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Servicer Evaluation: Select Portfolio Servicing Inc.

Publication date: 12-Nov-2009 10:38:53 EST

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[Table of Contents](#)

Opinion

Standard & Poor's Ratings Services has raised its residential subprime loan servicer ranking on Select Portfolio Servicing Inc. (SPS), a wholly owned subsidiary of Credit Suisse Group, to STRONG from ABOVE AVERAGE. At the same time, we raised our residential special servicer ranking on SPS to STRONG from ABOVE AVERAGE. Lastly, we affirmed our ABOVE AVERAGE ranking on SPS for residential subordinate-lien servicing.

The rankings reflect the company's seasoned management team and staff, comprehensive procedures, and well-developed new-hire training and continuing education initiatives, along with its effective internal control environment, robust data analytics and performance measurement methodologies, and improved technology platform.

SPS has focused on improving its internal controls and risk management, strengthening its data analytics and performance benchmarking, and making various technology enhancements, and these initiatives have boosted servicing efficiencies and improved the company's performance metrics in a number of areas--particularly those related to loss mitigation, including loan modifications and reporting on special servicing. SPS has also implemented an efficient loss mitigation process and has improved its management of outgoing and incoming calls to and from delinquent borrowers.

SPS focuses on maintaining a balance between its goals of minimizing losses to investors and keeping borrowers in their homes, and the company is committed to developing effective and innovative loss mitigation strategies that will satisfy investors, borrowers, and government agencies alike. The company has highly effective multilevel risk control methodologies in place, including an audit program performed by Credit Suisse, SPS' ultimate parent; an independent Servicing Risk Management group that performs intensive loan servicing audits and independent call monitoring; and an annual audit performed by an external auditing firm. The company has also improved efficiencies by outsourcing certain non-customer-contact servicing functions to a third-party offshore provider that SPS management tightly monitors.

Outlook

The outlook is stable. Credit Suisse, SPS' parent company, continues to invest in infrastructure and technology enhancements, which have improved SPS' risk management methodologies and servicing efficiencies. With the acquisition of SPS in 2005, Credit Suisse continues to provide a flow of business growth, although the portfolio has decreased somewhat during the past 12 months due to runoff. SPS has positioned itself as a top default servicer and has capitalized on opportunities in the current mortgage environment, which will allow it to opportunistically acquire and service seasoned subprime and scratch-and-dent portfolios.

Management continues to focus on improving processes to optimize loan servicing efficiencies while minimizing risk from human error. SPS' servicing performance metrics have continued to improve overall, largely owing to its experienced management team, which has developed effective methods for measuring performance and implemented sound internal controls. SPS has been an innovator in making the processes of loss mitigation, foreclosures, and REO effective and efficient, with superior methods of measuring and reporting results. SPS also effectively seeks to provide a balance between optimizing investors' interests and keeping borrowers in their homes.

Chart 1

Annual Portfolio Growth Trend 2005-2008

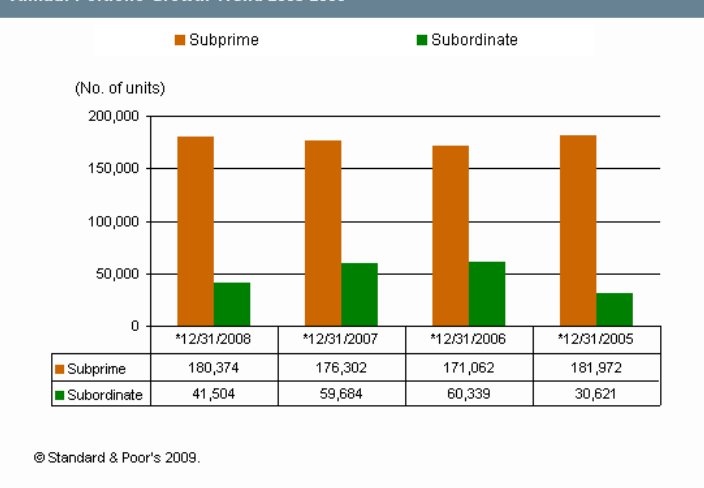


Table 1

Subprime Delinquencies As Of December 2008

Delinquencies (%)							REO (No.)
30+ days	60+ days	90+ days	120+ days	Bankruptcy	Foreclosure	Total	
9.69	6.04	3.16	6.77	2.05	10.48	20.46	2201

