

Servicer Evaluation: Wells Fargo Home Mortgage

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Publication Date: Jun 19, 2007 13:02 EDT

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Publication date: 19-Jun-07, 13:02:03 EST

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Opinion

The rankings assigned to Wells Fargo Home Mortgage (WFHM), a division of Wells Fargo Bank N.A., which is a subsidiary of Wells Fargo & Co., are affirmed at STRONG for residential mortgage servicing and residential mortgage subprime servicing. Additionally, the ranking of ABOVE AVERAGE is affirmed for residential mortgage special servicing.

The rankings reflect the company's comprehensive servicing oversight, well-designed internal controls, experienced management and staff, and continued fine training methodologies. Management was able to successfully acquire and integrate a large portfolio of mortgages, including many that suffered from high delinquency rates, into its existing operation. WFHM decided to maintain separate servicing personnel to address many key functions for this portfolio until certain issues were resolved to its satisfaction. The company's delinquency rates are comparable to, and in some instances, better than relevant averages as reflected by the Mortgage Bankers Association of America. The company has been able to maintain its high operational ratings with its larger investors for an extended period of time, thus reaffirming its commitment to maintaining a high level of servicing performance. Statistics provided by the company through Standard & Poor's SEAM questionnaire reflect that WFHM is a very competitive servicer both in the marketplace and as compared against its relevant peers. The company has also taken an appropriately proactive stance regarding possible workout activity for its adjustable-rate mortgage portfolio given the current market conditions.

Policies and procedures remain well documented, and the dual internal auditing mechanisms help ensure proper adherence to investor and corporate guidelines. The company's subprime servicing operation successfully leverages many functions from the residential mortgage platform. Subprime metrics also indicate solid performance. Overall, call center statistics continue to reflect that the company is committed to satisfying its large customer base through expedient communication

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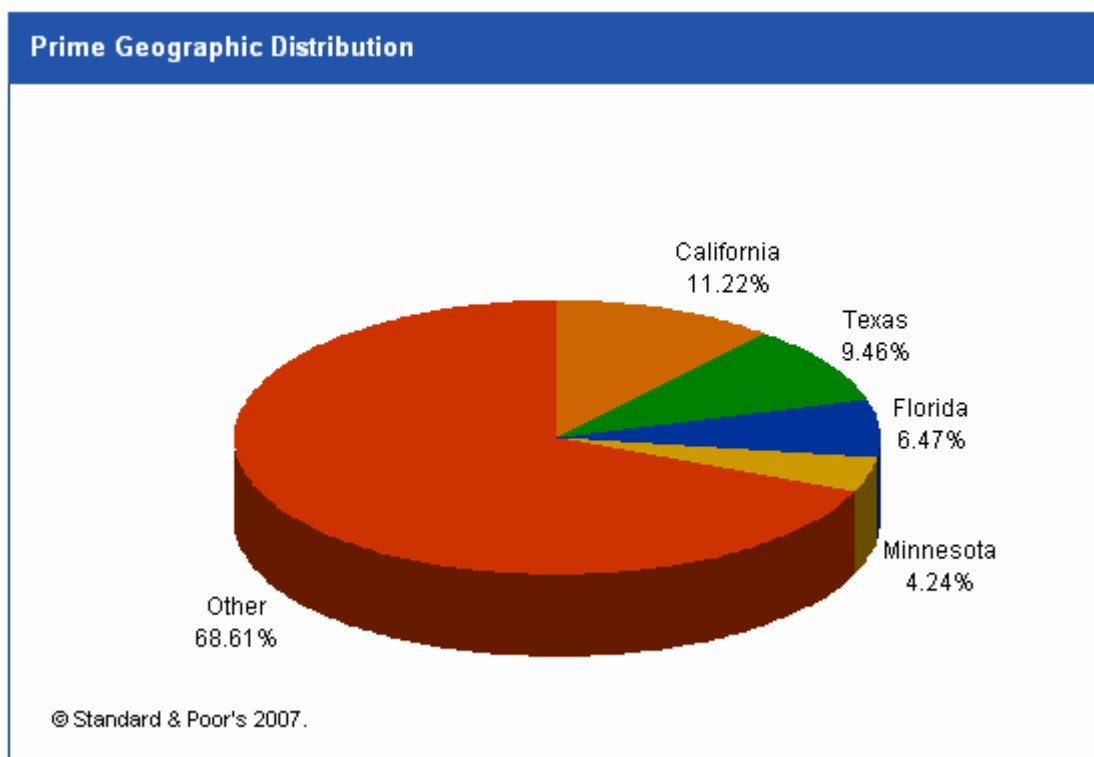
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affecting both customer service and default questions. The company's special servicing portfolio has declined over the past year, but management remains committed to this line of business, and plans to actively grow it over the next year. Nevertheless, controls remain strong in this operation and there have not been any noticeable performance issues.

