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Servicer Evaluation: Green Tree Investment Holdings II LLC

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Opinion

Standard & Poor's Ratings Services overall rankings on Green Tree Investment Holdings II LLC (Green Tree) as a residential mortgage subprime and subordinate-lien servicer are ABOVE AVERAGE. Our overall ranking on the company as a residential mortgage special servicer is AVERAGE. The outlook for these three rankings is stable.

The rankings reflect our assessment of Green Tree's servicing oversight, management and staff, and internal controls. In our opinion, the organization's multiple auditing channels enable Green Tree to review each function at least annually, which likely helps to expediently identify and correct any issues that may have a financial or regulatory impact on the company. Overall servicing turnover has decreased over the past year. During this period, the company has stabilized its once shrinking portfolio and has successfully, in our view, implemented business models to expand its portfolio, which has grown significantly in the past year.

Green Tree established special servicing relationships in 2008. Special servicing typically dedicates back-end collection staff and utilizes company-wide mortgage operations in certain functions for increased efficiency and performance. As the special servicing business grows, Green Tree is expecting to provide Standard & Poor's Ratings Services with certain special servicing metrics that are isolated from those for the subordinate and subprime businesses. Standard & Poor's will, at that time, evaluate these metrics independently from those for the other businesses. In our view, Green Tree's good internal controls and risk management policies should allow the company to effectively service distressed assets.

The servicing metrics Green Tree presented through Standard & Poor's proprietary Servicer Evaluation Analytical Methodology (SEAM) database reflect that the company continues to compare favorably with other industry servicers. We attribute recent increases in call center metrics, such as abandonment rate and average speed of answer, to the company's adjustment to its growing portfolio.

Outlook

The outlook is stable for subprime, subordinate-lien, and special servicing. Green Tree implemented a business plan that has grown the overall portfolio during the past year. To support this growth, Green Tree has increased its servicing workforce. Recently, Green Tree has actively participated in the U.S. Treasury's Home Affordable Modification Program (HAMP). In an effort to optimize its success in HAMP, Green Tree created a loss mitigation team to assist borrowers that qualify for loan modifications through HAMP.

Chart 1

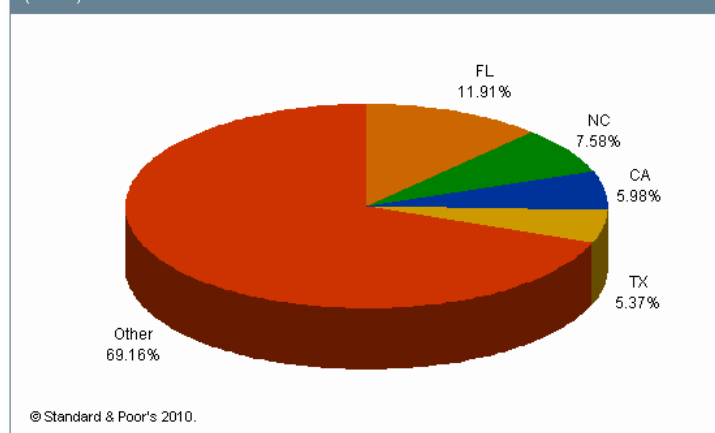
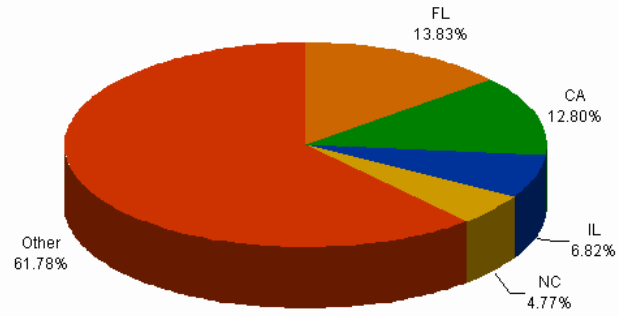
Subprime First-Lien Geographic Distribution
(% unit)


Chart 2

Subprime First-Lien Geographic Distribution (% UPB)



UPB--Unpaid principal balance.

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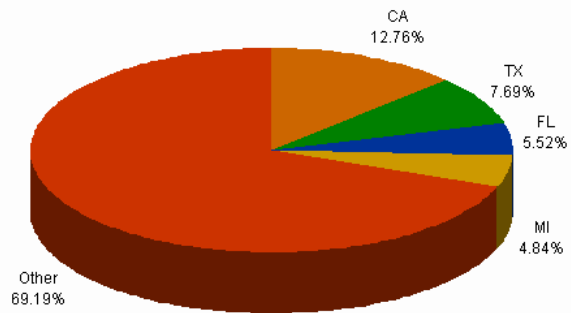
Table 1

Key Statistics - Subprime Loan Administration ? First Liens

| | 2009 |
|---------------------------------|------------|
| Loan portfolio total | |
| Volume (\$000) | 15,472,717 |
| Assets (No.) | 150,683 |
| Delinquency (% of loans) | |
| Total | 15.76 |
| 30-59 day | 6.61 |
| 60-89 day | 1.57 |
| 90+ day | 7.58 |
| Foreclosure | 4.63 |
| Bankruptcy | 2.20 |
| Real estate owned (No.) | 1,466 |

Chart 3

Subordinate-Lien Geographic Distribution (% unit)



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Chart 4

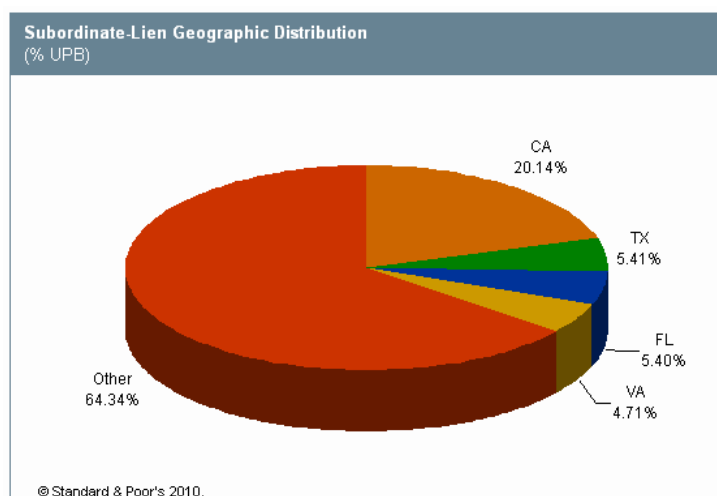


Table 2

Key Statistics - Subordinate Mortgage Administration

| | 2009 |
|---------------------------------|-----------|
| Loan portfolio total | |
| Volume (\$000) | 6,635,467 |
| Assets (No.) | 146,569 |
| Delinquency (% of loans) | |
| Total | 9.66 |
| 30-59 day | 3.61 |
| 60-89 day | 1.57 |
| 90+ day | 4.48 |
| Foreclosure | 0.07 |
| Bankruptcy | 2.62 |

Profile

Green Tree Investment Holdings II LLC was formerly known as Green Tree Mortgage Services, a then subsidiary of Green Tree Financial Corp. Consecro Inc. (Consecro) acquired the parent company in June 1998 and changed its name to Consecro Finance Servicing Corp. Consecro declared bankruptcy on Dec. 17, 2002, and later put the mortgage company up for sale. CFN Investment Holdings, a joint venture (JV) between Fortress Investment (Fortress), Cerberus Capital Management (Cerberus), and J.C. Flowers & Co. (Flowers), acquired Consecro's subprime, subordinate-lien (mainly home improvement), manufactured housing (MH), and consumer installment (CI) servicing businesses in June 2003. The new parent then changed the company's name to Green Tree Investment Holdings II LLC. In June 2004, Fortress and Cerberus purchased Flowers' ownership interest. Fortress owned 54% of the JV and Cerberus owned the remaining 46%. In June 2007, Green Tree was subsequently sold to another consortium. Centerbridge Partners maintained a majority ownership and the remainder was held by Lehman Bros. and individual investors. The transaction closed on Oct. 17, 2007. In June 2009, Centerbridge acquired Lehman's ownership piece, giving it approximately 90% ownership of Green Tree. Individual investors retain the remaining stake.

Green Tree's residential servicing operations employ approximately 1,600 staff. The main servicing sites are in Tempe, Ariz., Rapid City, S.D., and a recently established site in Fort Worth, Texas. An office in Saint Paul, Minn., handles financial functions. Green Tree also uses its 29 regional offices throughout the U.S., staffed by 609 dedicated representatives, to perform collection calls on accounts 30-plus days past due, initiate loss mitigation efforts, and make contact with borrowers across all product types. The company is an approved FNMA/FHLMC servicer. According to Green Tree, the current business plan was developed in conjunction with Centerbridge, and the plan emphasizes several growth opportunities for the portfolio.

Green Tree acquired approximately 17 portfolio conversions in 2009 that included 204,391 residential and manufactured housing assets for \$17.9 billion. As of March 2008, approximately \$25.3 billion in mortgage servicing had been transferred to Green Tree. These assets include whole loans, manufactured housing loans, mortgage servicing rights purchases, and Fannie Mae-owned products. In November 2009, Green Tree acquired a Fannie Mae portfolio of 44,000 loans totaling \$8.4 billion. Additionally, the company has acquired more than \$1.5 billion of distressed subprime assets since December 2007 as part of its business plan to become engaged in special servicing.

Management states there is no material litigation that would have an adverse impact on the company.

Management And Organization

The subrankings for management and organization are ABOVE AVERAGE.

Management and staff recruitment, development and training

In our opinion, Green Tree displays excellent management depth and knowledge. Due to what we consider to be favorable geographic locations, management is able to recruit from a large pool of qualified applicants. Staff attributes are as follows:

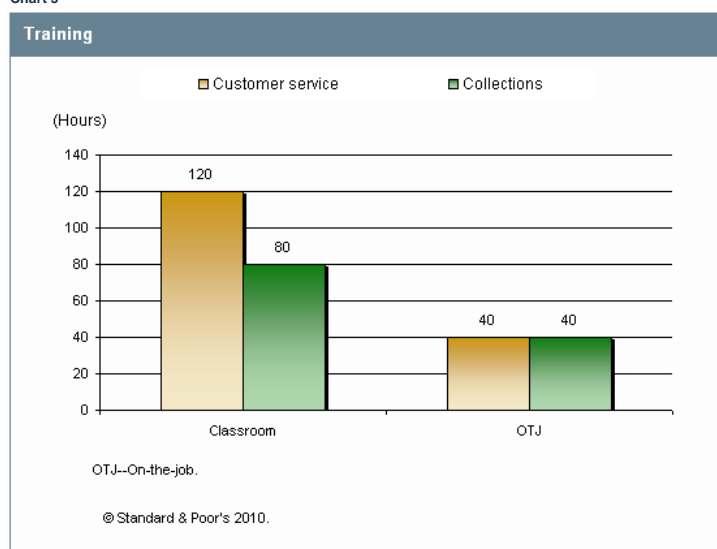
- Senior managers average a highly tenured 23 years of industry experience and have been with the company an average of 11 years;

- Middle managers average a well-seasoned, in our opinion, 18 years of experience and eight years tenure with Green Tree;
- Management turnover is what we consider to be a low 6.20%; and
- The turnover rate for staff is 26.90%, which represents an improvement from last year's rate of 30%.

Green Tree provides a solid training regimen to its staff members in an effort to keep them knowledgeable about pertinent mortgage servicing topics. There is one training director and five trainers (mainly based in Tempe or Rapid City) who have an average of more than 10 years industry experience and seven years' tenure with Green Tree. A centralized database tracks employee training. Highlights of the training program include:

- A leadership development program for existing and future managers, with annual refresher courses;
- A two-week new-hire program that provides a mortgage industry overview and introduces staff to the company's policies, procedures, and history;
- An online learning center with mandatory and ancillary courses (management has the ability to assign courses to specific personnel for further career development and for additional training needs);
- Online job simulation and job shadowing to match candidates to positions;
- A one-hour course in both escrow and PMI functionality;
- Over 1,000 online technical courses and 30 soft skills courses;
- Additional sessions to practice telephone skills on borrower calls;
- Web-based compliance courses that employees must successfully complete within 30-days of hire, depending on the job function; courses include the Fair Lending Act, Fair Debt Collections Practices Act (FDCPA), Fair Credit Reporting Act (FCRA), Truth in Lending Act (TILA), National Flood Insurance Act (NFIA), and the Gramm-Leach Bliley Act (GLBA);
- Employee competency ensured with annual recertification and testing in the relevant subject matter based on job function;
- Extensive instruction in FDCPA of approximately six hours in addition to three hours of annual refresher training and testing;
- A policy mandating that collectors attain a minimum score of 90% on the FDCPA exam;
- Electronic training for foreclosure, bankruptcy, loss mitigation, and real estate owned (REO) staff;
- A collection excellence program that further addresses topics concerning loss mitigation techniques, negotiations, and adherence to state/federal laws;
- An average of 40 hours informal training completed annually by all employees;
- Monthly online training updates and alerts keep staff apprised of changes and issues;
- All training is tracked through a centralized database; and
- A corporate compliance (CC) group that performs ad hoc training as it pertains to policy revisions resulting from changes in servicing laws, complaint trends, and previous audit findings.

Chart 5



The company has indicated that dedicated subject matter experts coordinate training needs with the appropriate departments. Management identifies training opportunities based on quality monitoring results, and provides applicable courses to address any issues related to customer communication or policies. All courses are classroom based and include three hours of general instruction and one hour of business unit specific applications.

Internal controls

In our view, Green Tree has well-written policies and procedures that provide employees with a good understanding of corporate guidelines and responsibilities. A policy and procedure department is dedicated to updating the manuals. There are solid controls in place for drafting, disseminating, reviewing, and updating guidelines as demonstrated in our assessment by the following:

- Comprehensive policies and procedures, which contain sample screen prints, examples, a glossary of frequently used terms, and state specific information;

- Manuals are available online for easy employee access;
- Technical writers update and post changes in paper format and online;
- Once approved by senior management, CC reviews the changes in an effort to ensure compliance, inclusive of forms and letters;
- Green Tree holds monthly staff meetings to discuss any changes to policies and procedures, and according to the company any changes are immediately communicated to the servicing staff;
- A quarterly release summarizes the prior and new policies; and
- Annual reviews by management to ensure the policies and procedures reflect current servicing practices.

Green Tree's comprehensive auditing program consists of multiple levels of oversight through three departments in an effort to have all loan-servicing departments properly adhere to established standards. The company's legal department includes four consumer lending lawyers, two transactional lawyers, and an attorney responsible for regulatory examinations and complaints. The staff in the legal department have an average of 12 years of lending experience. In addition, several legal assistants who process the complaints received from regulatory agencies on behalf of customers. The legal area also handles litigation and monitors changes in federal/state laws. The CC area consists of a dedicated attorney and four compliance managers. This department primarily performs audits of various servicing processes on an annual basis. The audit scope incorporates many functions such as collection call monitoring customer service, prepayment penalties, NSF/late charge fees, bankruptcy, lockbox processes, and reviews of notices and letters. The department recently incorporated the HAMP, Home Affordable Refinance Program, and other programs into its review. This area also assists in reviewing policies and procedures, issuing compliance alerts, approving forms and letters, and responding to compliance questions. CC completed 207 audits in 2008 and had a similar amount scheduled to complete in 2009.

The internal audit (IA) department consists of a five-person staff that reviews high-risk servicing departments and products on an annual basis. The annual reviews also include assessments of the disaster recovery plan for each site. The IA reports to the CFO and executive audit committee (EAC). A separate quality assurance (QA) group performs monthly, bimonthly, and quarterly reviews mainly on default-related processes for all divisions. According to Green Tree, elements of the auditing methodology include the following safeguards:

- IA performs a quarterly risk assessment to revise its auditing methodology and identify areas that require additional oversight over the next 12 months;
- A sampling scheme derived from a proprietary database system;
- 30-day response time details corrective action by management;
- Departments are graded "Satisfactory," "Needs Improvement," or "Unsatisfactory," and the latter two require a re-audit by IA within 90 days;
- Managers have five days to rebut any audit findings and 30 days to issue a response detailing a resolution plan;
- All issues are tracked on a matrix until they are resolved;
- Departments receiving a "Needs Improvement" or "Unsatisfactory" rating are re-examined within 30 days of final report issuance, and departments that receive a "Satisfactory" grade are reviewed annually;
- QA uses the same grading scale as evidenced with IA, with the exception of an additional "Superior" rating;
- QA convenes monthly telephone calls with default personnel to discuss audit results and solicit commentary on recommendations;
- Dedicated QA analysts in Tempe perform silent monitoring of customer calls;
- Green Tree tracks findings in a database and requires responses to findings within two weeks;
- All auditing departments perform trending analysis; and
- Senior management receives copies of final reports and quarterly summaries from CC.

IA receives copies of CC and QA audits and customer complaints for its own independent review. According to the company, this is in an effort to enable the department to identify additional trends and opportunities to improve the operation. A review of CC, QA, and IA audits from 2008 and 2009 indicated satisfactory results, and Green Tree promptly resolved any exceptions within established timeframes. One exception was discovered in the most recent Regulation AB review, which the company corrected in December 2008. Additionally, an audit of Atlas, an internal database for third-party reporting, noted several findings, but Green Tree has corrected all but one of the issues. The company has indicated it is in the process of resolving the remaining item, which pertained to some manually intensive processes.

Technology

In our opinion, Green Tree has a sound technology platform. We believe that the company can significantly increase its portfolio without requiring additional IT enhancements. The company's systems architecture and business recovery features include:

- GTA, a proprietary application, is the primary system of record;
- Atlas, an internally created database used for all third-party reporting;
- Staff may access imaged documents from their desktops, which expedites responses to customer inquiries;
- FORTRACS assists in expedited communication with legal counsel and augments the tracking of legal actions;
- UCSe is the company's proprietary collection system;
- Vendor-provided call monitoring software;
- Backup tapes are encrypted and stored at an off-site vendor facility;
- A comprehensive disaster recovery plan is tested semiannually for critical business functions (most recently in June and being deemed "successful");
- Green Tree updates the disaster recovery plan at least annually; and
- The company uses other servicing sites as alternate locations in the case of a business interruption.

Loan Administration

The subrankings for subordinate-lien and subprime loan administration are ABOVE AVERAGE. The subranking for special loan administration is AVERAGE.

Thomas Franco, executive vice president, oversees the servicing division. As of Dec. 31, 2009, Green Tree serviced a first-lien subprime portfolio including 150,683 accounts representing a \$15.4 billion unpaid principal balance (UPB). As of Dec. 31, 2009, the subordinate-lien portfolio consisted of 146,569 mortgages representing a \$6.63 billion UPB. This total encompassed 14,639 home equity lines of credit (HELOCs), 10,408 high combined loan-to-value (CLTV) accounts, 308 Title One loans, and 89,593 closed-end home improvement second mortgages. Borrowers across the subprime and subordinate-lien products have an average FICO score of 627.

Green Tree uses multiple platforms to conduct its mortgage servicing operations. The Rapid City location handles all product lines and is responsible for customer service, bankruptcy and collection activity. Investor reporting, compliance/legal, and cash and treasury operations are based in Saint Paul. The Tempe office handles collection and default activities (e.g., loss mitigation (including HAMP), foreclosure, REO, recovery collections, etc.). Green Tree recently opened a servicing center in Fort Worth, which handles collections and bases a HAMP loan modification team. The 29 regional offices and centers handle 30-plus-day collection through foreclosure. According to the company, it leverages many functions across all product types such as training, new loan boarding, investor reporting, customer service, internal auditing, and IT.

In the life of loan from back-end collections, 30-plus-day delinquencies through foreclosure, each manager reports to a vice president/managing director who in turn reports to the senior vice president of operations. As indicated, the executive vice president of servicing oversees all servicing functions for the company and reports to the president of Green Tree.

Although they operate with separate staff for certain functions, the subprime and subordinate-lien functions adhere to similar policies, procedures, and controls for default and nondefault tasks. We outline some of the differences in the respective sections that follow below.

Table 3

Key Statistics - Subprime Loan Administration ? First Liens

| | 2009* | 2008 | 2007 | 2006 | 2005 |
|--------------------------|------------|-----------|-----------|-----------|-----------|
| Loan portfolio total | | | | | |
| Volume (\$000) | 15,472,717 | 6,793,323 | 1,331,329 | 1,343,358 | 1,980,895 |
| Assets (No.) | 150,683 | 101,070 | 22,027 | 24,472 | 31,507 |
| Delinquency (% of loans) | | | | | |
| Total | 15.76 | 3.85 | 7.95 | 4.87 | 4.08 |
| 30-59 day | 6.61 | 1.58 | 3.16 | 3.24 | 2.70 |
| 60-89 day | 1.57 | 0.80 | 1.74 | 0.88 | 0.76 |
| 90+ day | 7.58 | 1.47 | 3.05 | 0.75 | 0.62 |
| Foreclosure | 4.63 | 5.80 | 12.92 | 3.65 | 4.74 |
| Bankruptcy | 2.20 | 4.02 | 12.51 | 14.60 | 14.98 |
| Real estate owned (No.) | 1,466 | 1,961 | 463 | 518 | 598 |

*Mortgage Bankers Association Method.

Table 4

Key Statistics - Subordinate Mortgage Administration

| | 2009* | 2008 | 2007 | 2006 | 2005 |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| Loan portfolio total | | | | | |
| Volume (\$000) | 6,635,467 | 3,580,478 | 1,448,813 | 1,251,610 | 1,214,253 |
| Assets (No.) | 146,569 | 90,209 | 55,203 | 52,618 | 56,095 |
| Delinquency (% of loans) | | | | | |
| Total | 9.66 | 8.70 | 2.23 | 1.89 | 2.59 |
| 30-59 day | 3.61 | 2.49 | 1.05 | 0.96 | 1.33 |
| 60-89 day | 1.57 | 1.71 | 0.61 | 0.38 | 0.42 |
| 90+ day | 4.48 | 4.49 | 0.57 | 0.55 | 0.84 |
| Foreclosure | 0.07 | 0.19 | 0.29 | 0.50 | 0.73 |
| Bankruptcy | 2.62 | 1.67 | 3.91 | 5.52 | 9.04 |

*Mortgage Bankers Association Method.

Standard & Poor's reviewed all areas of loan servicing and found them to be satisfactory. Areas that we consider to be key areas of risk are discussed below.

Loan boarding

In our opinion, Green Tree has appropriate controls and procedures in place for loan boarding.

Green Tree has indicated it has a staff of subject matter experts from different departments that are responsible for portfolio conversion activities. This includes performing on-site reviews, examining samples of credit/collateral/servicing files, and reporting the results to the executive committee. The company uses standard data mapping and electronic validations for all of the information that is downloaded into the servicing system. The loan servicing data integrity unit performs a document-to-system review based on either a statistical sample or 100% (depending on portfolio size, risk, etc.). The company has indicated that as an additional control, the internal audit area performs and submits a report 60 days after each conversion with the goal of identifying any concerns.

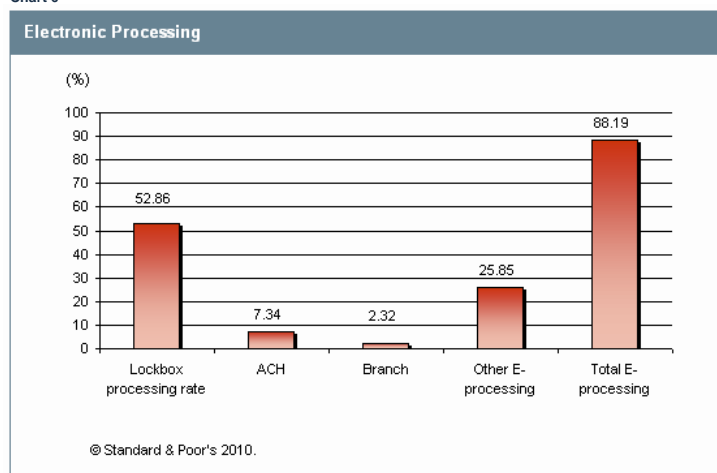
Cash management and investor accounting

Green Tree's cash management controls are intended to minimize risk of loss resulting from fraud or human error. Highlights of the cash management department include the following:

- The total electronic processing rate is 88.19%;
- The lockbox reject rate is 1%;

- A daily master file sent to the lockbox assists in account number identification and reduces the number of rejected payments;
- The company conducts a nightly sweep of funds from a payment clearing account to a custodial account;
- Cashiering operates from a secure area;
- Checks are imaged for historical purposes and to assist in research;
- Unidentified payment items are stored in a fireproof safe;
- The department uses Check 21 software;
- The department's ARC (accounts receivable conversion) conversion rate is 80%;
- The company conducts random desk checks twice monthly;
- Only copies of checks requiring research are forwarded to the affected departments with tracking via a log; and
- Payment notification instructions are received via the GTA system.

Chart 6



The reporting, remitting, and reconciliation department oversees more than 180 total securitizations representing more than \$12 billion, including 45 portfolio conversions that have occurred since June 2008. The company has controls in place in its efforts to provide timely and accurate reporting to its investor base. Highlights are as follows:

- The electronic reporting and remittance rates are both 100%;
- An internal application, known as Atlas, handles electronic downloads of information and report generation;
- The company offers a secure Web site to view/download securitization reports and pool prospectuses;
- The company offers separate Web site access for private deals;
- Online access to the bank statements facilitates daily/monthly balancing;
- Green Tree requires managerial signoff on all reports and reconciliations;
- The company had no open items aged more than 60 days; and
- The company had no late reporting or late remittance penalties during the past six months.

Bearing Point, a third-party vendor, performs monthly reviews of the general ledger reconciliations and validates the calculation and recovery of advances on a sampling of accounts. We believe this is a good second control in the company's efforts to strive for accuracy.

Customer relations

The 97-person centralized customer service department administers calls received from Green Tree customers with residential mortgages and MH loans. However, the staff is cross trained to help borrowers with all loan products. Telephone contact resulting from residential mortgage inquiries only represents 13% of total calls. The customer service center is located in Rapid City and operates 7 a.m. to 8 p.m. central time on weekdays and during limited hours on Saturday. The department has solid controls and oversight to minimize customer dissatisfaction. Service indicators include the following:

- Supervisors monitor five silent and five side-by-side calls monthly per representative, and QA reviews five recorded calls monthly per staff member, all of which include feedback;
- The average monthly call volume is 99,286 calls;
- An Automatic Number Identifier (ANI) assists in possible later skip-tracing efforts;
- Acceptable call center metrics reflect an abandonment rate of 4.69%, and the average speed of answer (ASA) is 55 seconds. This is higher than the general industry of approximately 30 seconds;
- The department, in our opinion, has an elevated turnover rate of 34%;
- The department has a call blockage rate of 0%;
- The department uses scheduling software to assist with productivity;
- A bilingual voice response unit (VRU) is available on an approximate 24/7 basis;
- Trending analysis is based on the nature of the inquiry;
- The department has a first-call resolution rate of 86.25%;
- RESPA and FCRA compliance rates were 100% for the six-month period ending June 2009;

- Imaging of letters and responses to provide a historical record in case of issues; and
- The department has almost 25,344 registered Web site users.

Dedicated correspondence staff address and track written borrower inquiries for RESPA compliance. Internal timelines for responses are stricter than RESPA requirements.

Escrow management

Green Tree escrows on 1% of its subordinate-lien portfolio and 27% of its subprime accounts. Management uses a proprietary escrow system (EAS) to monitor tax and insurance items for its subprime loans. Since most of Green Tree's subordinate-lien loans are second liens with an average balance of under \$25,000.00, the company generally does not track them for tax or insurance items unless the original balance is greater than \$50,000. Green Tree completely outsources its tax services to ZC Sterling, and Assurant Inc. handles insurance tracking. Escrow management controls include:

- Tracking and lender-placed abilities are in place for Green tree's entire subprime portfolio;
- The company's force-placed hazard insurance rate is an elevated 21%, and the cancellation rate is 28%;
- Taxes are paid as necessary by Green Tree to protect interest in the collateral;
- Green Tree has established escrow plans/control records to administer RESPA;
- The company has no nonreimbursable tax penalties;
- The company calls agents 29 days before policies expire and sends letters to customers nine days before policies expire;
- Green Tree assesses advances to loans and bills them in 10-36 month installments;
- The company sends borrowers letters after policies expire and calls the agents five-14 days before policies are issued;
- The collection department contacts the borrower before the company advances funds to determine reasons for nonpayment; and
- The department conducts quarterly calls with the vendors to discuss issues.

All recently boarded loans have life-of-loan flood certifications. The loans without certifications represent approximately 5% of the total portfolio.

Green Tree outsources mortgage reconveyance processing to a third party. According to the company, all releases are processed in accordance with state guidelines. Green Tree tracks all third-party activities and generates daily and weekly status reports that include loan-level details and summary information.

Three internal staff members prepare releases on rejected items or in special circumstances. Most payoff checks are received by the lockbox, and the lockboxes electronically send the check information and pertinent information to Green Tree nightly for posting. There have been no penalties for issuance of late releases over the last year.

Default management

A front-end team handles one-29 day delinquent accounts. A back-end staff manages accounts delinquent more than 30 days. Green Tree has stated that it uses an ownership strategy to assign back-end accounts to specific collectors until accounts are resolved via workout or through legal means. The 781 collectors are cross-trained to handle the differences in collection philosophy among Green Tree's varied portfolios.

For its call strategy, management uses four proprietary credit-scoring models to identify the highest-risk loans. The company indicates that it begins assessing loans as soon as they are three days late. The models incorporate subtle differences for each product, and accounts are graded on an "A" through "F" scale. The rating scales direct initial contact dates and the frequency of calls. Another modeling tool predicts the likelihood of an account reverting to either bankruptcy or foreclosure within the next nine to 12 months, which likely assists in directing contact and workout efforts.

Staff members perform equity analyses on subordinate-lien loans once accounts are 90 days past due, or as dictated by servicing protocols, to determine whether to continue collection efforts or foreclose. Depending on the results of the equity analysis, management charges off second lien accounts between the 180 and 270th day of default and between 180 and 270 days delinquent for subprime accounts, as dictated by servicing protocols.

Controls and metrics of the collection process include:

- The turnover rate is 35.6%, which represents an improvement from the December 2008 rate of 46%;
- Management averages 15 years experience and seven years with Green Tree, while staff average nine years expertise and three years with the company;
- The abandonment rate is 1.81% and the ASA is 7.54 seconds, both of which, in our opinion, compare favorably with industry peers;
- The combined promise-to-pay success rates in the 30- and 60-day buckets are 84.65% for subprime and 88.04% for subordinate liens;
- The company uses letters and the dialer for low- and high-risk accounts that are less than 30-days delinquent;
- The company manually contacts accounts 31-90-plus days past due, and the department begins field visits on approximately the 60th day of default;
- Screen pop-ups occur for states in which there are specific scripted disclosure requirements;
- For subprime second liens, high LTV accounts, and home improvement loans, collectors contact the first-lien holder between the third and 29th day of default to determine status;
- The company makes monthly contact with first lienholders once accounts are 60-days delinquent;
- Bilingual staff manage non-English speaking borrowers;
- Green tree says it refreshes credit bureau and behavior scores monthly to ensure the model is using up-to-date information;

- ANI capture assists in borrower contact and skip-tracing;
- Collection contact for subprime loans begins as early as the third day of default but no later than the 25th day;
- Notice of default is sent by the 43rd day of default on subprime and home improvement mortgages;
- Pursuit of civil judgments occurs on second-lien accounts;
- Silent monitoring of eight calls per collector is made monthly; and
- Automatic routing of borrower calls from the VRU to collections occurs once the account is more than 10 days past due.

Green Tree's residential workout department consists of 47 full-time employees. The department, in our opinion, reflects extensive expertise: management averages 21 years industry experience and five years company tenure; and staff has seven years expertise and two years company tenure. Highlights of the loss mitigation process include:

- Proactive mailing of workout solicitations once the account is 43-days past due for both products;
- Loss mitigation counseling begins at any time the borrower shows imminent default through a financial analysis or is unwilling to pay when an account is 60 days past due;
- Delegated authority levels are in place for collectors and loss mitigation staff based on workout plan under review;
- Electronic calculation of the net present value analysis;
- The company has a separate toll-free telephone number for the loss mitigation department, which includes the ability to leave a voice mail message;
- Call monitoring of staff consists of side-by-side and silent monitoring of 10 calls monthly; and
- Borrowers may timely submit a financial package via the Web site.

The vast majority of modifications completed in 2008 (95%) and 2009 (98.6%) affected capitalization of arrearages. Twenty percent of the capitalizations performed from June 2008 through June 2009 have redefaulted.

Green Tree implemented HAMP for FNMA loans in May 2009 and in August 2009 for non-GSE loans. Green tree recently hired a loss mitigation director for the Fort Worth site who oversees a team dedicated to HAMP modifications. Given the company's recent participation in the program, Green Tree could not provide detailed statistics of HAMP loan default rates and other relative data; however, the U.S. Treasury's published report for January 2010 verifies that Green Tree has placed 41% of eligible accounts that are 60-plus-days delinquent in a trial modification plan, which is the fourth-highest percentage of all servicers participating in HAMP. Standard & Poor's will continue to monitor Green Tree's progress in the program.

Green Tree uses internal field representatives at 30-plus days of delinquency for no contact borrowers or incorrect phone numbers. Upon contact with the borrowers, the field representatives are allowed to collect payments and offer loss mitigation options as well.

Table 5
Workouts

| | Subprime workouts (%) | Subordinate workouts (%) |
|---------------|-----------------------|--------------------------|
| Modifications | 98.60 | 91.20 |
| Paid in full | - | 0.06 |
| Short sale | 1.02 | 8.60 |
| Deed in lieu | 0.38 | - |
| Other | - | 0.14 |

Green Tree's oversight over its foreclosure and bankruptcy staff is intended to enable the company to optimize timeline management during the legal process. The eight-person foreclosure department averages 12 years experience and 11 years company tenure. A 30-employee bankruptcy group reflects nine years industry experience and eight years with Green Tree. The controls and processes in place include:

- Foreclosure referral at 90-days past due provided there is equity in the property;
- Dual-track approach of continued loss mitigation efforts while the account is in legal action in an attempt to resolve the delinquency, including a series on monthly calls and quarterly letters;
- Monitoring of 10 calls monthly for foreclosure staff;
- Foreclosure cure rates are 8.61% for subprime loans and 17.15% for subordinate liens;
- The use of FORTRACS results in expedient electronic referral and communication to the attorney;
- Green Tree uses an approved list of counsel, which is available online for easier selection;
- The company uses scorecards to rate attorney performance;
- Green Tree has the ability to view broker price opinions and inspection results via the vendor's Web site;
- The company uses a vendor for certain bankruptcy tasks, and grades the vendor for performance;
- Green tree uses UCSa, a proprietary bankruptcy system, to monitor and track such actions; and
- The company uses PACER and Banko to ascertain bankruptcy filings and statuses.

The 163-person centralized and decentralized REO staff handles Green Tree products that include residential mortgages and MH loans. Staff averages 24 years experience and 11 years company tenure. Management uses the services of three asset management companies for REO marketing, which includes referral to the broker. In our view, the REO department has effective controls designed to maximize marketing efforts as reflected by the following:

- Brokers have delegated authority to offer limited financial incentives to encourage recalcitrant borrowers to vacate the premises. This reduces the likelihood of having to commence a costly and time-consuming eviction action;
- Vendor performance is monitored/graded;
- 44.53% of REO properties require eviction;

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- The company obtains at least two evaluations for each property;
- Green Tree uses scorecards to assess vendor performance;
- Brokers must submit monthly status reports detailing marketing activity;
- The average eviction time is 68 days, which compares favorably with industry peers;
- The average marketing times are 123 days for subprime loans and 159 days for subordinate liens; and
- Subprime gross and net proceeds to market value averages 98.07% and 82.17%, respectively.

The company has a recovery department in Tempe that tries and obtains funds for charged-off accounts through internal collections, bankruptcy, legal proceedings, and the use of collection agencies as needed. Recovery data is tracked using the London Bridge Group RMS system.

Financial Position

The financial position is considered Sufficient.

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