Table 2

Subordinate Delinquencies As Of December 2008

Delinquencies (%)							Total
30+ days	60+ days	90+ days	120+ days	Bankruptcy	Foreclosure	Total	
7.58	4.63	3.36	23.81	3.63	0.16	39.37	

Profile

Credit Suisse acquired SPS on Oct. 4, 2005. As of Dec. 31, 2008, SPS serviced more than 180,000 subprime loans totaling approximately \$27 billion. The company also has a growing portfolio of approximately 40,000 subordinate-lien loans, as well as jumbo loan and Alt-A mortgage portfolios under management.

SPS has diversified its business opportunities by establishing a loss recovery division and now performs REO outsourcing. Its loss recovery business recovers charged-off debt for clients that do not have this specialty. Additionally, SPS performs REO management services for external clients.

SPS specializes in servicing subprime assets, performs special servicing on distressed assets, and also performs interim servicing on Alt-A mortgages. SPS is an approved Fannie Mae, Freddie Mac, and HUD servicer.

Management And Organization

We have raised our ranking for management and organization to STRONG from ABOVE AVERAGE.

MANAGEMENT AND STAFF RECRUITMENT, DEVELOPMENT, AND TRAINING

SPS has a highly seasoned management team with minimal turnover, which contributes to a very stable loan servicing environment.

- Senior managers average more than 16 years of industry experience and approximately six years of tenure with SPS.
- Middle managers are highly seasoned, averaging more than 12 years of industry experience and six years of company tenure, respectively.
- The annualized turnover rates in loan servicing are 13% for management and 22% for staff.

SPS has effective training programs in place that utilize various media, including computer-based training (CBT) modules and classroom instruction, to train new hires and enhance existing employees' skills and performance. SPS' "Loan Servicing University" offers a variety of courses on customer-related topics as well as specific job-related task instruction and technology training. Department-level training includes several weeks of classroom instruction and mentoring for new customer service and collection representatives. The training syllabus includes:

- An overview of various loan products.
- A corporate overview, an introduction to mortgage banking, and software training.
- Task-specific training unique to a particular position, including soft-skills training to promote effective communication with borrowers, administered by departmental team leaders.
- Extensive focus on the FDCPA and other regulatory guidelines.

Additional training and seminars are provided by vendors that the company employs in its loan servicing activities. The company also heavily emphasizes on-the-job mentoring, and it provides managerial training seminars and supplementary systems training when needed.

Management personnel also attend industry seminars and workshops, and Credit Suisse provides an extensive program of additional management training courses. Overall, we believe SPS has effective training programs in place for its employees.

INTERNAL CONTROLS

SPS has excellent controls over the development, drafting, and dissemination of its loan servicing policies and procedures. The unit managers primarily direct the development and updates of policies and procedures, while the Servicing Risk Management group reviews them and drafts the related manuals to ensure consistency. SPS' policies and procedures manuals are well-written and comprehensive, using a combination of narrative and task-specific instructions, and are accessible via the company intranet.

SPS has multiple levels of audits designed to minimize risk of loss and promote global best practices, and the Credit Suisse audit department audits SPS throughout the year. The company's audit methodology includes:

- Periodic risk assessment to identify risk exposure, develop an audit plan that addresses that exposure, review workflows for optimum efficiency, and assess technology needs.
- An audit scope that identifies key areas of risk, including cash management, investor accounting and reporting, and default management.
- A provision for written feedback to loan servicing management and a timeframe for management to develop an action plan.

The Servicing Risk Management group (SRM), which reports directly to the general counsel and the Credit Suisse advisory committee, performs various quality-control functions in the loan servicing area, including weekly call monitoring for customer-contact employees. SRM is an independent group that uses a scorecard to evaluate and grade call center employees' performance. Supervisors use these evaluations to provide feedback to call center staff.

SRM's audits are comprehensive and risk-score all findings as high, medium, or low based on the significance of the issue and its potential impact on the overall compliance environment; the audits also address customer-centric issues. The SRM unit is staffed with six servicing risk analysts and eight call monitoring specialists averaging 10 years of industry experience. An additional employee within SRM is dedicated solely to Regulation AB compliance. Additionally, the company recently rolled out a risk/self-assessment program to all business units to identify areas for improvement.