Outlook

The outlook is stable for residential mortgage servicing and subprime servicing. The outlook is developing for special servicing. WFHM will remain focused on improving operational efficiencies over the next year. A key emphasis will be on continuing to stabilize the performance of its recently acquired mortgage portfolio, and to eventually assimilate it into the overall portfolio rather than keeping it separate. Management plans to continue leveraging its prime servicing staff for subprime and special servicing functions in the future. The company also plans to reverse the current trend in its declining special serviced portfolio over the next 12 months, the results of which could affect the current ranking. Standard & Poor's expects WFHM to remain a proficient residential mortgage servicer, residential mortgage subprime servicer, and residential mortgage special servicer for a wide variety of investors in the residential mortgage marketplace.

Chart 1



The company has a geographically diverse portfolio, with the largest concentrations by number of units based in California (11.22%), Texas (9.46%), Florida (6.47%), and Minnesota (4.24%).

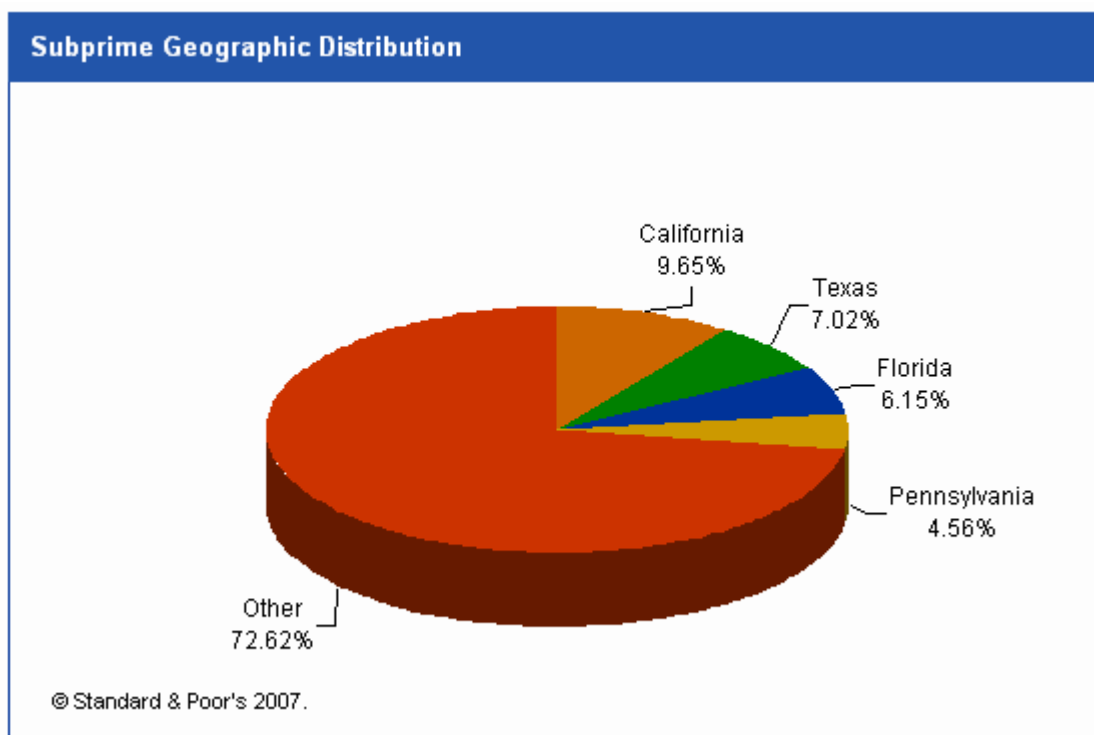
Table 1

Key Statistics - Loan Administration

2006	
Loan portfolio total	
Volume (mil. \$)	1,002,458
Assets (No.)	6,210,845
Delinquency (% of loans)	
Total	4.93
30-day	2.89
60-day	0.84
90+ day	1.20
Foreclosure	0.46
Bankruptcy*	0.73
Real Estate Owned (No.)	4,417

*Included in individual delinquency buckets.

Chart 2



The geographically diverse portfolio evidences the largest concentrations in California (9.65%), Texas (7.02%), Florida (6.15%), and Pennsylvania (4.56%).

Table 2

Key Statistics - Subprime Loan Administration

2006	
Loan portfolio total	
Volume (mil. \$)	30,063
Assets (No.)	210,227
Delinquency (% of loans)	
Total	10.52
30-day	6.55
60-day	2.00
90+ day	1.97
Foreclosure	2.51
Bankruptcy*	1.34
Real Estate Owned (No.)	1,541

*Included in individual delinquency buckets.

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Profile

Originally formed in 1906 as Iowa Securities Co., Northwest Bank Corp. acquired the company in 1969 and then changed the name to Banco Mortgage in 1974. In 1983, the company became known as Norwest Mortgage Inc. Norwest Corp., the then parent organization, merged with Wells Fargo & Co. in November 1998. This resulted in a subsequent name change to Wells Fargo Home Mortgage, primarily to capitalize on the name recognition of its parent.

