practices" training through quarterly meetings and other focus groups;
- More than 200 e-learning courses promote technical and soft skills that assist in career advancement through required and elective options;
- Augmented training regimen reflects an increase of 80 hours of in classroom training for customer service associates and an additional 80 hours of on-the-job training for collection staff;
- Collections and customer service excellence programs, lasting from two to four days, emphasize advanced topics;
- Compliance essentials courses that address different regulations;
- Annual testing/certification to ensure all requisite personnel are cognizant of the FDCPA (Fair Debt Collection Practices Act);
- Training is conducted 30 days in advance of any policy change for those personnel in customer contact positions to ensure awareness of the revision;
- A three-week research services course and five-day escrow analysis course;
- Monthly training for customer service representatives focuses on any revisions in company policy or applicable statutes within the last 30 days;
- Annual compliance training for all staff on key servicing topics such as Real Estate Settlement Procedures Act (RESPA), privacy, and the Fair Credit Reporting Act (FCRA),

and;

- Communication mechanisms include quarterly meetings with managers and feedback surveys regarding manager performance.

Chart 8



In the last year, the training department completely redesigned the customer service training curriculum format so that agents alternate between classroom sessions and on-the-job training with a mentor. Management believes this has resulted in a more accomplished representative that is better poised to eventually take calls from a borrower. Courses are available through classroom instruction, computer-based self study, the Web, and CENTRA (via headset). When there is a major change in state or federal regulations, select personnel from India receive further training in the U.S. Upon completion, these staff members perform their job responsibilities initially in the U.S. to ensure they are acclimated with the revision, and then return home to train the remaining staff.

Internal controls

CMI has thorough policies and procedures that are available on a shared drive. Development, drafting, and dissemination of the policies evidence sound controls. Highlights include:

- The policies and procedures are well-annotated. They include detailed information on the FDCPA, and in certain instances, state-specific servicing statutes, as well as screen prints to assist in processing;
- A portfolio services department creates a draft version of proposed revisions and forwards them to the affected area(s) for review and approval;
- Senior management and legal signoff is required before Web input; and
- Employees receive e-mail updates of any changes.

CMI has multiple levels of audits designed to ensure compliance with company, investor, and statutory guidelines. Audit and risk review (ARR) is responsible for auditing the entire mortgage business. There are dedicated auditors assigned for CMI, who are appropriately independent of servicing, as they report to the chief auditor of the company. They may, however, use the resources of other auditing personnel as necessary to assist in any examinations. Through a risk-appraisal profile, auditors identify 10 key areas within the audited entity and then assign an overall composite business rating of high, medium, or low risk. High-risk businesses are reviewed annually, while the examination cycle for medium-risk entities is every 18 to 30 months. CMI is classified as a medium-risk operation, and audits occur generally no later than every 24 months based on historical experiences. In accordance with industry practices, ARR is encouraged to conduct audits of CMI's key risk areas, inclusive of cash processing, investor reporting, and default management no later than every 12 months to 15 months, with examinations of remaining areas on an approximate 18-month cycle. The audit methodology includes:

- Annual risk assessment analysis of each department based on current issues and previous results, which are subsequently reviewed by the audit committee;
- ARR and management meet quarterly to discuss past issues and audit trends;
- A risk and control self-assessment rating in the audit reports identify whether process controls are "effective," "not fully effective," or "weak";
- Basic grading of each audit as "satisfactory," "unsatisfactory," and "needs improvement" assists in gauging overall results;
- Responses and corrective action plans are monitored through AutoAudit offered by Paisley Consulting;
- Any audit graded "unsatisfactory" results in a subsequent review within the next 12 months; and
- There were no USAP exceptions in 2007.

A review of the 2007 to 2008 audits and the Reg AB certification statement of CMI reflected no significant findings, and any discrepancies were resolved in a timely manner.

The company also applies a risk-control, self-assessment (RCSA) process. The plan seeks to identify various operational, legal, financial, and regulatory issues affecting an area and/or process, and to ensure that the requisite controls are working effectively. It serves as a supplementary form of review to buttress the formal ARR evaluations. Overall, RCSA continues to focus on key controls and includes testing to determine compliance. Both the performing servicing and default areas each have their own RCSA teams. Management relocated some RCSA testing offshore, although there is redundancy in its domestic operations to verify results for a period of time. Addressing most areas of loan servicing, attributes of the analysis include the following:

- Each business unit schedules its RCSA examinations based on the grade assigned to a particular process;
- Most testing is now performed quarterly, although some areas are subject to semiannual or annual reviews;
- The executive committee and management hold quarterly meetings to discuss results and status of corrective actions;
- Possible escalation to the audit committee if an issue is deemed severe or if there are recurring trends;
- Annual revisions to the RCSA methodology to incorporate past results;
- ARR reviews audit results when formulating the audit plan; and
- RCSA staff independently reexamines the reported results on a random basis to verify accuracy.

The company uses a proprietary system known as Catalyst to monitor results. The system has preprogrammed questions and samples online, so the respective business units can understand exactly which functions require testing on a scheduled basis. The program maintains results that are input into it on a historical basis for trending purposes, inclusive of identified issues resulting from ARR or other external reviews. Only RCSA management may revise the system.

A separate operations control department assists in identifying key risks in the business. A key component includes providing oversight of the RCSA process by examining the content, reporting, and analysis of results. This encompasses a review of any answers to ensure they address the issue as well as the timeliness of the responses. They also serve as audit management liaisons for coordination of internal reviews. A compliance/SOX area monitors compliance with investor guidelines, Regulation AB, and SOX test results.

An audit team consisting of domestic and offshore staff in India performs audits of all default management areas, regardless of product, on a quarterly, semiannual, and annual basis. This includes testing of areas pertaining to compliance with foreclosure timelines, FNMA guidelines, collection statistics, and other tasks. Though not graded, the methodology is based on a minimum compliance level of 95% of tested items. Departments failing to adhere to this standard must respond to the audit findings. As a further mitigating factor, ARR receives monthly reports from the department for further examination, thus preserving a certain level of independence.

A vendor management area based in O'Fallon maintains responsibility for many vendor oversight functions. Although the respective business units handle performance monitoring and on-site audits, vendor management controls include:

- Online policies and procedures that specify criteria when selecting a third-party provider;

- A requirement that vendors annually forward key materials, such as financial statements, insurance coverage, disaster recovery plans, and business licenses; and
- Contracts are reviewed to ensure the documents are correct and current.

Technology

CMI operates with capable systems and support. There are over 200 IT specialists located in O'Fallon and Irving, as well as an additional 495 full-time contractors who maintain responsibility for different system processes. Most of the contractors are located in India (more than 300). The information systems area is divided into three main units, which together are responsible for developing and supporting the mortgage systems, identifying new enhancements, and developing project priorities for the year. Attributes of the technology infrastructure include:

- A proprietary customized application, known as Citilink, serves as the primary loan servicing system;
- DRI software for processing of defaulted accounts;
- A proprietary module, known as the online collection system (OCS), used for collections;
- An imaging system to scan critical documents, with desktop access for the staff;
- Scoring models assist in identifying/prioritizing customers posing a greater risk of default;
- Encryption of all data;
- A business solutions group in loan administration/control manages development of new system applications;
- Tape backups, which are encrypted, are stored at an off-site vendor location, with an annual on-site review by IT personnel;
- Calling trees are updated quarterly and verified semiannually; and
- A satisfactory disaster recovery/business resumption plan is tested at least annually both domestically and offshore, which relies on alternate sites in case of an unexpected business interruption.

As part of its "End State" initiative, CMI completed the conversion of its subprime loans from MortgageServ® to the Citilink system in July 2008.

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Residential Mortgage Administration

The ranking for loan administration is affirmed at STRONG as a residential mortgage servicer.

Herb Gover, consumer asset operations president, oversees the approximate 3,600-person servicing division. As of June 30, 2008, the company's servicing portfolio totaled \$606 billion, representing almost 3.7 million loans. It is a geographically diverse portfolio, which helps insulate the company from risk of loss resulting from regional economic downturns. The company maintains its Tier One performance status with Freddie Mac and is also in their 2007 Hall of Fame.

CMI outsources certain customer service, research, and lien release functions to two third-party providers, IBM Daksh and Citigroup Global Services Ltd., (CGSL) both based in India. Additionally, in January 2009, the company established another site through IBM Daksh in Manila for customer service functions. Management believes there will be approximately 100 total customer service agents in Manila by year-end 2009. Default responsibilities offshored include administrative tasks related to foreclosure, bankruptcy, and quality assurance in India (whose vendor staff has doubled to 295). Recently, some pre-collection activity was also established in Manila through Citi Business Process Solutions, a parent owned affiliate. There are a total of approximately 1,100 offshore personnel. Vendor-monitoring mechanisms employ the resources of many different Citigroup businesses. Key to the oversight is Citigroup's offshore program office (OPO), which is responsible for reviewing any of the mortgage company's international relationships. OPO is entitled to quarterly on-site reviews as well as impromptu visits by OPO managers. The legal area, both annually and as needed, ensures the vendor is in compliance with applicable U.S. regulations.

The servicing division handles areas including new loan set-up, customer service, escrow administration, and payment processing. Default servicing oversees collection, loss mitigation, foreclosure, bankruptcy, and REO tasks. The functional directors within the two units ultimately report to a divisional managing director. Each of the two managing directors reports to the president/CEO of Citigroup Real Estate Servicing & Technology – Consumer Asset Operations. This individual oversees the company's mortgage operations. There was an organizational restructuring that resulted in consolidating default senior management by function versus product type. Thus, there are now three separate vice presidents responsible for collections, loss mitigation, and remaining default areas, versus the prior model which emphasized segregation by product type. However, there is still functional separation (by staff) within the departments by product type.

Separate business support and business improvement areas within servicing are responsible for areas such as call monitoring, business analytics, business assessment requirements, systems integration, and contract negotiations related to offshore outsourcing.

Standard & Poor's reviewed all areas of loan servicing, including new loan boarding, escrow analysis, payoff tracking, adjustable-rate loan analysis, partial releases, and assumptions. Overall, these areas were found to be satisfactory. Key areas of risk will be discussed below in more detail.

Due to the leveraging of many functions across product lines due to similarities in processes, a combined section is presented for most nondefault functions, although there may be specific personnel dedicated to a particular task. All servicing functions reside under CMI regardless of product type. Separate sections addressing prime and subprime processes for default management are addressed later in the analysis.

Additionally, CMI revised the methodology of reporting its mortgage portfolio, relying on the origination FICO score, which has resulted in adjustments to the below charts with portfolio statistics for 2007 and 2008. Standard & Poor's definition of subprime is referenced in its LEVELS® glossary, and that definition is used here for the purpose of examining portfolio performance in this report.

Table 3

	Key Statistics				
	2008*	2007	2006	2005	2004
Loan portfolio totals					
Volume (\$000s)	606,643,221	580,034,754	433,832,460	359,288,074	350,028,672
Loans (No.)	3,688,195	3,580,635	2,677,802	2,370,821	2,442,462
Delinquency (% of loans)					
Total	1.70	1.50	3.98	4.44	4.22
30-day	0.96	0.99	2.21	2.34	2.32
60-day	0.02	0.02	0.60	0.69	0.64
90+ day	0.72	0.49	1.17	1.41	1.26
Foreclosure	0.43	0.26	0.46	0.41	0.47
Bankruptcy	0.32	0.27	0.60	0.97	0.83
Real estate owned (No.)	2,343	1,082	425	228	183

*As of June 30.

Loan boarding and rate administration

CMI evidences good boarding processes, which include logic and edit checks, as well as 100% document-to-system review to ensure the integrity of the data. This also includes an examination of the data through both a quality team in IT and a separate user acceptance group. Centralized user acceptance teams and separate subject matter experts/team leaders independently review the data and verify its accuracy at various stages of the boarding process. Welcome letters include a bilingual brochure that introduces the customer to the company and its services. All loan files are imaged, with noncritical documents discarded 90 days after scanning.

There are approximately 600,000 ARM loans in the portfolio, of which 61,000 are interest-only product. CMI has an active campaign in place to solicit customers whose ARM loans are scheduled for imminent reset, regardless of product, based on the extent of the payment increase, as well as for retention purposes. There are dedicated ARM reset teams for both products. This consists of direct mail, statement messaging, telephone, and e-mail messages. For loans subject to an initial reset, tailored solicitations (in alternating months) begin as early as 12 months prior to the actual reset date, and continue for up to 14 months after the ARM adjusts. Those customers experiencing a subsequent ARM payment change receive a letter 60 days before the reset date, along with similar solicitations within 60 days after the note rate changes. In most instances, the workout involves adjusting the rate back to the initial interest rate of the mortgage. There is separate communication for those customers who qualify for a loan modification, who receive pre-approved offers. Of workouts completed in 2008, approximately 83% consisted of an interest rate reduction, with the remainder consisting of capitalization of the arrears.

Cash management and investor accounting

CMI's financial transactions department is responsible for payment-posting activities. The department uses three Citibank lockboxes located in different areas of the country to maximize posting efficiencies on its geographically diverse portfolio. The lock box provider has limited authority to handle processing of exception payments. Key features include:

- An effective 90.01% electronic processing rate;
- An excellent subprime electronic processing rate of 94.09%;
- Lockbox reject rate is superior, at less than 1% for prime and subprime;
- ARC conversion rate of 87.68%;
- A staff turnover rate of 8.79%, a slight increase from the prior 7.45%;
- All checks are converted to electronic remittances for expedited flow of funds;
- Payment posting operates from a secure room, thus minimizing the risk of lost or misplaced items;
- Checks requiring further research remain in the department, and only copies are sent to the affected area;
- A payment tracking log to ensure payments not immediately posted are researched timely and applied to the account or returned for further instructions;
- Random desk checks to ensure same-day processing of checks; and
- A fireproof safe is used to store checks held more than 24 hours.

Chart 9

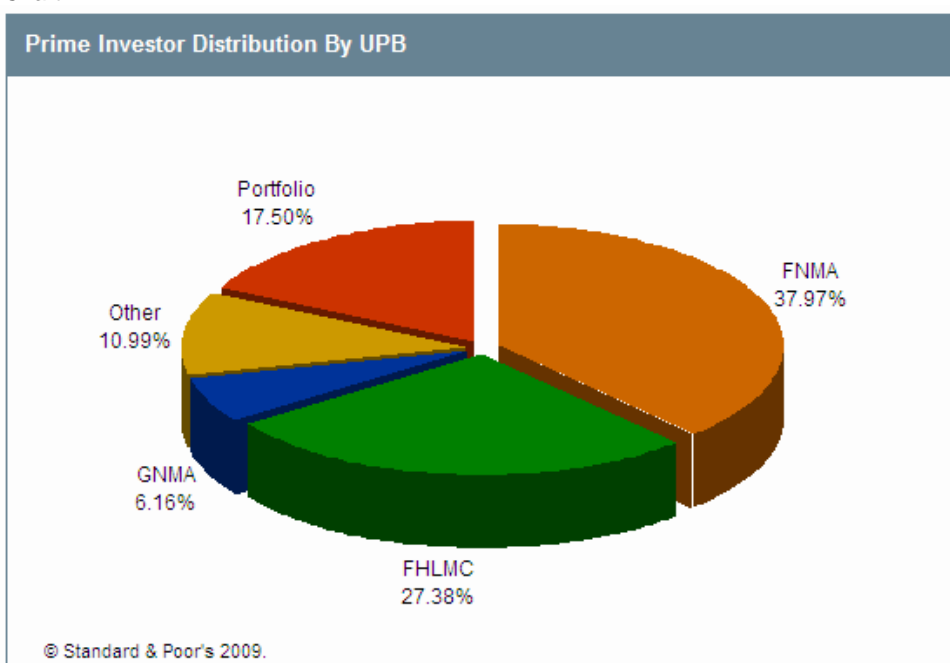


The investor reporting department at CMI is well-managed, with sensible controls in place to protect the company and its investors against risk of loss. This centralized unit (in O'Fallon) handles prime and subprime reporting responsibilities. Teams are organized based on agency and nonagency groupings. The largest investor is FNMA based on number of loans serviced and UPB. There are more than 2,000 private investors and more than 4,500 custodial bank accounts.

Chart 10



Chart 11



Risk management policies in place that assist in ensuring prompt, accurate reporting to its investor base include:

- Management averages 25 years tenure with the company;
- A sound 94% electronic reporting and 99% remittance rate;
- FHLMC Tier 1 rating and a "Excellent" FNMA peak performance profile score for investor accounting;
- An appropriate segregation of duties among reporting, remitting, and reconciling tasks reduces risk of loss due to fraud or human error as staff do not control multiple areas affecting investor funds;
- Though divided into specific teams, staff is cross-trained to handle other investors should the need arise. This broadens the knowledge base of the department;
- Management reviews reporting, remitting, and reconciliation information to ensure accuracy;
- An automated bank account reconciliation process enhances productivity;
- A robust Web site, located at www.citimortgagembs.com, provides loan- and pool-level data, ad hoc reporting tools, prospectuses, pooling and servicing agreements, and other pertinent materials;
- Six months of information retained on the Web site;
- A dedicated investor relations staff to address any issues or questions that may arise;
- Online access to the bank statements, which assists in timely balancing of the accounts;
- Minimal aged reconciling items; and
- No late reporting or remitting penalties.

Customer relations

The 673-person department handles customer service. This function is handled through four domestic offices (Dallas, Tucson, Frederick, and O'Fallon), two vendor sites in India (employing 600-telephone agents and 100 in research), and a new vendor location in Manila. There are separate directors of the telephone center and research unit. Customer service calls completed by India staff accounted for 55% of total call volume. India personnel complete the same training regimen as the company's U.S.-based employees. Recent changes in scheduling and staffing now enable the call center to operate year-round. Controls and call center metrics are as follows:

- Special queue routing for customers with multiple banking relationships and executive level accounts;
- Based on how the borrower verifies through the IVR, further skills-based routing depending on whether the inquiry is considered general, advanced, or escalated;
- A domestic turnover rate of 42%, a significant increase from 30%, although this is attributable to some site closings;
- Offshore turnover rate of approximately 30% for staff with a minimum of six months tenure;
- On-site visits of the India operations are conducted semiannually by training or call center management;
- The voice response unit (IVR) is bilingual, speech recognition enabled, and has a 39% capture rate;
- Call center metrics for both its domestic and offshore operations for prime product reflect very good results;
- Subprime call center metrics reflect favorable results for its offshore operations, and satisfactory statistics for domestic staff;
- A sophisticated Web site provides mortgage information to the borrower and has approximately 2 million registered users;
- Customers may elect e-mail alerts notifying them whenever a disbursement is made from the account or to send monthly reminders regarding payment due dates;
- Dedicated bilingual staff in Dallas and Tucson;
- Monthly survey conducted by an outside vendor of approximately 650 customers to discern satisfaction levels with the company;
- A monthly dashboard report based on survey results to ascertain problems and gauge various performance indicators, such as call resolution rates, monitoring scores, and payment errors;
- Grading of 10 borrower contacts monthly per agent by an independent QA group based both in India and domestically;
- Minimum baseline score of 90% expected as standard, with both verbal and written feedback;
- A monitoring system captures screen prints and records the call, which serves as an auxiliary training mechanism;
- Accounts with payment issues are coded for removal from the autodialer to prevent collection contact;
- Software tracks agent performance both monthly and year-to-date, with results available

online;

- Separate dedicated research services units for prime and subprime borrowers address correspondence and any inquiries unable to be resolved by customer service;
- Letters tracked for compliance with RESPA requirements using a customized case management module;
- All correspondence, inclusive of responses, is scanned for historical purposes;
- RESPA and FCRA compliance stands at approximately 100%;
- Dedicated individuals handle executive-level and regulatory inquiries; and
- Reviews of 10 letters per representative monthly.

Chart 12

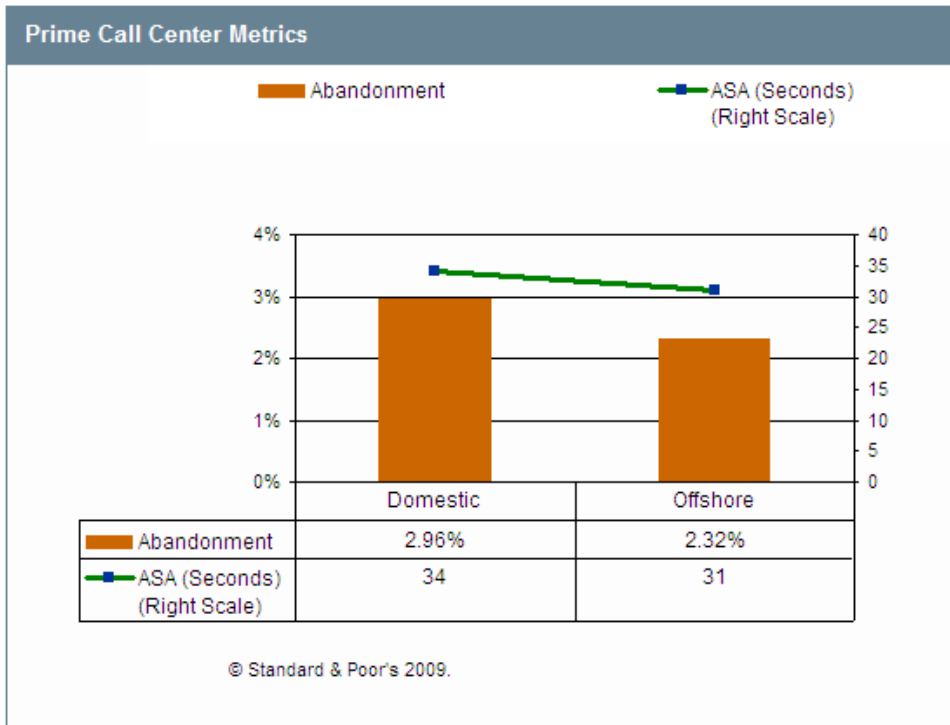
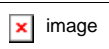


Chart 13



Management indicated that the turnover rate for domestic staff would have amounted to approximately 30% if excluding the above referenced facility closings. Previously, domestic customer service staff assisted borrowers who were no more than 24 days in arrears. Through additional training, the department has now increased this benchmark to encompass inbound calls from borrowers up to 55 days past due. Management believes this will allow its existing collectors to more fully concentrate on loss mitigation alternatives for its seriously delinquent customers. There are additional 40 agents now in training that will be responsible for processing extension requests on the bank-owned portfolio.

Escrow management

CMI provides effective oversight over its escrow area. The company escrows on almost 69% of its prime portfolio and 19% on its subprime loans. The company uses a separate vendor, First American Real Estate Tax Service, to procure and monitor tax information on its portfolio, although customer calls remain with the company. Insurance functions are fully outsourced to Assurant Group, except for monitoring flood insurance on escrowed accounts, which is the responsibility of First American. Both vendors must adhere to the agreed-upon service level agreements in place for each function. Metrics and highlights of the solid controls include:

- The department meets performs weekly calls with its vendors, quarterly scorecard reviews, and at least annual on-site reviews;
- Tax penalties per loan for prime accounts are satisfactory, at \$0.09, although this represents a substantial increase from \$0.01;

- Proprietary Tax Quest system is used for monitoring nonescrow tax arrears on REO loans;
- Although the department had minimal lender placement rates, some figures reflected high cancellation rates;
- EDI payment of insurance premiums is an efficient 76%;
- The vendor properly monitors each insurance carrier's financial rating to ensure its acceptability and determine whether there is any detrimental information that could compromise the carrier's ability to pay claims in the future;
- Insurance vendor call center metrics reflect excellent results, with a nine second ASA and 0.36% abandonment rate for customer calls and an ASA of 12 seconds and 1.73% abandonment rate for loss draft inquiries;
- The insurance vendor makes a proactive call to the agent 14 days before expiration requesting policy information if they do not have the premium bill. This measure assists in resolving potential future problems;
- Upon expiration, a hazard/flood letter cycle over a 60-day period, followed by lender placement of a policy; and
- Customers may submit loss draft information through the Web site.

Chart 14

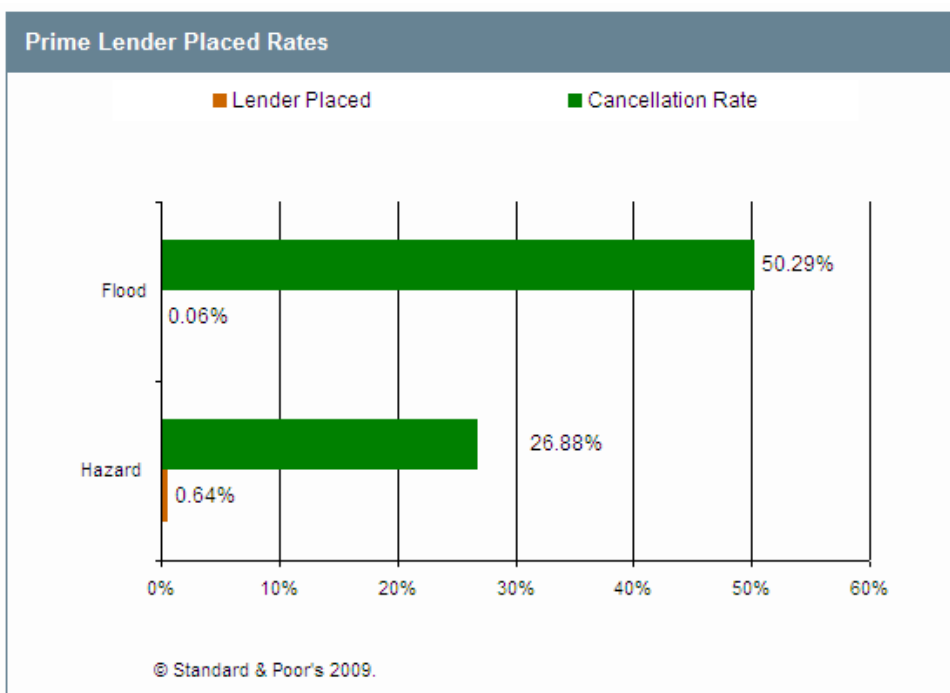
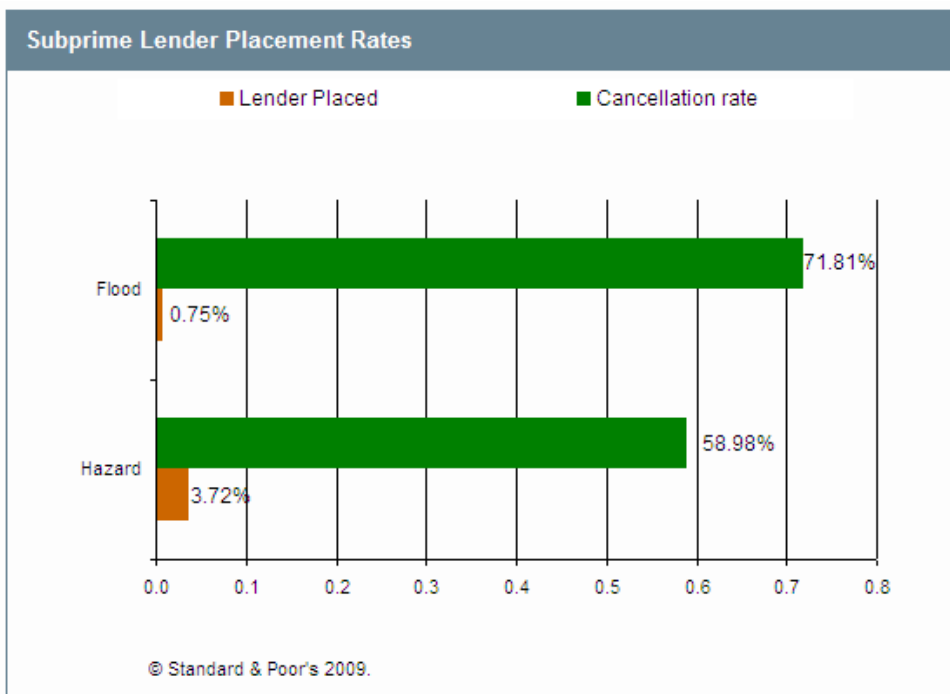


Chart 15



The department initiated a Six Sigma project to assist in reducing the lender placement rates, of which initial results reflect an overall cancellation rate as of October 2008 of between 25% to 27% based on a six-month look back period. Among its many findings, the project reflected that approximately 53% of cancellations occurred within 30 days of policy issuance, and 75% within 60 days of issuance. Additionally, 63% of cancellations were from mortgages originated through the correspondent channel. Management attributed the improved results to enhancements in its new loan boarding process and EDI data exchanges, as well as a change in the verbiage of its lender placement letters based on responses received from a customer survey.

Approximately one-third of the lien release function is outsourced to India, where staff only input the necessary information into the Rekon® system. A separate vendor is responsible for payoff research items and forwarding the release to the county recorder. Penalties for failure to issue the reconveyance in a timely manner are minimal. Management is actively implementing e-lien release in counties that accept this process. The system can calculate the vast majority of the prepayment amount without manual intervention.

Default management

CMI's 513-person collection department (a significant increase from 269) applies effective policies and procedures, along with well-defined technology, to maintain commendable delinquency rates. Collection staff is located in Dallas, Fort Mill, Phoenix, and Tucson. The latter is a new collection location. The Philippines' vendor handles some bank-owned subprime accounts. Additionally, management introduced a program in December 2007 that now employs 200 collectors who work from home.

Among the notable controls in the default area (inclusive of all products), there is a default management legal service center staffed by eight attorneys. These individuals specialize in different default topics (e.g. collections, foreclosure, title issues, etc.), providing support to the default department. They also review all policies and procedures to ensure they are accurate and communicate any relevant statutory or investor revisions to the managers/staff.

Table 4

Delinquency Statistics - 2008

	CMI delinquency statistics (%)*	MBA delinquency statistics (%)
Prime§	2.68	3.73
FHA	7.64	12.16
VA	3.91	6.66

*30- day through 90+ day. Excludes foreclosure and REO. §CMI figure for FNMA/FHLMC only.

CMI uses a proprietary behavior scoring models to prioritize contact with its borrower base, thus allowing them to focus on accounts representing a higher risk of default. Management now incorporates credit data into the model rather than just mortgage information to better understand customer delinquency information. Contact is based on an assigned score, which translates into low, medium, and high-risk accounts. The departmental structure and controls in place include:

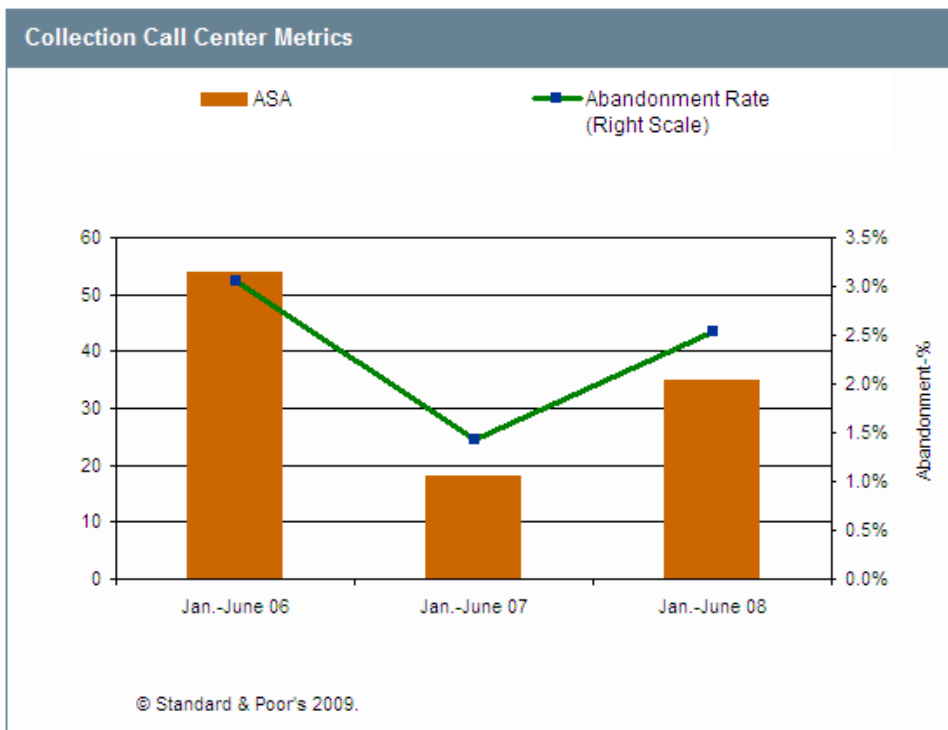
- Managers average a high 10 years of experience, while collectors average almost two years of expertise;
- A good turnover rate of 25.51%;
- Part-time staff undergo the same training regimen as full-time personnel, thus ensuring they are fully cognizant of all company and statutory guidelines;
- FHLMC Tier 1 score for default administration;
- Use of the autodialer on accounts up to 119 days past due unless identified as ultra high risk;
- If available, e-mail messages sent on both products (approximately 50% of customers) and is a component of the quality scorecard;
- FICO scores are refreshed quarterly, but management plans to revise it to monthly in the future;
- Scripting mechanisms allow collectors to identify candidates eligible for payment plans by completing an online analysis, which, if not viable, results in the forwarding of a loss mitigation package;
- Contact as early as the fifth day of default, but no later than the 16th day (versus the prior 23rd day);
- Default reporting staff assure the accuracy of information sent to clientele;
- Automated contact through PAR 3 software on low-risk accounts in early stages of default so collectors can concentrate on higher-risk loans;
- A homeowners assistance group (HAT) located in Frederick addresses 90-plus collection accounts not yet referred to foreclosure in an attempt to obtain financial data for electronic referral to workout personnel;
- Grading of all outsource vendors and inspections companies, regardless of product;
- A good abandonment rate of 2.53% and 35 second ASA;
- Promise-to-pay success rates of 85% and 82%, respectively, in the 30-day and 60-plus-day delinquency buckets; and
- The QA group performs silent monitoring of five calls monthly per collector, although managers perform an additional five such monitoring sessions.

The department plans on revising its monitoring program so that the QA score will emphasize the regulatory/compliance aspect results while managerial feedback will focus more on the qualitative results of the call. Management plans to introduce a recurring payment feature through Western Union® which will be similar to an ACH transaction that will draft funds on a particular day of the month.

Chart 16



Chart 17



The 200-person loss mitigation staff (a large increase from 71) based in Frederick, Tucson, and Dallas averages almost seven years of experience and five years of company tenure. Highlights of the workout process include the following:

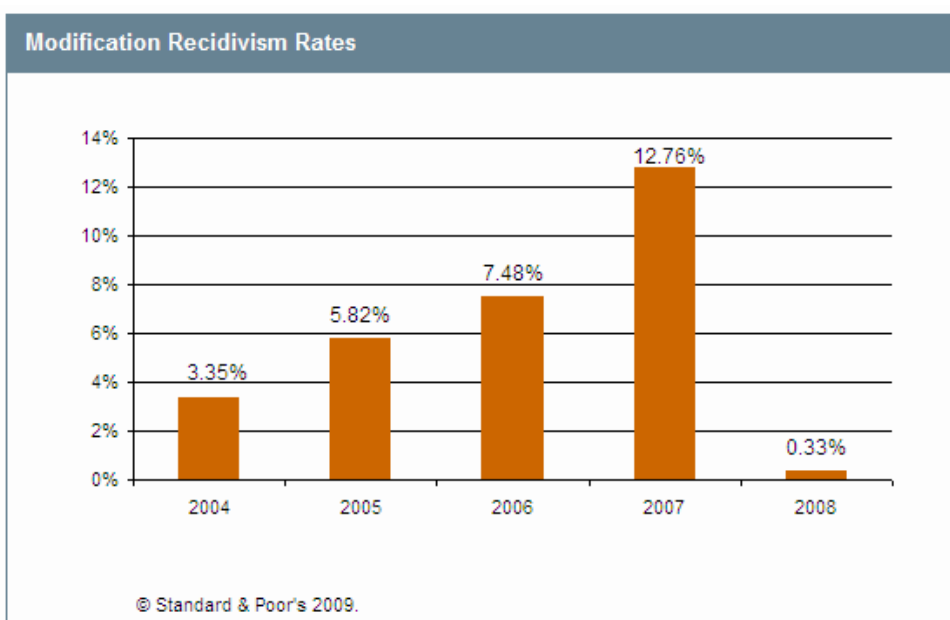
- Staff assignment based on workout type to promote specialization and leverage expertise;
- Proactive workout solicitation begins at the 45th day of delinquency;
- Review of received packages with concurrent assignment to a negotiation unit for analysis;
- A letter and calling campaign for accounts in foreclosure and discharged bankruptcies in a further attempt to resolve the delinquency;
- Dedicated unit to handle all repayment plans regardless of product;
- Introduction of Web-based communication of workout alternatives;
- Separate team handles accounts referred by counseling associations for all products;
- Grading of five recorded calls monthly per agent by the QA group;
- A Tier 1 Department of Housing & Urban Development loss mitigation score for the one-year period ending July 2008;
- Approximately 31% of loss mitigation packages are returned, of which 27% successfully close;
- Delegated authority from FNMA, FHLMC, and five mortgage insurance companies;
- Outreach events in various cities, with letters and calls commenced to borrowers to inform them when the company is in the vicinity;
- A high recidivism rate of 44.14% for forbearance plans; and
- An electronic net present value (NPV) analysis using DRI compares loss mitigation opportunities.

Management estimated that they are successfully completing 1,000 workouts monthly based on FNMA's Home Savers Advance Program (HSA); HSA brings the borrower's account current, but the prior arrears is taken by the borrower as an unsecured personal loan collected by a private attorney. The note is payable over 15 years at a fixed 5% interest rate, with payments commencing after six months. The department recently introduced e-signatures for this program.

Chart 18



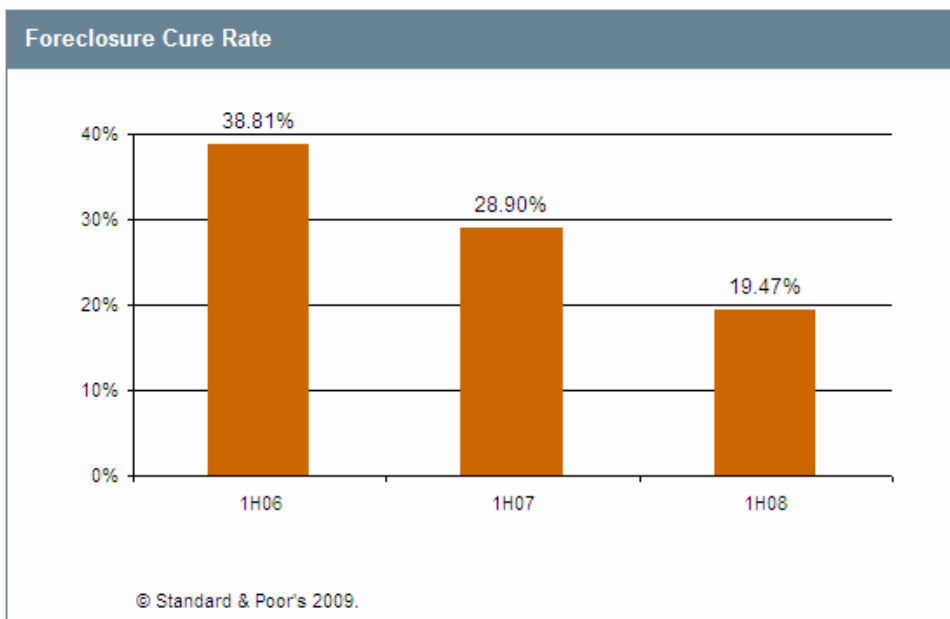
Chart 19



CMI's judicious foreclosure and bankruptcy oversight optimize legal resolution through its prudent controls over timeline management practices. Management uses the services of an on-site vendor for foreclosure and bankruptcy referrals. There are 97 personnel (from 41) in the foreclosure area and 35 (from 12) in the bankruptcy department, exclusive of the India personnel. The department was reorganized into a new bankruptcy group, which handles initial set-up and proofs of claim, a monitoring team that ensures all payments are contractually received, and a legal unit that files the motions for relief and other compliance matters. Departmental attributes include:

- Foreclosure associates average a solid 10 years of experience and bankruptcy representatives average four years of expertise;
- Committee review and approval of foreclosure referrals ensure that all requisite collection and workout efforts were attempted on the account;
- Online list of approved counsel facilitates easier selection;
- Approximately 80% of foreclosures are completed within investor timeframes, which although low, reflects the company's mitigation attempts as directed by management and investors, which delay the foreclosure process in favor of enhanced workout efforts;
- Scorecards are used to assess attorney and vendor performance, based on established guidelines;
- A satisfactory 19.47% foreclosure cure rate;
- DRI system, which was enhanced to improve bankruptcy payment tracking, is used for monitoring all foreclosure and bankruptcy actions;
- Research/litigation team addresses more complex issues affecting the foreclosure process such as title problems and litigation;
- The VendorScape system is used for electronic file referral to legal counsel;
- A separate dedicated unit to handle complex litigation and title issues;
- An online invoice system processes vendor expenses through prescribed guidelines and approval levels;
- Daily updates downloaded from Pacer/Banko data to ascertain bankruptcy filings and case updates; and
- A Chapter 13 audit on all affected discharges to verify all payments were correctly applied and there were no unwarranted fees assessed;

Chart 20



A claims group prepares and submits claims to the appropriate entity for reimbursement of claimable expenses and oversees property preservation and inspections. Claim activity is partially outsourced to First American, but CMI may offshore some additional claim functionality to India in the future. Whenever possible, the department remits claim data electronically through the provider's Web site. As a further control, a loss analysis department, using a proprietary system, provides post-claim recovery oversight to determine reasons for any reduction in the claim amount, with subsequent communication to the affected manager. They maintain this data on a historical basis to analyze any trends that may require future training initiatives with the staff.

The REO department, based in O'Fallon and Dallas, markets all properties regardless of mortgage product. It has a nine-person staff dedicated to prime REOs, who average a commendable 13 years of industry experience and 13 years with the company. Three separate vendors handle properties in low volume and/or remote locations. The department uses a customized version of the system to monitor its REO portfolio. The department maintains sound recovery levels on its owned assets, as evidenced by the following common controls:

- The department has an approved broker list on the system for simplified selection of realtors;
- A scorecard used to gauge broker performance;
- Brokers may offer limited financial incentives to the borrower to reduce the likelihood of commencing a costly and time-consuming eviction proceeding;
- The ordering of two property valuations to better formulate a listing price;
- An on-site appraisal manager reviews values and assists if there is a discrepancy;
- All properties, regardless of product, are graded on an A to D scale, which correlates with authority levels regarding marketing;
- Management approvals are required of the listing and sales prices;
- The Web site serves as an additional marketing tool for REO properties, as well as auctions for distressed assets;
- 47% of properties require evictions (an increase from 40%), with an average eviction time of 40 days;
- Marketing time averages 163 days, an increase from 149 days;
- The gross proceeds to market value are 94%, while the net proceeds to market value are an admirable 84%.

Chart 21

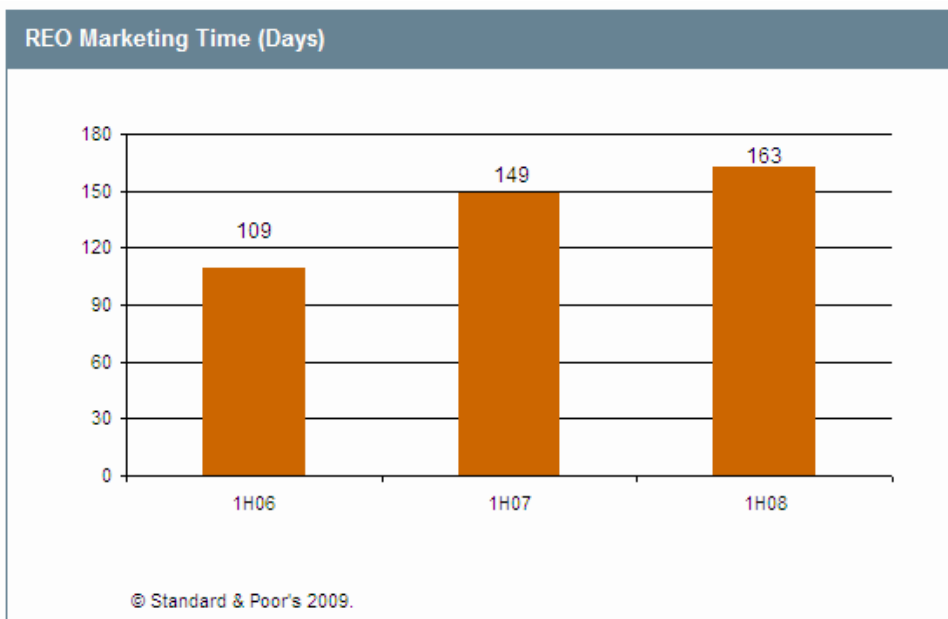
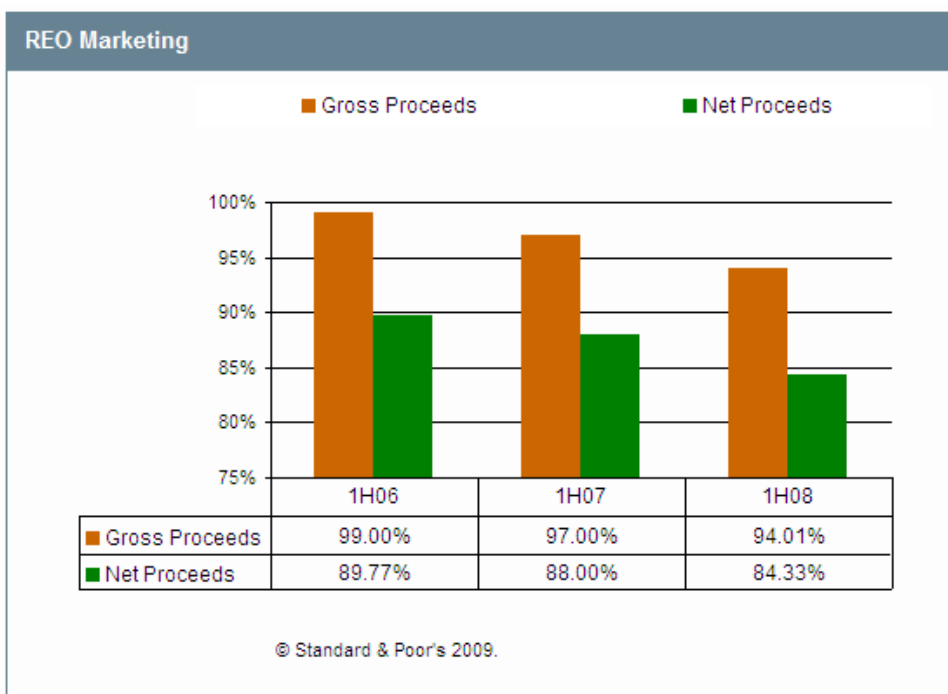


Chart 22


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Residential Subprime Administration

The ranking of STRONG is affirmed for residential mortgage subprime servicing.

As of June 30, 2008, the company serviced more than 1 million residential first-lien subprime accounts representing a \$131.1 billion UPB.

CMI outsources subprime foreclosure/bankruptcy processing functions to an offshore vendor in India.

Table 5

Key Statistics				
2008†	2007	2006	2005	2004

Subprime Loan Administration**Loan Portfolio Total**

Volume (\$'000)	131,152,853	129,590,802	35,429,796	36,078,763	35,851,749
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Assets (No.)	1,043,042	1,039,438	331,667	345,550	360,151
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Delinquency (% of loans)

Total	14.10	14.69	9.63	8.41	8.91
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30-59 day	8.30	9.03	5.87	4.64	4.70
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60-89 day	0.41	0.42	1.38	0.92	0.90
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90+-day	5.38	5.24	2.38	2.85	3.31
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Foreclosure	2.46	2.21	1.48	1.45	1.63
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Bankruptcy	2.39	2.40	7.66	8.57	7.83
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REO (No.)	4,699	3,555	3,226	2,720	3,184
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¶ As of June 30.

Default management

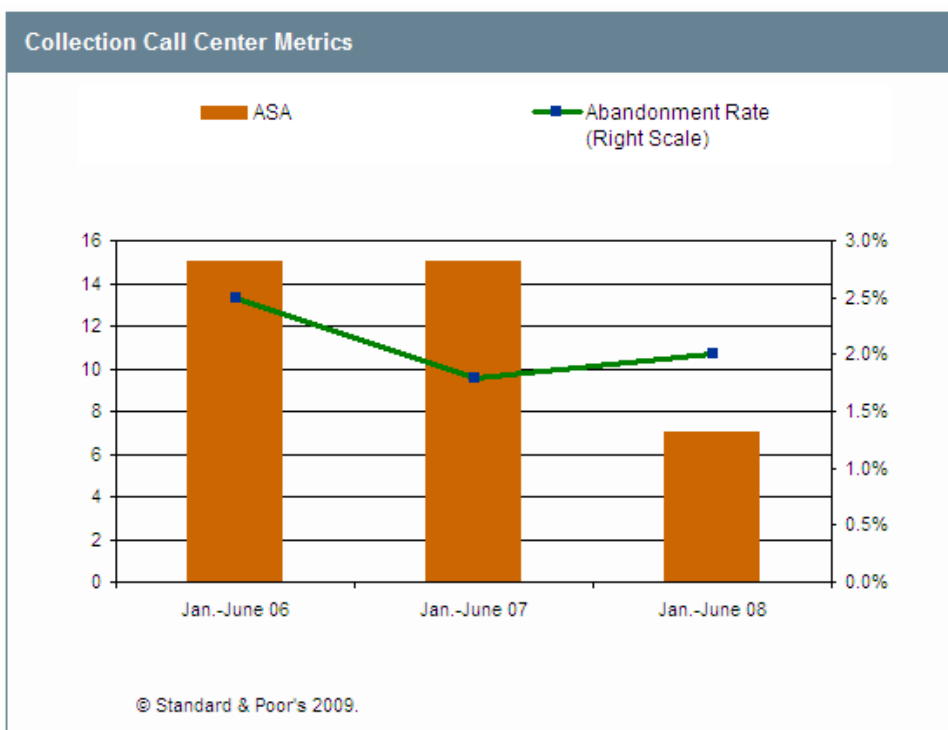
CMI's maintains fine controls and oversight over its subprime portfolio, thus reducing risk of loss. The department, which again increased its staffing to 421 (from 364 full-time collectors), is divided into early stage (one day to 29 days) and later stage (30-plus-day) default teams that are housed in Dallas and Phoenix. Account assignment in the early stage group is based on a behavior score, which determines the contact strategy. Latter stage collector assignment is based on balance, delinquency level, location, and risk score, so more experienced collectors address higher risk accounts. Management also segments this group into a separate 90-plus-day collection team for those accounts that are seriously delinquent. Approximately 21.5% of accounts reflect FICO scores below 580, a slight increase from the prior 18%. Aspects of and controls reflected in the collection process include the following:

- Past-due accounts are transferred from the IVR to the collections department based on the assigned score;
- New accounts are assigned a medium-risk score with contact commenced by an early payment default (EPD) group that addresses both products;
- New accounts remain with the EPD for the first three months to four months for tracking and possible communication purposes;
- Model reflects contact as early as the fifth day past due, but no later than the 25th day of arrears;
- There is a dedicated unit of experienced collectors for accounts scored as high risk;
- Bilingual staff to assist with non-English speaking borrowers;
- Legal area review and approval of collection letters before incorporating them into the system;
- A dedicated unit commences contact beginning on the 25th day of arrears on high-risk accounts to help prevent the loan from becoming 30 days past due;
- Dedicated collectors handles recovery of property tax advances;
- The 2% abandonment rate and seven second ASA are both very good;
- Envelopes are bar-coded to track payments made through the mail, with suspension of borrower contact for three days upon confirmation of payment forwarding;
- PAR 3 software for both products, which provides automated calling for payment arrangements on its low risk borrowers;
- Text messaging recently implemented on subprime loans, but in place for prime since April 2008. Preliminary response rates were 10% to 12%;
- ANI technology is populated in the system and assists with skip-tracing efforts;
- Monitoring of six calls monthly per collector by the QA group, and managers monitor an additional three to four calls; and
- Collectors receive scorecards related to the monitoring sessions, which include verbal feedback.

The department plans to introduce interactive text messaging that will allow the borrower to make a payment through the text channel sometime in the first quarter of 2009. Management has introduced a more sophisticated Web site that allows borrowers on its bank-owned portfolio to

qualify for limited repayment plans or extensions by completing an online form, with preliminary electronic approvals granted via the Web site. CMI plans to expand the Web site's offerings and functionality across the entire portfolio by approximately the end of the second quarter 2009, which would include incorporating investor guidelines.

Chart 23



Managers in the 207-person (a significant increase from 65) loss mitigation department average a solid nine years of experience and eight years with the company, while staff averages four years of expertise and company tenure. Staff is located in Dallas, Phoenix, and Tucson. Depending on the circumstances, collectors retain the account until the 120th day of delinquency, at which point there is a formal transfer to the workout department. Management has two queues, "sensitive" and "suspend," for subprime accounts that have special circumstances (for example, origination issues, medical problems affecting the borrower, etc.). Three dedicated personnel handle these accounts as the company initiates more extensive loss mitigation efforts, rather than referring the account to foreclosure. Attributes of the loss mitigation process include:

- Formal workout solicitations begin at the 60th day of default through telephone contact;
- Brochures explaining workout options are forwarded quarterly;
- An early intervention team, aligned with the collection department, assists in locating possible workout candidates early in the delinquency process to mitigate possible future losses
- Loss mitigation efforts continue while the account is in foreclosure in an attempt to resolve the delinquency before incurring additional legal expenses;
- Dedicated bankruptcy mitigators solicit workout options as applicable on discharged and released bankruptcies that are 30+-days delinquent;
- The IVR routes calls to the loss mitigation or bankruptcy departments based on account codes;
- A relationship with Hope Now in which the company pays all or part of the initial fee (depending on cost) for the borrower to attend a counseling session;
- An executive complaint unit for both products that handles escalated issues;
- Delaying foreclosure for 30 days in seven states with particularly distressed housing markets in which the attorney forwards a loss mitigation solicitation to the borrower;
- Forbearance plans monitored by a dedicated team, which initiates monthly borrower reminder calls;
- Recidivism rate of an excellent 5%;
- A dedicated unit handles modifications;
- Separate vendor used for on-site contact with borrowers where communication was deemed

unsuccessful; and

- An NPV analysis is completed using the system to determine loss severity and resolution options.

There are proactive mailings of preapproved modifications for both products on bank-owned assets. Most modifications concern interest rate or term extensions, with few involving capitalization of arrears or principal reductions. Some common, though not exclusive, modifications plans are:

1. Assuming there is equity in the property, a standard 25% payment reduction,
2. If there is no equity in the premises, a uniform reduction to a 4% interest rate for 12 months and
3. a step rate modification that reduces the rate to 2% to 3% with a gradual annual increase.

The QA group also performs random call monitoring of loss mitigation, bankruptcy, and recovery staff.

Chart 24

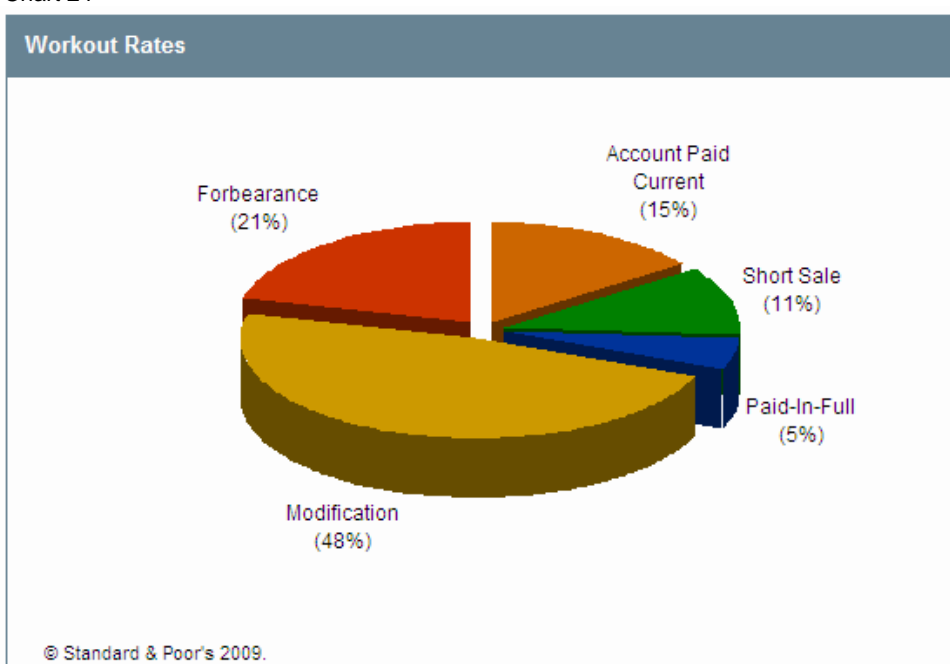
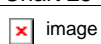


Chart 25



In early November 2008, CMI announced a new initiative, labeled the Homeowner Assistance Program (HAP). Though targeted at all potentially distressed borrowers, subprime customers are expected to be the largest recipient of the program. HAP focuses (though not exclusively) on high risk accounts, such as those based in California, Michigan, Florida, Nevada, and other areas of the country that are experiencing greater than average unemployment and home price depreciation. The program is available only to bank-owned accounts in which the borrower is current on their mortgage, but is at risk of defaulting. HAP's mitigation efforts consist of reducing the monthly payment, inclusive of escrow requirements, to no more than 40% of their total monthly income. Options for consideration will include interest rate reductions or freezes, extensions, or principal reductions. Management believes the total population of customers is estimated at 500,000. It is estimated that approximately 25% of borrowers representing a \$20 billion UPB will avail themselves of HAP over the next six months.

CMI's experienced staff and good controls allow it to maintain optimal timeline management during the foreclosure and bankruptcy process. Managers average 13 years of industry experience and nine years of tenure with the company, while staff averages 11 years of expertise and eight years of company tenure. The India vendor employs approximately 57 personnel. This operation oversees ordinary foreclosure tracking and attorney follow-up, while the (18) staff in Dallas handles more

complex legal actions, such as contested foreclosures, subordinate liens, and other difficult issues. Controls and highlights of the foreclosure and bankruptcy process are as follows:

- A foreclosure audit review group reviews and approves the account before foreclosure referral;
- A proactive electronic referral to legal counsel is implemented generally by the 90th day of delinquency;
- Onsite vendor performs administrative duties pertaining to document collection and attorney referral;
- VendorScape system is used for tracking of foreclosure and bankruptcy actions and electronic communication with legal counsel;
- I-Clear, an electronic invoice presentment and payment system offered by First American Default Solutions, analyzes bills for compliance with business rules and assists in timely processing;
- Separate teams are dedicated to resolving title issues and preparing bids for investor/company approval;
- An online list of approved counsel is available, with grading of attorneys to gauge performance;
- The foreclosure timeline compliance rate is low at 58.277%, but also is a result of the factors previously referenced for prime accounts;
- The foreclosure cure rate is excellent, at 7.67%;
- India bankruptcy staff only handle Chapter 13 cases;
- Reminder letters sent on all products to the debtor's attorney on delinquent post-petition payments;
- A lift of stay is executed once the account is two post-petition payments past due; and
- AACERSM and Banko are used to electronically access court records on bankruptcy statuses.

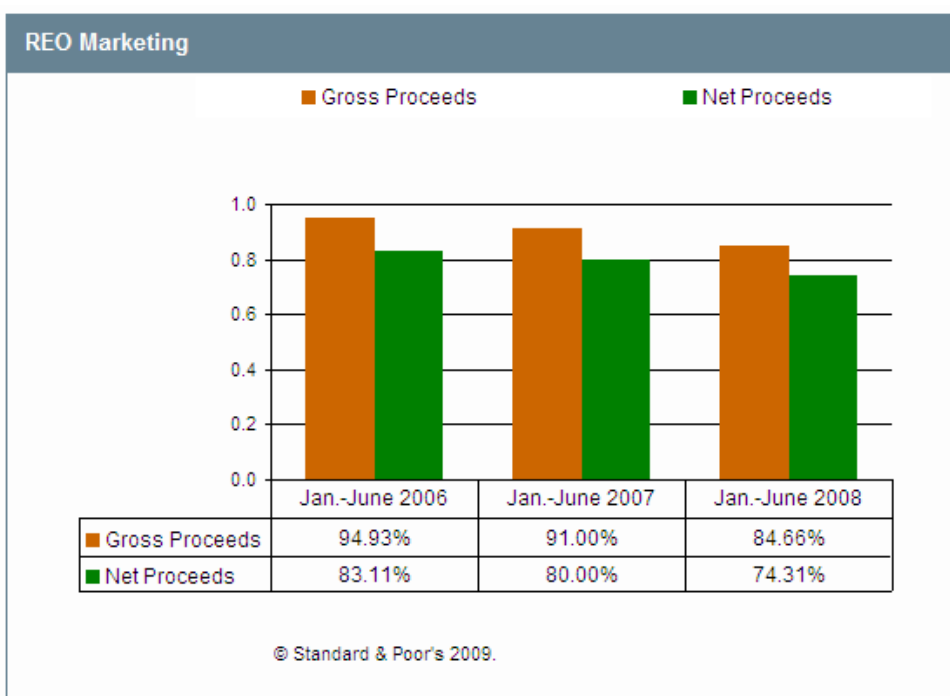
Management is relocating certain functions back to its domestic sites (e.g. proofs of claim) due to the more stringent legal environment that may require personnel to appear in court. The department is also closely working with its legal area toward adopting bankruptcy best practices. Additionally, there is a formal loss mitigation review on both prime and subprime loan products that involves a review of the account upon referral and prior to issuing bidding instructions to ascertain if any loss mitigation activity has/is occurring.

A separate default control unit performs various duties related to default processing, such as ordering valuations, coordinating property preservation, ordering breach letters and property inspections, and rectifying any code violations. This allows the dedicated staff to concentrate on timeline management in their respective functions. In addition, a staff of 12 appraisers reconciles property values received from its brokers to assist in determining the market value of the property. CMI now orders valuations every four months versus the previous semiannual timeframe due to market conditions.

CMI has 20 dedicated asset managers for subprime REOs, which are handled from O'Fallon and Dallas. Senior managers and asset managers both average 12 years of experience. The department partnered with its risk area to develop a new pricing methodology in which the asset is listed for less than fair market value depending on whether it is located in a low, medium, or high depreciation market. Highlights of subprime REO marketing and controls in place include:

- There is delegated staff authority for listings and offer acceptance based on the grade;
 - Outside vendors are graded using performance scorecards;
 - Field inspections are performed monthly in distressed areas to independently ascertain property and market conditions;
 - BPOs are ordered from another realtor once a property is marketed for 120 days;
 - An average eviction time of 57 days, with 19% of REO's requiring an eviction;
 - Marketing time of 159 days, an increase from 138 days; and
 - Averaging 84.66% gross proceeds, and receiving 74.31% net sale to market value.
- Management stated this is due to the low average balance and condition of the properties.

Chart 26



Auctions are mostly used for greater aged and/or distressed properties. Preliminary results reflect limited success, with the company obtaining 55% to 60% of fair market value for the asset. The department is also developing in tandem with origination staff an REO financing program to assist in qualifying interested buyers.

CMI has a small recovery unit that attempts to obtain funds from any charged-off accounts. The account is either referred to by an outside agency or managed through in-house staff.

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Financial Position

The financial position is considered sufficient based on the credit rating on the parent company, Citigroup Inc.

For more information, please refer to RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com.

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Contact Information

CitiMortgage Inc.'s mortgage loan servicing operations are located in O'Fallon, Mo.; Frederick, Md.; Great Falls, Mont.; Des Moines, Iowa; Coppell, Texas; Irving, Texas; and Tucson, Ariz.

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