Based on our review of the company's internal audit and quality assurance reports for the past 24 months, we view the audit process to be acceptable, with no significant findings. Overall, servicing management satisfactorily addressed any audit findings. We believe SPS generally has well-structured and varied auditing processes in place to identify and control risk, improve internal controls, and ensure adherence with investor and client guidelines and prudent loan servicing standards.

TECHNOLOGY

The company operates in an efficient automated environment, using the following systems architecture for business operations and recovery:

- SPS currently houses its loan servicing records on a Loan Processing Services (LPS) system (formerly Fidelity's MSP system).
- The company uses LPS' Electronic Loan Interface (ELI) for efficient boarding and uploading of new loans to the servicing system.
- NEWT, a proprietary technology, performs over 500 quality control checks on new loans boarded.
- SPS uses Aspect Enterprise Campaign Manager call optimization application to efficiently manage collections calls.
- A fully integrated "I Pay" process tracks interim payment remittances on newly boarded loans.
- Document imaging is used to store all critical documents and to improve overall efficiencies.
- Predictive dialer technology coordinates and manages calling campaigns.
- LPS DocX system reconveyance software enables timely processing of mortgage discharges.
- Default management software allows for electronic referral of foreclosure and bankruptcy cases to legal counsel as well as electronic updating of case status.
- SPS uses PACER to monitor bankruptcy case motions and to receive notification of bankruptcy filings.
- The company has sufficient systems capacity to support projected business growth.
- SPS' disaster recovery and business resumption plan includes a calling tree, identification of critical servicing tasks, and multiple hot site facilities, including alternate corporate locations, as well as vendor-provided hot site facilities; the company tests the plan annually.
- System backup tapes are produced daily, encrypted for data security, and stored at an off-site archival facility.
- Data is replicated among the servicing sites.
- The company uses intrusion detection and prevention software to maximize network security.

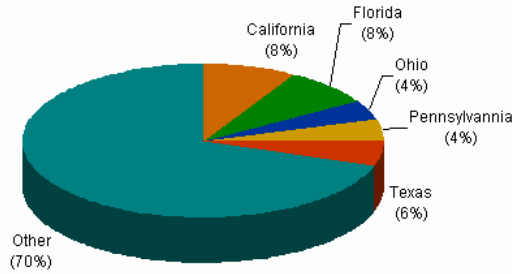
Loan Administration

We have raised our loan administration ranking on SPS to STRONG from ABOVE AVERAGE for residential subprime loan servicing and residential loan special servicing. We have affirmed our ABOVE AVERAGE loan administration ranking for residential subordinate-lien servicing.

Matt Hollingsworth is the CEO of SPS, while President and Chief Operating Officer Tim O'Brien oversees daily loan servicing operations in Salt Lake City, Utah, and Jacksonville, Fla., respectively.

Chart 2

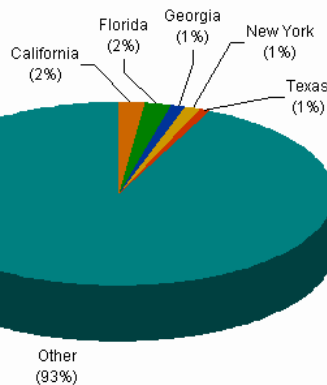
Subprime Loan Portfolio Geographic Distribution (% Of Units)



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Chart 3

Subordinate-Lien Portfolio Geographic Distribution (% Of Units)



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The company's subprime loan portfolio is geographically diverse, with the highest concentration of loans in California, followed by Florida, New York, Texas, and Ohio. Such diversity minimizes the impact of regional economic downturns on the loan servicing portfolio.

Similarly, SPS' closed-end subordinate-lien portfolio features excellent geographic diversity, with the highest concentration of loans in California, followed by Florida, New York, Nevada, and New Jersey.

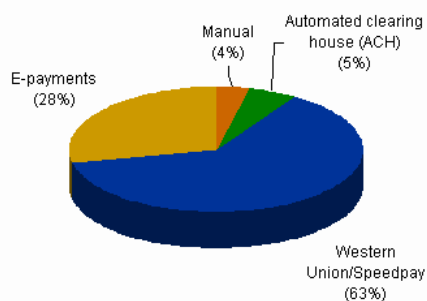
We reviewed all areas of SPS' loan servicing, including new-loan boarding, escrow administration, adjustable-rate loan analysis, reconveyance processing, and specially serviced loans. Overall, we found these areas to be solid. We discuss key areas of risk in more detail below.

CASH MANAGEMENT AND INVESTOR ACCOUNTING

SPS has an efficient cash management operation with solid internal controls to minimize risk of loss from human error or fraud. The company uses an internal lockbox operation, which provides improved control over the accuracy and timeliness of cash applications. SPS' proprietary "I Pay" tool is fully integrated with the company's payment processing technology and tracks all newly boarded loans, including those with interim payments. The company stores unidentified checks and other unprocessed drafts in a fireproof cabinet, records them on a task tracking system, and addresses them the following day.

Chart 4

Subprime Payment Sources (% Of Units)



© Standard & Poor's 2009.

- SPS' total monthly payment auto-posting rate is 96%.
- The company has updated its process to more efficiently process rejected payments.
- SPS maintains a dedicated lockbox for posting payments.
- The company has automated its processes for notifying business units of bankruptcy and payoff payments.
- The Cash Operations group has improved the process for handling adjustments for loan modifications.
- All payments are now imaged and identified by loan number before processing.
- Management represents that SPS processes 99.5% of all payments it receives within 24 hours.
- Payment clearing accounts are reconciled daily via online access to bank account statements.
- Funds from the payment clearing accounts are swept to the custodial accounts each night.

The investor reporting area handles SPS' investor reporting, remitting, and account reconciliation functions. The company has solid controls in place to protect investors from risk of loss resulting from fraud or human error. Management represents that there were no late reporting or remitting penalties during the second half of 2008. The following risk management policies are in place:

- Proper segregation of duties between personnel handling remitting, reporting, and bank reconciliation functions.
- Extensive cross-training to enhance job knowledge and ensure uninterrupted workflow.
- Managerial review of all investor reports and bank account reconciliations.
- Online access to bank account transaction histories to facilitate daily and monthly reconciliations.
- Management review and approval of all bank account reconciliations.
- Monthly reconciliation of more than 300 investor groups and their related custodial accounts.
- A monthly quality control process to review reconciliations for appropriate approvals.
- Elevation reports to track unreconciled items through to resolution.
- Quarterly review to reconcile the list of authorized signers for wire transfers.
- A fully automated investor reporting process with a 100% electronic reporting rate for the conforming loan and subprime loan portfolios, respectively.
- A fully automated investor remittance for all portfolios, with a 100% electronic remittance rate.
- No late reporting or remitting penalties assessed during the second half of 2008, according to management.
- 100% compliance with Reg AB, according to testing completed in February 2009.

Overall, the company displays sound controls and managerial oversight of its cash management and investor accounting areas.

LOAN BOARDING

The following loan boarding processes are currently in place:

- The company mails "Hello" letters approximately three days before the transfer date, which exceeds RESPA guidelines, which require that "Hello" letters be mailed no later than 15 days after the transfer date.
- SPS has implemented new processes to identify loans that are eligible for modifications.
- All loans undergo an extensive quality check.
- Loans are boarded with prepayment penalty information.
- The company audits all adjustable-rate mortgage (ARM) and option ARM loans for accuracy within 60 days of boarding.

CUSTOMER RELATIONSHIP MANAGEMENT

SPS provides a satisfactory level of customer service to its mortgage banking customers via its customer contact center in Jacksonville, Fla. The customer service area is well automated, utilizing a variety of technologies, such as an automated call distribution (ACD) system and a voice response unit (VRU), to provide a highly competent level of customer service to its borrowers. SPS uses additional software to forecast call volumes and agent scheduling. The company continues to devote substantial resources to improving its call center technology and its overall effectiveness, as evidenced by the service indicators below:

- 24/7 self-service call center hours accommodate the geographic diversity of the portfolio.
- The company implemented a "Swing Team" of highly experienced representatives to be flexible in handling a wide variety of customer service and collections inquiries during high-call-volume times.
- 24-hour access to account information is available on the company's Web site.
- The annualized employee turnover rate of 14% compares favorably with SPS' SEAM peer group.
- A third-party vendor certifies bilingual representatives' skills.
- The call abandonment rate is much improved from our prior review, at 1.7%.
- The average speed of answer is solid at 22 seconds.
- The average talk time is 293 seconds, which is appropriate for a servicer with loans with high delinquency rates.
- The low VRU capture rate of 17% reflects the nature of SPS' business; the company prefers to have a call center representative speak with its borrowers.
- The Web site usage rate is 26%.
- The first-call resolution rate is excellent at 91%.
- Routine monitoring of call center employees helps ensure consistency and provides feedback to identify training issues.
- Trending analysis of customer service calls and correspondence helps to monitor customer service issues, assess workflow demands, and identify training needs.
- Desktop document retrieval helps representatives respond to customer inquiries more quickly.
- A customer service helpdesk provides support and coaching to customer service representatives.
- Database monitoring of all customer correspondence, including e-mail, helps to ensure RESPA compliance.
- Customer service representatives receive three weeks of training, including two weeks of classroom training.

SPS operates a highly functional customer-oriented Web site that provides access to loan-level data at all times, as well as topical information on escrow analysis, taxes, and insurance, and payment remittance options. Customers can also send an e-mail inquiry directly to customer service.

SPS tightly controls its mortgage reconveyance processing to reduce the risk of loss due to failure to efficiently comply with state reconveyance timelines. LPS DocX system software is programmed with up-to-date state reconveyance guidelines and county recording fees and information. System-generated reports identify and prioritize the reconveyance workflow based on state-specific time frames, and age those items accordingly based on risk exposure.

Management further represents that the company is not currently engaged in any material litigation alleging noncompliance with state reconveyance statutes.

ESCROW ADMINISTRATION

SPS operates a well-controlled escrow administration area that benefits from highly effective oversight of its third-party vendor relationships for insurance and real estate tax bill procurement and processing. The company collects escrow funds on approximately 27% of the servicing portfolio and has implemented the following controls:

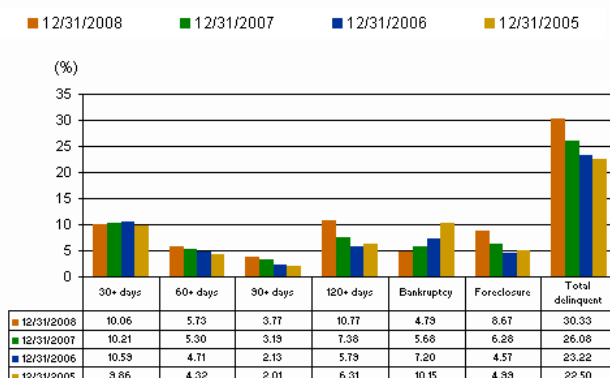
- Full outsourcing of the procurement and payment of real estate tax bills and hazard and flood insurance policies through vendor relationships.
- SPS servicing personnel perform monthly quality reviews and periodic on-site business reviews of vendors and produce vendor scorecards to assess their performance in accordance with agreed-upon service levels.
- The company has implemented controls to prevent invalid advances of taxes and insurance.
- SPS monitors second liens that move to first-lien position, resulting in escrowing for taxes and insurance.
- The lender-placed hazard insurance coverage rate is 15.7%, while the flood insurance coverage rate is low at 1.3%.
- The cancellation rate for lender-placed hazard insurance is 6.40%, and the cancellation rate for flood is 8.2%.
- SPS monitors its entire portfolio for evidence of appropriate flood or hazard insurance.
- The company completes an annual search for delinquent taxes on all properties and performs tax searches and escrow analysis for all accounts in bankruptcy.
- The renewal rates for SPS' lender-placed hazard and flood insurance portfolios average approximately 7%.
- The preexpiration hazard insurance right-party contact rate is excellent at 97%.
- The company supplements its lender-placed insurance letter cycle with a telephone contact program to obtain policy renewal data from insurers and customers before policies expire.
- Management reports that it has no nonreimbursable tax penalties, which indicates excellent loan boarding quality control and vendor management.
- The vendor reviews the insurance carrier's ratings to ensure sufficient ability to pay claims in the event of a hazard or flood loss.
- Vendors perform letter and calling campaigns both before and after the expiration date of insurance and taxes for escrowed and non-escrowed items.
- Mortgage insurance claims are processed 45 days after foreclosure sales.
- The company performs loss analysis on all claims to determine possible servicing improvements.

DEFAULT MANAGEMENT

Collectors are well versed in FDCCA guidelines, and the company assigns accounts to collectors in two stages to minimize any complacency that can arise from a "cradle-to-grave" approach: the stage 1 team handles accounts 1-59 days delinquent, and the stage 2 team is responsible for accounts 60-119 days delinquent. Management adheres to all applicable investor requirements when initiating borrower contact and makes efficient use of technology to maximize the collection effort.

Chart 5

Subprime Portfolio Delinquency Trends: 2005-2008



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The key characteristics of the company's approach to first-lien collections include:

- A bifurcated collection approach that includes state-specific notices and calling campaigns.
- Reporting to credit bureaus.
- Extended evening and weekend hours to canvass the geographically diverse portfolio.
- Autodialer technology to coordinate calling campaigns and manage productivity.
- Certified bilingual representatives to handle the demographically diverse portfolio.
- Electronic interface with the property management vendor to order and download inspections at 30-day intervals portfolio-wide.
- The management team averages 17 years of industry experience and five years' tenure with SPS.
- Collectors average eight years of industry experience and two years' tenure with SPS.
- The collector turnover rate is well controlled at 19.5%.
- 31.8% of calling campaigns are conducted during prime-time hours.
- The rate of confirmed promises-to-pay is 13% per dialer hour.
- The promise-to-pay success rate is 79% for the 30- and 60-day delinquency buckets in aggregate, which compares favorably with peers in SPS' SEAM group.
- The default call center abandonment rate is acceptable at approximately 1.8%; the average speed of answer is slightly better than industry standards at 29 seconds.
- The right-party contact rate is acceptable at 14%.

SPS began servicing closed-end subordinate-lien loans in early 2006. Although the company does not anticipate growth in this sector, it has developed policies and procedures to service such loans that are in accordance with accepted industry practices. Additionally, the company's overall collection approach and designated timeline activity, including charge-off practices, are in accordance with accepted industry practices and are appropriately proactive.

The SRM unit, an independent group, performs extensive call monitoring of collection representatives to ensure compliance with FDCPA and agency guidelines. Managers monitor an average of 12-15 calls for each collector throughout each month, which are recorded, scored, and maintained on a database.

SPS has made a concerted effort to provide loss mitigation alternatives to borrowers. Its effective loss mitigation initiative is appropriately designed to balance investors' interest in limiting losses with the goal of keeping borrowers in their homes. Highlights of SPS' loss mitigation efforts include:

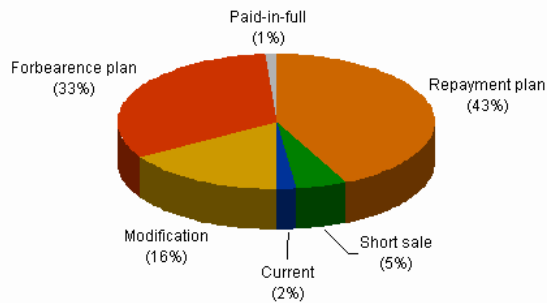
- Accounts may be referred to loss mitigation during the collection process at any time.
- Loss mitigation personnel use a proprietary decision engine/database model that performs a net-present-value analysis to compare various workout alternatives with the cost of carrying the loan through foreclosure and marketing.
- SPS presents loss mitigation plans to borrowers with a stipulation that the borrower must present proof of income before the modification plan is finalized.
- SPS requires an escrow account for loans in the loss mitigation process.
- Borrowers have the ability to submit financials via the company's Web site.
- SPS was one of the first servicers to participate in the Home Affordability Modification Program (HMP).
- SPS is actively working to implement the HMP program in 2009 by enhancing its modification tool and decision engine; tracking financial incentives to borrowers; and offering extensive staff training regarding HMP principles.
- Modification plans are referred to underwriters in nine to 12 days.
- The company maintains a PSA matrix to confirm modification restrictions that may be in place in securitizations.
- Stipulations to modify are in place requiring borrowers to make three payments before the modification is implemented.

- Affordability for the borrower is the primary factor in developing modification alternatives.
- SPS has almost doubled its use of principal-forgiveness modifications.
- Loss mitigation activities continue during the foreclosure process, following a dual path consisting of loan workout activities designed to minimize risk of loss to investors while also adhering to timelines critical in the foreclosure process.
- Borrowers can submit loan modification applications through SPS' Web site.
- SPS emphasizes loss mitigation training and awareness in other areas throughout the organization, including collections and bankruptcy.
- SPS' processes for troubled loans are in line with industry practices, which show that loss mitigation attempts during the foreclosure process represent an efficient use of resources, considering the costs associated with foreclosure and real estate marketing.

Chart 6

Loss Mitigation: Subprime Workout Distribution By Payment Type

As of Dec. 31, 2008

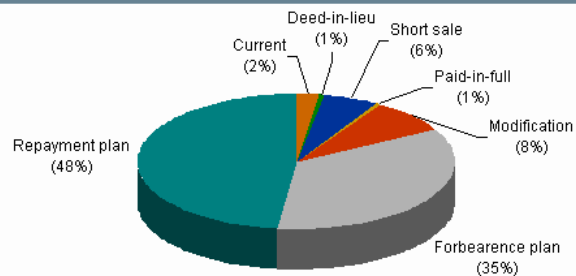


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Chart 7

Loss Mitigation: Special Servicing Workout Distribution By Payment Type

As of Dec. 31, 2008

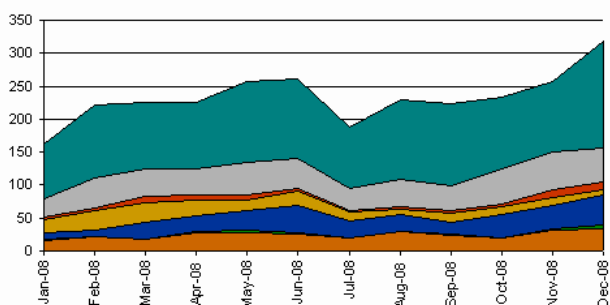


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Chart 8

Special Servicing Month-By-Month Loss Mitigation For 2008

■ Short sale ■ Deed-in-lieu ■ Modification ■ Reinstatement
■ ASF modifications ■ Forbearance plan ■ Repayment plan

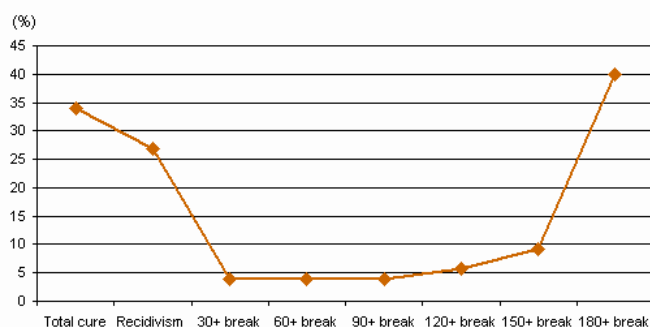


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- SPS' loss mitigation management team averages more than 13 years of industry experience and eight years' tenure with SPS.
- Loss mitigation counselors average more than seven years of industry experience and two years of tenure with SPS.
- Loss mitigation notices are generated at approximately 50 days into the delinquency cycle, and formal loss mitigation counseling begins at the 90th day of delinquency.
- SPS' 34% forbearance cure rate meets industry standards.
- The recidivism rate for loan workouts that cure and redefault within six months is a low 26%.

Chart 9

Subprime Loss Mitigation Forbearance Plan Performance As Of Dec. 31, 2008



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The Consumer Assurance Review Department (CARD) performs an audit on each file prior to the referral or resumption of foreclosure activity. The department uses its extensive CARD checklist to audit each file to ensure that all attempts to reach the borrower have been exhausted and that the company has identified and thoroughly evaluated all loss mitigation opportunities. Additionally, the CARD process was designed to ensure that all prior borrower disputes have been resolved and that the company has complied with all state and regulatory requirements.

The CARD group communicates with SPS' Contested Default Management Unit to identify opportunities for enhancing processes and controls that will serve to minimize litigation exposure and headline risk. Recently, SPS expanded the CARD audit process to include a review of all closed forbearance plans, completed bankruptcy actions, completed QWRs (qualified written responses) that returned to foreclosure status, and preforeclosure sale files. Lastly, the CARD group meets with the executive management team monthly to review audited files and identify and implement operational best practices.

SPS has a growing portfolio of special servicing assets as a result of the present turmoil in the mortgage industry. This environment creates escalating numbers of new foreclosures and resulting REOs, which provide strategic opportunities to service and/or acquire distressed assets in the special servicing market. The CARD and CDM groups that SPS has established make the company uniquely situated to perform special servicing effectively.

SPS assigns foreclosure files according to the investor to promote expertise among its employees and to optimize service to the bank's client base. The default support area prepares foreclosure files for referral to outside counsel. The management team is seasoned, as reflected in the following performance indicators and risk methodologies:

- The foreclosure management team averages more than 15 years of industry experience, and foreclosure counselors average roughly seven years of industry experience.
- The bankruptcy management team averages 17 years of industry experience, and bankruptcy staff average nearly eight years of industry experience.
- The team reviews each file to ensure that all collection attempts have been exhausted and that there are no outstanding compliance issues.
- The company uses multiple automated attorney referral systems for electronic file referral and to monitor case status with legal counsel.
- SPS outsources its foreclosure process; however, it retains control over the vendor's attorney network, as well as any knowledge-intensive processes.
- SPS uses an automated process to screen foreclosure referrals that identifies exceptions or loans that may be eligible for modification or other loss mitigation alternatives.
- SPS maintains a net-present-value (NPV) model, which encourages third-party foreclosure sales where appropriate.
- The company enhanced its attorney scorecard in 2008 and has implemented an attorney hotline to provide loss mitigation opportunities.
- Monthly audits of processors measure performance against benchmarks and standards.
- Fannie Mae and Freddie Mac-approved counsel and vendor lists are available online.
- SPS prepares a proof of claim, and requests a lift of stay, when applicable, if a payment is 60-90 days delinquent.
- The PACER system electronically accesses court filings and monitors the status of the caseload.
- The Banko system provides automated notification of bankruptcy filings on the SPS portfolio.
- SPS' compliance with foreclosure timelines (measured against the standard) is an effective 97%, and the foreclosure cure rate is an effective 21%.
- 48% of SPS' Chapter 13 bankruptcy cases are performing according to plan.

SPS' Contested Default Management (CDM) group is responsible for reducing foreclosure timeline delays and related costs by focusing on various resolution methodologies. The group identifies new litigation, develops an approach that includes a comprehensive loss mitigation resolution, and manages the litigation through resolution. The group proactively identifies written disputes that have an elevated risk of litigation and also investigates fraud allegations to support potential loan repurchases.

The REO department is directed by a seasoned manager with over 13 years of industry experience and teams of asset managers that oversee the company's real estate owned (REO) properties on its first-lien mortgage loans. Asset managers average 11 years of relevant experience and handle a caseload of approximately 100 assets per asset manager. The company assigns assets according to region so that asset managers develop the requisite market expertise.

- SPS secures a minimum of two valuations post-acquisition to determine asset value and list price.
- SPS representatives make monthly trips to areas with high concentrations of REO properties, where they conduct inspections, review brokers and other contractors, and also assess the local market.
- The company has designed a new proprietary valuation tool to better value collateral.
- SPS has developed regional REO strategies based on market research and trend data.
- The company develops individual marketing plans to liquidate properties. All plans require management approval to ensure consistency in the marketing process.
- SPS uses financial incentives for borrowers to avoid protracted eviction proceedings and expedite marketing time.
- The company uses a cost/benefit analysis matrix for determining property repairs.
- Review of monthly broker status reports helps ensure satisfactory marketing efforts.
- 48% of REO properties require eviction, and the average eviction time is 54 days
- The average inventory turnaround time is 145 days.
- The REO inventory turn rate is 16%.
- The average time to market an asset from post-eviction to closing is 115 days.
- The overall loss severity is 61%.

Financial Position

We deem SPS' financial position to be 'Sufficient'. We based this assessment on Standard & Poor's current 'A/Stable' rating on Credit Suisse Group, the ultimate parent company of SPS. For more information regarding the financial position of Credit Suisse Group, please refer to RatingsDirect, at www.ratingsdirect.com.

Contact Information

SPS' residential loan servicing operation is headquartered in Salt Lake City, Utah.

Lester Cheng

Senior Vice President, Select Portfolio Servicing

www.spservicing.com

Related Research

- "Servicer Evaluation Ranking Criteria: U.S.," published Sept. 21, 2004.
- "Revised Criteria For Including RMBS, CMBS, And ABS Servicers On Standard & Poor's Select Servicer List," published April 16,

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