WFHM employs 6,151 people throughout its seven servicing centers, which are located in Fort Mill, S.C., Frederick, Md., Minneapolis, Minn., Des Moines, Iowa, San Bernardino, Calif., Anchorage, Alaska, and Milwaukee, Wis. This last location is a new site that the company gained through a portfolio acquisition from Washington Mutual (WAMU), which WFHM decided to keep, along with a portion of the Milwaukee staff. The company began its foray into subservicing seven years ago, operating as America's Servicing Co. (ASC). ASC now subservices approximately 200,000 loans for 23 clients.

As of Dec. 31, 2006, WFHM was the largest prime servicer by number of loans serviced and by unpaid principal balance (UPB). It was the third-largest subprime servicer by number of loans serviced and seventh largest by UPB per data compiled by National Mortgage News. The company's special servicing activities began mainly through the FHA 601 program, which entails nonperforming asset sales directed by HUD. However, most new business is now from flow purchases. Additionally, reverse mortgage servicing functions are conducted mainly from Fort Mill by 103 dedicated staff members. WFHM is an approved seller/servicer for Fannie Mae, Freddie Mac, VA, FHA, and many private investors.

The company applies a combination of organic growth, purchased servicing rights, and possible company acquisitions to increase its portfolio. WFHM purchased a large portfolio from WAMU in the third quarter of 2006 that consisted of 541,208 government loans and almost 700,000 FNMA/FHLMC accounts. All loans were transferred onto the system by February 2007. The business plan forecasts a portfolio of 10 million loans by 2010, with an approximate product breakdown consisting of 70% prime and 30% subprime. Despite the recent market slowdown, management does not believe there will be any servicing layoffs in 2007, as general attrition will gradually reduce staffing and thus maintain operating efficiencies. There are no plans to engage in any offshore outsourcing in the future.

Management states there is no servicing related litigation directed against the company that would have a material adverse affect on its operations. For more information, please review the parent company's recent SEC filings.

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Management And Organization

The ranking for management and organization is affirmed at STRONG.

Management and staff recruitment, development and training

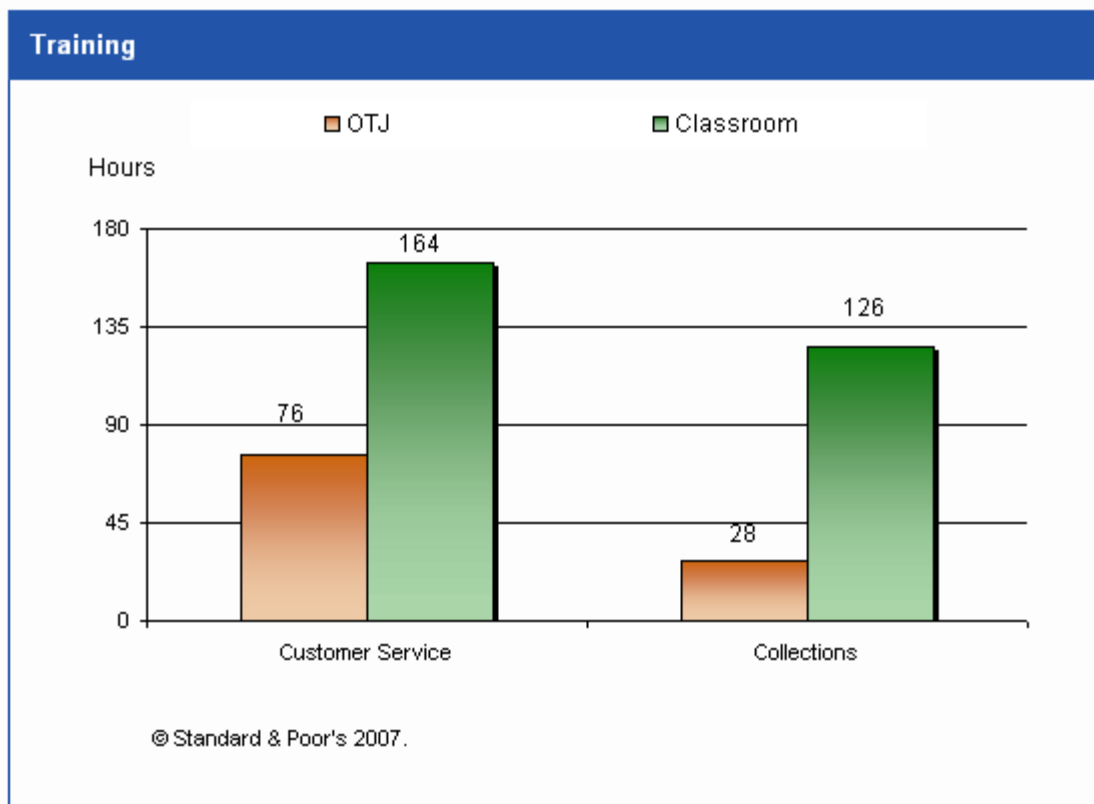
WFHM displays excellent management depth. Due to the favorable locations of its servicing sites, management is able to recruit from a large pool of qualified applicants.

- Senior managers average 14 years of industry experience and 10 years with the company;
- Middle management staff average 18 years of expertise and 11 years tenure with WFHM; and
- The turnover rate in 2006 was 6.69% for senior management and a slightly elevated 30% for staff.

WFHM's excellent training regimen provides a sound foundation for new and existing employees to develop expertise with their respective job responsibilities. The WFHM academy program is the company's main educational forum. The organization consists of six distinct teams. Within these six teams, servicing/post-closing is responsible for servicing instruction. The servicing/post-closing training area, under the direction of a unit manager, consists of several areas, each under the direction of a manager. This consists of collections/loss mitigation with 10 staff, customer contact with 10 trainers, a six-person operations business (i.e., other remaining servicing areas) unit, and two consultants. A separate operations/fulfillment group handles organizational learning for topics such as leadership development, Web-based instruction, and logistical support. Training personnel are on site at all locations. The compliance area works with the various trainers to further develop its compliance training and ensure employees are cognizant of the requirements. The company is transitioning to a more virtual training environment versus classroom-based instruction. Attributes of the program include:

- Management averages 11 years experience, while trainers average six years' experience;
- An approximate 15-hour new hire orientation introduces new team members to WFHM and the mortgage banking environment;
- Each site maintains numerous training facilities for in-room routing of customer calls so employees can experience borrower contact in a regulated setting;
- Customer service and collection personnel undergo six-week and four week training programs, respectively, which includes classroom, self-paced, Web-based instruction and on-the-job (OTJ) mentoring;
- Prime and subprime collectors attend three hours of FDCPA training and are recertified annually.
- Tax and new loan data personnel undergo three-week training regimens, respectively, although the latter group's instruction is department based;
- Staff may register for courses online, with an automatic e-mail notification to the appropriate supervisor requesting approval;
- There are more than 250 mandatory and/or optional courses that encompass all servicing areas;
- A centralized library houses books, videos, and other relevant self-study medium on servicing topics;
- Refresher training based on quality assurance (QA) monitoring results, which may be individually tailored, or encompass a department-wide initiative based on recurring trends;
- The company's learning management system tracks completed course;
- Mandatory compliance training involves instruction in fair lending, information security, ethics, the Bank Secrecy Act, privacy, and now Reg AB;
- Depending on the function, employees must complete certain courses, and obtain annual certification;
- A senior consultant focuses on developing training plans related to any large project initiatives; and
- Three dedicated staff members design training materials.

Chart 3



Internal controls

WFHM has well-written policies and procedures. There are solid controls in place for drafting, disseminating, reviewing, and updating guidelines as evidenced by the following:

- The manuals are available online, thus resulting in a more knowledgeable staff that uniformly apply servicing practices per company, investor, and regulatory guidelines;
- In many instances, the policies are especially detailed, referencing state and federal statutes. Many offer screen prints, which serves as an auxiliary training mechanism for the staff;
- Each business unit has a hybrid QA group that performs at least annual reviews of the manuals to ensure they are up to date;
- Proposed revisions must be approved by a change/control committee, QA, and possibly legal counsel;
- A separate business process support group inputs changes into the Intranet;
- E-mail notifications of major revisions allow for immediate implementation of new policies or procedures, which helps promote consistency in servicing tasks; and
- Investor agreements are online to assist personnel in case of questions.

WFHM's exemplary audit program relies on a dual review processes that effectively safeguard the company against risk of loss due to noncompliance with investor or regulatory requirements. Both the enterprise risk management group (ERMG) and Wells Fargo Audit Services (WFAS) are responsible for loan-servicing reviews. ERMG consists of 31 personnel who examine FHA loans based on HUD quality control guidelines and non-FHA accounts based on standard audit

guidelines. Management decided to establish separate ERMG auditors to handle the WFHM and WAMU portfolios, although it may integrate these groups in 2008. ERMG also implements compliance-related changes (through a dedicated team), analyzes servicing risk issues, assists in reengineering business unit processes, and is very involved in developing compliance training for the staff through the WFHM academy program. WFAS has 13 auditors dedicated to WFHM, over 50% of which have advanced professional certifications. Auditors average eight years of experience. WFAS also has five IT auditors to review the systems environment and disaster recovery planning. Highlights of the audit methodology include:

ERMG:

- Annual reviews of all key servicing departments;
- Trending analysis is used to ascertain changes from the preceding audit;
- A dedicated person within ERMG conducts a second-level review to ensure consistency in the testing, and to re-examine 100% of exceptions and between 2%-5% of remaining items;
- Final reports reflect an error ratio based on the file sampling;
- An integrated compliance forum, consisting of servicing and origination personnel, reviews test results and escalates issues to senior management if results exceed the allowable threshold;
- Monthly meetings are held with senior management to discuss changes;
- Dedicated compliance relationship managers (CRM) communicate pertinent regulatory revisions on a weekly basis to an assigned area; and
- A data acquisition and analytics group within ERMG assists in building audit models and statistical validity reports.

WFAS:

- