

## Servicer Evaluation: Nationstar Mortgage LLC

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#### Opinion

The ranking for Nationstar Mortgage LLC (Nationstar), formerly known as Centex Home Equity Co. LLC, is affirmed at ABOVE AVERAGE for residential mortgage subprime servicing. Additionally, the outlook is revised to positive from stable.

The ranking reflects the company's well-tenured management team, comprehensive policies and procedures, proactive default practices and concurrent stable delinquency ratios, and an established track record of servicing subprime product. Despite the announcement in late 2005 by the company's former corporate parent, Centex Corp., that Nationstar was up for sale, management has been able to maintain a cohesive infrastructure and prudent internal controls, thereby preventing any notable loss of service to its customers or investors. In light of the recent acquisition of the company by a large investment fund, management can now focus on growing the company's portfolio and implementing certain productivity mechanisms that were suspended during the previous period of uncertainty. Data collected from the company through Standard & Poor's proprietary SEAM© questionnaire reflect that servicing metrics reported by Nationstar are quite competitive with industry peers, and in many instances, exceed benchmarked performance. The company experienced some challenges over the past 12 months regarding turnover, but these are now being properly addressed through various measures including improved recruiting efforts, a compensation analysis, and other work/lifestyle changes designed to improve retention. Default statistics indicate that the company continues to achieve optimal performance results in several categories, thus mitigating possible future losses on its portfolio. The company's auditing mechanism is well controlled, and was recently augmented to ensure all critical loan-servicing departments are reviewed on an annual basis.

#### Outlook

The outlook is positive. The new parent is committed to investing capital into Nationstar to continue improving the servicing operation and build on the current infrastructure. Through the re-establishment of its formerly active securitization program, the portfolio is expected to grow at its customary modest rate over the next few years. Servicing performance and cost efficiencies should improve as more initiatives are introduced over the next 12-18 months. Standard & Poor's believes Nationstar will remain a highly competitive residential mortgage subprime servicer within the residential servicing arena.

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#### Profile

Originally incorporated in December 1994 as Nova Credit Corp., Nationstar changed its name in 1997 to Centex Home Equity Co. (CHEC) to reflect its former parent's name, Centex Corp. (Centex), which was well recognized in the mortgage industry. Originally leveraging fallout first

mortgage business from an affiliate and financing purchase money second-lien mortgages, the company began originating loans directly to subprime borrowers through its 18 retail branches in early 1997. The arrival of a new management team in the same year marked the beginning of a major expansion of its origination channels, and the establishment of a servicing platform in December 1997.

Centex announced on Sept. 18, 2005, that it was exploring strategic alternatives for CHEC. A subsequent announcement on March 30, 2006, confirmed the sale of CHEC to an affiliate of Fortress Investment Group, a large asset management firm. The sale was completed in July 2006, and the name of the servicing operation was changed to Nationstar Mortgage LLC effective on July 12, 2006. Nationstar is a subsidiary of FIFE Holdings LLC. In conjunction with the new ownership, the new fiscal year changed from March 31 to calendar year-end.

The company employs over 2,200 people, with 308 assigned to the servicing department. Production sources include its 68 retail offices that contain 606 employees, four broker divisions employing 278 personnel, correspondent sources, 627 direct sales staff, and 85 employees dedicated to "alliance" mortgage referrals via CTX Mortgage and other national homebuilders. Although the company now operates with a different parent, CTX and Nationstar management agreed to maintain their existing mortgage referral relationship for the immediate future. As of its prior fiscal year ending March 31, 2006, the largest origination sources were broker (35%) and retail channels (31%), followed by direct sales (18%), correspondent (11%), and CTX (5%). Management intends to reduce its wholesale business to approximately 30% of total production (3% for correspondent and 27% for broker), versus the previous year's results reflecting the mid 40th percentile, in favor of retail growth. To that end, direct sales offices were recently opened in Denver, Colo., and Cincinnati, Ohio. Management plans to open an additional eight retail branches over the next 12-18 months. At the present time, Nationstar does not offer option ARMs, and only originates a small amount of interest-only (IO) mortgages. Management introduced a 40/30 mortgage in late 2005 to replace its IO product, which now represents almost 33% of its mortgage volume.

Nationstar's portfolio did not increase significantly in 2005 because the company sold its production servicing released at the behest of the former parent. With the sale now complete, the company plans to securitize its production on an approximate quarterly basis. It is management's intent to securitize approximately 70% of production and sell the remaining 30% via servicing retained whole-loan executions in the future depending on market conditions. The company also performs third-party servicing for various entities. Operating as an approved Fannie Mae seller/servicer, the company sells approximately 5% of total production to Fannie Mae, which accounts for approximately \$10-\$12 million in monthly volume. Nationstar was the 25th largest originator and servicer by unpaid principal balance (UPB) as of June 30, 2006, per data compiled by Inside B&C Lending. The company's business plan forecasts \$3.9 billion in originations from April – December 2006, with \$5.5 billion of production activity through year-end Dec. 31, 2007. Servicing volume is expected to amount to \$10.5 billion by year-end December 2006. The business plan envisions an approximate \$13.0 billion portfolio by year-end 2007 and an \$18.0 portfolio within five years.

Management states that there are no material lawsuits outstanding.

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## Management And Organization

The ranking for management and organization is affirmed at STRONG.

## Management and staff recruiting, development and training

Nationstar's management team exhibits an excellent degree of expertise in the subprime servicing industry. Although the company operates in a competitive environment, there is a renewed

emphasis on recruiting from local colleges.

- Senior managers average more than 25 years of industry experience and five years tenure with the company;
- Middle managers average seven years servicing experience and four years tenure with CHEC;
- The annualized turnover rate for staff is slightly elevated, at 32.20%, although this is attributable to the uncertainty regarding the sale of the company and some planned corporate staff reductions; and
- Approximately 44 of the 47 senior vice presidents of the company elected to remain with Nationstar during the pending sale.

Recent statistics reflect that 86% of recent hires are college graduates, who benefit from the company's sound training program.

The company maintains a fine training program. The two-person dedicated servicing training department includes a dedicated servicing trainer and separate recruiter, both of whom average six years experience and report to a vice president who averages 23 years expertise. Most classes are conducted in a formalized classroom setting in one of the company's four training rooms, although other mediums include E-learning and seminars. On average, new hire training has increased from 40 to 80 hours. Aspects of the training syllabus include:

- A new hire orientation introduces employees to the company, corporate policies, and benefits;
- A two-day introductory class provided an overview of origination and servicing practices;
- Nationstar University, based on STAR (Skills That Achieve Results) certification programs;
- STAR computer-based training address critical areas concerning mortgage, default, and servicing fundamentals. New hires must complete one of the latter two programs;
- Online testing and grading;
- Customer service representatives complete 42-hours of classroom instruction followed by 80-hours of on-the-job (OTJ) training;
- Collection staff receives 42 hours classroom education and 40 hours OTJ training, which includes six hours of FDCPA instruction;
- All staff members who are subject to borrower contact initially receive 12 hours FDCPA instruction, followed by 10 additional hours of training annually;
- There is required annual FDCPA recertification for the entire servicing staff, thus ensuring that personnel are cognizant of regulatory constraints in the collection area;
- Employees can view their certification progress for a particular program online;
- There is career-pathing for employees via advanced courses through the STAR programs;
- Separate curricula consisting of a 12-month "managers in training" program. Those who participate receive a comprehensive overview of the origination and servicing businesses through a mentoring approach;
- Soft skill seminars address management, technology, and legal issues; and
- Addition of leadership development training to further assist in career-pathing.

Chart 1

Management receives monthly tracking reports that detail employee progress in STAR instruction. Employees must receive an 85% grade in the program.

## Operational structure

Nationstar's functionally driven organization provides a seamless flow of information to the five primary servicing departments. The loan administration area is responsible for most nondefault functions including cash management, customer service, and escrow administration. The finance unit handles investor reporting and bank reconciliation activities. The loss prevention (collections) department controls delinquent account resolution, while the default management unit handles loss mitigation, foreclosure, and bankruptcy tasks. A separate REO department is responsible for marketing owned assets. The respective departmental senior vice presidents report to an executive vice president (EVP) of loan servicing, or the CFO in the case of the finance area. The EVP reports to the president of Nationstar.

Two new departments were established in 2005 to better mitigate risks and controls throughout the servicing organization. The vendor and process management area serves as a liaison for IT projects, performs cost analyses, and oversees vendor relationships, including performance metrics. A dedicated three-person quality assurance (QA) group performs call monitoring for the affected servicing departments.

## Technology

Senior managers in the 69-person IT department average 24 years experience. Nationstar operates with effective systems and support. A separate vice president oversees servicing system programming and support with the assistance of eight personnel. In the last year, management introduced many enhancements, especially as it relates to default processes. Characteristics of the automation environment are as follows:

- The primary system of record is LSAMS®, offered by London Bridge Group;
- Management tracks loss mitigation, foreclosure, bankruptcy, and REO actions using FORTACS™;
- There is an autodialer for tailored calling campaigns and increased collector productivity;
- The company uses Seagate Crystal Reports™ to generate customized information for itself and its investors;
- There is electronic communication with its attorneys, resulting in more timely dissemination of data needed to commence and track legal actions;
- The company now records all inbound/outbound calls using new telephony;
- There is an informal requirement that IT personnel complete servicing courses to broaden their knowledge;
- The company's comprehensive disaster recovery plan provides for annual testing and incorporates a calling tree and information regarding critical areas requiring expedited recovery;
- A hot site location is located in another state. There is also a separate vendor contract that provides a local site facility, which lies approximately 20 miles away from the servicing center; and
- The company stores back-up tapes off-site, all of which are encrypted.

Due to the pending sale announcement in 2005, management was unable to pursue imaging technology. It is the company's intent to continue to evaluate the implementation of this technology in 2007.

## Internal controls

Nationstar's comprehensive policy and procedure manuals serve as a fine reference source for the staff. The quality control (QC) department acts as a centralized source for dissemination and revision of the manuals. The policies are clearly written and well documented, evidencing the following attributes:

- The policies and procedures are available on the company intranet and include basic

matrices regarding federal/state statutes affecting servicing practices, as well as narrative on the FDCPA;

- QC investigates the viability and legality of adopting any suggested changes to the guidebooks, and subsequently forwards a decision to senior management for review and approval;
- Once accepted, QC inputs the modifications into the system; and
- There is at least an annual review of the manuals, although the department conducts monthly meetings with senior managers to discuss risk issues, which may result in a proposed revision.

Nationstar's internal audit program relies on rigorous controls to sustain a high degree of servicing compliance while simultaneously reducing risk of loss. Previously, there were dual levels of examination consisting of a parent Internal Audit (IA), and a separate QC review. With the sale of the company, QC now retains sole responsibility for this function. The QC area consists of eight personnel who have an average of 14 years experience. Two staff members are specifically dedicated to servicing examinations. Highlights of the program include:

- QC personnel perform examinations on all areas of loan servicing, with the schedule reflecting quarterly, semiannual, or annual reviews of specific functions;
- QC also performs site audits of its tax and insurance vendors;
- Report distribution to department managers, executive management, and legal;
- Grading on a numerical scale of 1-4, with a lower denominator being best;
- All reports include historical score trending from prior reviews;
- There is a mechanism for providing for written feedback and follow-up for corrective actions; and
- Reports are graded and results factored into management incentive plans, providing a better mechanism for evaluating and addressing overall compliance.

A review of quality control reports revealed that any findings were properly resolved. There were no adverse items referenced in the 2005 USAP statement. Nationstar's solid audit processes allow it to safeguard the company and its investors against potential risk of loss due to servicing errors.

A separate compliance unit consisting of 10-personnel addresses functions related to state licensing, regulation revisions, and reviewing any changes in company documents before they are incorporated into the policies and procedures. Additionally, a dedicated customer relation's officer (CRO) in this area also tracks any executive level inquiries or disputes from customers or community/state/federal agencies.

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## Subprime Loan Administration

The ranking for loan administration is affirmed at ABOVE AVERAGE for residential mortgage subprime servicing.

Robert Frye, EVP, oversees the 308-person servicing division. As of June 30, 2006, Nationstar's serviced over 96,000 subprime loans representing a \$10.1 billion UPB. Included in this total is a small \$347 million Fannie Mae subprime portfolio consisting of approximately 3,600 mortgages. The company's geographically diverse portfolio has the largest concentrations by number of units in Texas (17.12%), Florida (6.45%), California (6.13%) and Pennsylvania (4.39%). This helps reduce the risk of loss arising from regional economic downturns. Weighted average FICO origination scores have increased from 589 in 2001 to 606 through June 30, 2006.

Chart 2

Management hired a consulting firm in 2005 to help identify potential operational improvements. This eventually resulted in the selection of 15 key servicing personnel from different departments who engaged in twice-weekly discussions centering on streamlining processes and affecting greater organizational efficiencies. The culmination of this initiative affected areas such as cross training, redesigning the IVR/Web, and other improvements that are expected to result in \$14 million in cost savings over the next five years. Additionally, new vendor relationships, combined with increased automation, resulted in cost savings through reduced headcount and less manual processing.

### Key Statistics - Loan Administration

	2006*	2005	2004	2003	2002
<b>Loan portfolio total</b>					
Volume (\$000)	9,786,391	10,363,925	8,747,932	6,636,482	4,961,207
Assets (No.)	86,365	93,264	88,612	77,461	64,237
<b>Delinquency (% of loans)</b>					
Total	6.03	5.67	5.48	4.91	5.40
30-day	4.07	3.75	3.97	3.13	3.03
60-day	1.11	1.13	0.86	1.04	1.16
90+ day	0.85	0.79	0.65	0.74	1.21
Foreclosure	2.45	2.14	2.17	2.43	2.31
Bankruptcy	1.16	1.54	1.48	1.59	1.52
Real estate owned (No.)	1,874	1,902	1,996	1,747	1,312

\*As of Sept. 30, 2006.

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

### Cash management and investor accounting

Nationstar's 22-person payment processing unit has solid controls in place to minimize risk of loss due to posting errors or fraud. The two managers average 12 years experience, while staff average three years expertise. The company's proprietary telephone pay system automatically posts funds to the system, which reduces manually intensive tasks associated with posting paper checks. Identified controls include:

- An excellent 90% electronic processing rate resulting from lockbox (48%), ACH (7%), E-commerce (7%), and autoposting of other payment transactions (28%);
- The lockbox reject rate averages 5.3%;
- Automated posting of MoneyGram® and Western Union® payments;
- Automated suspense processing, versus the prior manual efforts;
- Five dedicated staff members research payment discrepancies, with an average resolution time of 2.4 days;
- Funds retained overnight are secured in a fireproof cabinet;
- Checks never leave the posting area, as only copies are sent to the respective

- department's for further instructions; and
- Supervisors periodically inspect desks to ensure same-day processing.

### Chart 3

Payments made via the Web have increased approximately 169% to over 4,500 from slightly less than 2,000 for the 12-month period ending June 2006.

The eight-person investor accounting department averages 12 years expertise and reports to the controller. Each of the two dedicated investor specialists is responsible for particular securitizations, of which there were approximately 20 as of June 30, 2006. Over 60% of the portfolio UPB resides in MBS securitizations. The solid controls in place include the following:

- Although the investor reporters have the dual role of completing the bank reconciliations, they reconcile each others accounts to maintain proper objectivity;
- There is management review of the reports as well as the reconciliations, which helps ensure the validity of the data. Additionally, the senior vice president of finance performs a quarterly review of aged reconciliations, thus serving as yet another control over the process;
- There is 100% electronic reporting and remitting of funds;
- The treasury department initiates the repetitive wires to the trustee;
- There were no late reporting or remittance penalties in 2005;
- Minimal open items aged greater than 60 days; and
- On-line access to the bank statements, which eases the reconciliation process.

Although there are satisfactory controls in place, management should consider employing a dedicated person to handle the bank reconciliations as this ensures proper independence from reporting and reconciliation functions. A Web site allows investors to view pool-level trustee reports on company securitizations and download basic reports, which can then be customized based on investor preference.

### Customer relations

The 16 customer service representatives average three years experience. They work acceptable shifts to accommodate the geographically diverse portfolio. The company utilizes ANI technology to identify incoming calls from its borrower base. Service indicators in place include:

- An excellent turnover rate of only 10.50%;
- The call abandonment rate remains very good, at 2.40%;
- The average speed of answer (ASA) is an exceptional 23 seconds;
- A telephone customer satisfaction survey administered by an outside vendor solicits 150 borrowers monthly;
- To ensure proper independence from servicing, the vendor communicates feedback results to the organizational development unit for review, who then discuss it with management;
- Bilingual representatives to assist with Spanish-speaking borrowers;
- An enhanced IVR that now has intelligent call routing, and is available 24/7;
- The capture rate is a low 29%, although this is due to the vast number of borrowers electing to speak with a customer service representative;
- An improved telephony software program allows for recording of calls, screen captures, phrase recognition, and other features that assist in the training process and provide an additional means of analyzing staff performance;

- Customers may leave a voice mail message after normal operating hours, which the company responds to on the next business day;
- A customer service reengineering analyst develops best practices within the department and concurrently identifies areas for improvement;
- Almost 34,000 registered Web users;
- Accounts are automatically transferred from the IVR to collection personnel once they are 25 days past due. Customer service representatives are trained to handle lesser-delinquent accounts;
- QA monitors between seven-10 calls monthly per representative, and provides verbal and written feedback provided to gauge performance and possible issues;
- An additional 10 side-by-side monitoring sessions are completed by middle management;
- A customer inquiry analysis and research group resolves difficult issues that cannot be completed by customer service representatives; and
- There were no RESPA or FCRA timeline compliance issues.

#### Chart 4

As previously mentioned, the CRO in the compliance department is responsible for monitoring and resolving formal inquiries from regulatory agencies, and executive and borrower complaint letters. Upon notification or receipt, the CRO contacts the customer and/or agency to avow that the inquiry was received and obtain any additional information. Once investigated, generally with the assistance of the affected department(s), a solution is discussed with the affected party and a verification letter is sent confirming the agreed-upon resolution. As applicable, the proposed corrective action is communicated to management for approval. The CRO generates a monthly report to management reflecting the source of the inquiry, affected business unit, specific issue, and resolution timeline. To date, all inquiries were resolved within 13 days of receipt, an improvement from the prior 20-day timeframe in 2004.

#### Escrow management

Nationstar escrows on 35% of the portfolio, up from 23% in 2004. The company relies on its relationship with two outsourced entities to mitigate the risk of loss resulting from unpaid taxes or insurance policies. Its third-party vendors maintain certain dedicated personnel onsite. Additionally, its insurance vendor handles claim-related calls. Highlights and controls include:

- Two managers and 11 specialists average eight and three years experience, respectively;
- There were no tax penalties in 2005, a significant improvement from the \$0.29 per loan figure in 2004;
- Lender-placed hazard insurance stands at 19.20%, with an elevated 55% cancellation rate;
- Lender-placed flood insurance is only 1.0%, with a 33% cancellation rate;
- A series of three letters sent within 60 days of policy expiration before lender-placing insurance. This includes a call to the agent two weeks before policy issuance that seeks to determine the payment status;
- QA representatives now monitor seven-10 calls monthly of the staff;
- Quarterly meetings with its insurance vendor and meets with its tax provider weekly to discuss enhancements and adherence to the service level agreements; and
- The department, as necessary, handles overflow call volume from customer service.

Reconveyances are the responsibility of a newly selected third-party vendor. There have been no



penalties incurred for late release processing through June 30, 2006.

## Chart 5

### Default management

Nationstar's assertive collection approach allows it to maintain fine delinquency levels. Approximately 40% of the loans in the portfolio come from borrowers with FICO scores that are less than 580. Collectively, managers average 16 years experience. The 116-person department is segregated by age of delinquency. The pre-30 day team, consisting of a manager and 16 collectors (mainly new employees), initiates contact based on behavioral methodologies exclusively using the autodialer. The 30-59 day collection team has eight managers and 56 collectors who respectively average four and three years experience. This group uses both the autodialer and manual efforts, with state ownership of accounts for each collector. The department's 60-89 day team consists of three managers and 27 collectors who average five years and four years experience, respectively. This area places a strong emphasis on both collection and loss mitigation efforts.

The pre-30 day team uses a proprietary behavioral score that predicts the likelihood of an account advancing to a later stage of delinquency. Refreshed every 60 days, the model takes into account past repayment habits as well as other factors, with all loans receiving an updated score every other month. Noted attributes of the collection process include:

- Satisfactory day, evening, and weekend shifts to canvass the geographically diverse portfolio;
- Turnover rate is somewhat elevated at 34.80%;
- The abandonment rate is 3.90%, while the ASA is 30 seconds, both of which are good statistics;
- Collection notices require approval from legal counsel to ensure compliance with regulatory requirements;
- Seven separate collectors handle early stage accounts in the Mountain and Western time zones;
- There are five dedicated FNMA collectors;
- Mail tracking, which helps ascertain whether the borrower payment is in transit and concurrently, suspend collection attempts for a prescribed time period depending on the status;
- The first call begins when the account is five days in arrears, but no later than 15 days past due;
- There is a commendable 23.90% right party contact rate;
- Extensive monitoring of collection personnel by QA, encompassing seven-10 telephone monitoring sessions;
- Managers also monitor an additional five calls and review 20 account per collector, monthly;
- Collectors must receive at least a 90% QA score to be eligible for incentive compensation;
- Historical record of "model" collector/borrower communications used as a training mechanism;
- Area code recognition software so calls can be transferred to the correct collector within a team;
- Frequent collection meetings keep the staff updated regarding departmental issues or trends;
- Reporting of accounts to the credit bureaus;
- Demand letters are sent at 63 days past due; and
- Referral for foreclosure proceedings by no later than the 98th day of delinquency.

Chart 6

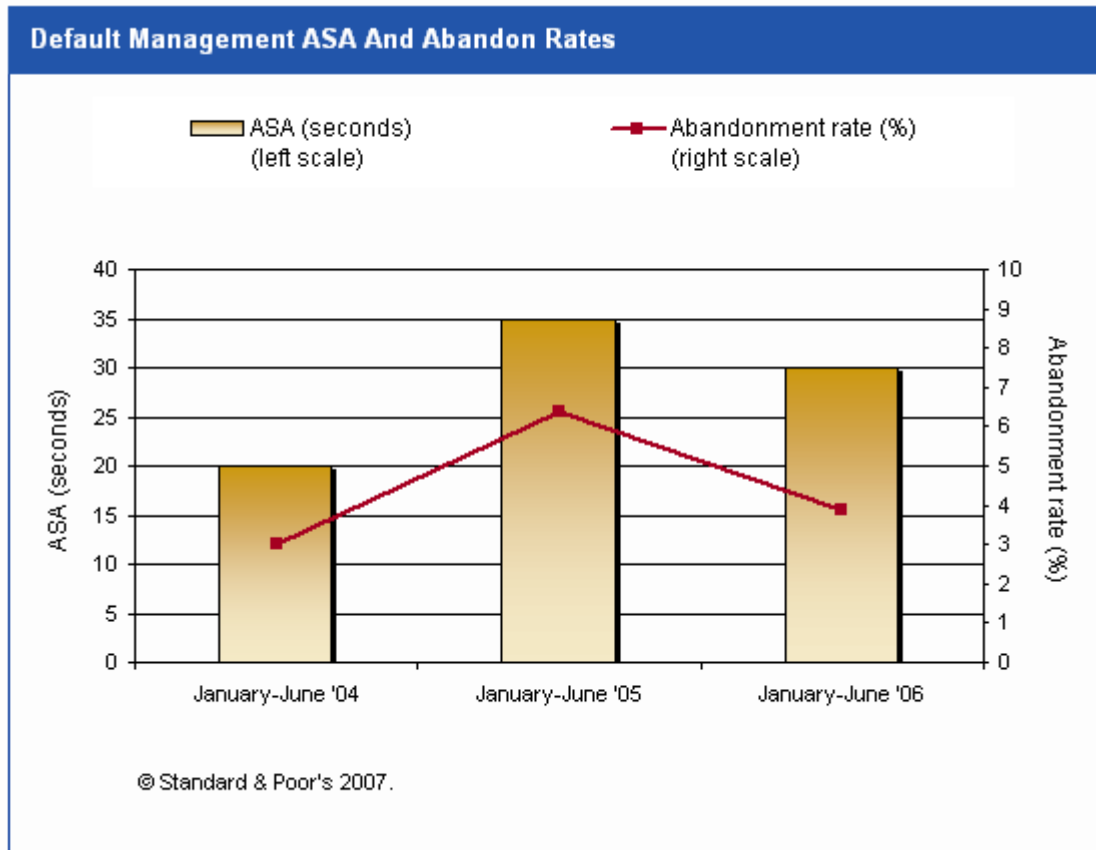


Chart 7 - Loss Mitigation  
 Chart 8 - Forbearance Recidivism Rate  
 Chart 9 - REO Net Sales  
 The elevated turnover rate is a result of several companies recently opening servicing facilities in the immediate vicinity, and management indicated they are proactively trying to address the issue.

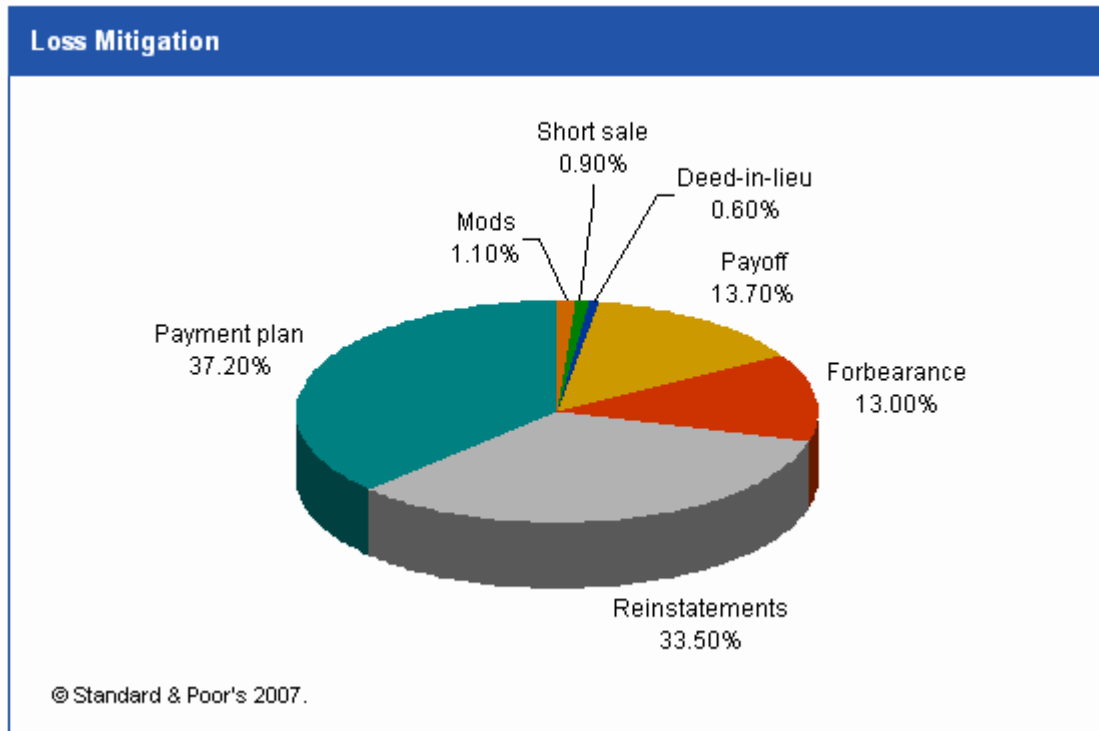
Collectors maintain responsibility for skip-tracing efforts on their accounts using credit bureau reports, Internet resources, and other software mediums. Assuming collectors are unsuccessful in establishing contact with the debtor within a prescribed number of days, the department orders an inspection to verify occupancy, and to obtain further information regarding the delinquency. The use of a new proprietary tracking system allows management to quickly identify areas affected by natural disasters through an automated zip code interface with the servicing system. The system also interfaces with the company's inspection vendor for expedient ordering of repair estimates and property photos.

Consisting of four managers and 29 staff, loss mitigators average seven years experience and three years company tenure. Management employs a proactive approach to loss mitigation designed to reduce losses for its investors. Controls and policies evidenced are as follows:

- Much as in collections, management conducts five telephone call mentoring sessions monthly per employee, along with a total of 20 account reviews, while QA also monitors seven-10 calls monthly;
- A dual track approach is used in which the department continues its workout efforts while the borrower is in foreclosure. This affords an additional opportunity to resolve an account, thus reducing future potential losses;

- The department commences loss mitigation efforts with a telephone call and letter to the borrower once an account is 60 days delinquent;
- All workout and forbearance approval forms are now automated;
- The loss mitigation specialist electronically completes a basic equity analysis on the account;
- Nationstar has been recognized by FNMA for having the highest loss mitigation ratio for nontraditional clients; and
- Cure rates on 90-plus-day accounts averaging almost 24%.

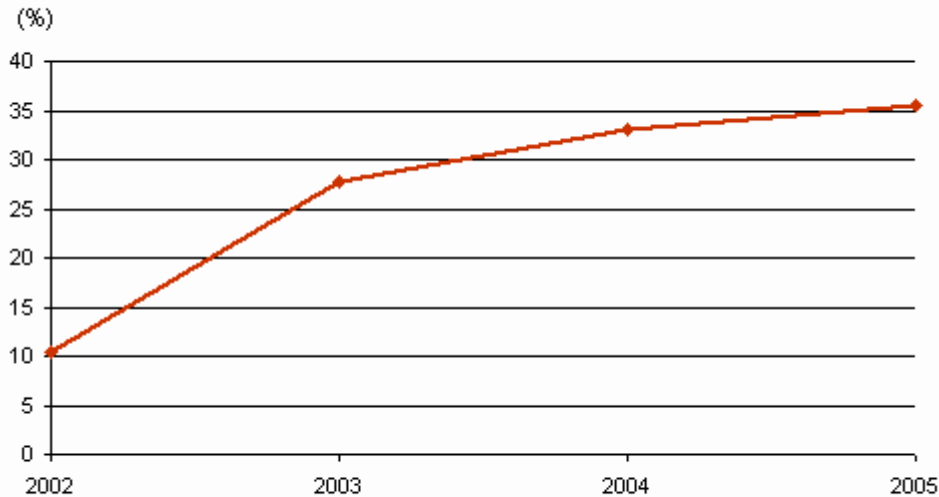
Chart 7



Forbearance involves adding delinquency amount as a balloon payment.

Chart 8

### Forbearance Recidivism Rate



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Management outsources foreclosure processing to another vendor, which maintains on-site personnel for file preparation and referral. The two foreclosure and two bankruptcy managers respectively average seven and 22 years experience. Nationstar's 22 foreclosure personnel and 12 bankruptcy specialists both average seven years of experience. The stringent controls in place include:

- Senior management reviews accounts referred for legal action to ensure there is ample collection and loss mitigation contact;
- The company has a standardized contract with its attorneys that specifies allowable fees and timeframes for completion of the foreclosure;
- Market valuations are reviewed during the workout analysis, foreclosure action, or REO process to validate property values through an independent review by six dedicated staff;
- Foreclosure and bankruptcy cases are tracked using the FORTRACS™ system;
- Fannie Mae foreclosure timeline compliance rate stands at a fine 93.6%;
- The foreclosure cure rate is an admirable 13.90%;
- Monetary penalties are applied against legal counsel for noncompliance with timelines;
- Use of LenStar™ for expedient electronic communication with its attorneys;
- QA monitors seven-10 calls monthly per bankruptcy representative;
- All counsel is pre-approved by senior management. There is an online list available for easy selection;
- Grading of its attorney base to gauge performance results against established foreclosure timeframes;
- Attorneys visit the department three times monthly to perform training and discuss issues;
- A dedicated employee monitors accounts which greatly exceed legal processing guidelines;
- Nationstar uses Web PACER and BANKO® to ascertain new bankruptcy filings;
- Electronic case filings where applicable;
- The company files a lift of stay motion when the account is 60-days post-petition delinquent; and
- The company uses iClear software for e-bill presentment and payment of vendor invoices.

Each specialist in the 48-person REO department handles a particular state(s). Asset managers average almost nine years experience and four years company tenure. There is an online database of approved brokers that the staff employs to select a Realtor. The company has sound controls in place to maximize returns on owned assets as evidenced by the following:

- Properties are assigned to Realtors 30 days prior to potential REO date to obtain basic marketing data such as occupancy status and property condition, decreasing marketing strategy timelines by 33%;
- Management obtains a minimum of two valuations on the property to better formulate a list price;
- Brokers have delegated authority to offer limited financial incentives to recalcitrant mortgagors to encourage immediate vacancy of the premises, thus reducing marketing delays;
- The list price and offer acceptance are based on an approval matrix;
- Realtors forward monthly status reports detailing marketing activity and recommendations;
- A vendor manager monitors Realtor report cards and oversees selection of new agents/vendors;
- Various REO personnel perform ad hoc on-site inspections monthly in areas with a concentration of properties to ensure that brokers put forth the requisite marketing efforts;
- REO properties are also marketed on the Internet, which serves as another means of asset disposition;
- The ordering and approval of repair bids is conducted online, as well as contracting for recurring maintenance services;
- The company uses a proprietary module that assists in determining whether to complete property repairs based on various factors;
- Properties listed at 105%-110% of reconciled value;
- More experienced asset managers are responsible for assets aged greater than nine months;
- Online negotiations, grading of realtors, and timeline management completed through REOTrans.com;
- The average eviction time is 63 days;
- Marketing time averages 246 days; and
- Net sales proceeds to market value average 78.30%.

#### Chart 9

Marketing time is high, while net proceeds is low, but this is due to a large amount of inferior properties located in states/counties with adverse marketing conditions; this includes areas with REO concentrations in Texas (13%), Ohio (13%), Michigan (8.5%), and Indiana (7.5%).

An approximate 11-person appraisal review department orders and review both foreclosure and REO valuations. Upon completion of review, a recommended market value is communicated electronically to the appropriate department. Staff members also assign a grade (from 1-5) to the appraiser to use for historical performance comparison purposes.

A separate loss recovery unit located on the West Coast is primarily responsible for pursuing deficiency balances after completion of foreclosure actions. Consisting of a manager and three specialists, this group also handles local/state/federal code violations and pursues appraisers for damages involving incorrect or fraudulent appraisals. This department had successfully recovered \$2.1 million in gross revenues as of fiscal year-end 2006.

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## Financial Position

The financial position is considered Sufficient.

Standard & Poor's has reviewed the company's (or parent company's) audited financial statements and believes there is sufficient financial strength to sustain Nationstar's servicing operations as described herein for the next 12-18 months.

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## Contact Information

Nationstar Mortgage LLC's servicing platform is located in Lewisville, Texas.

Nationstar Mortgage LLC

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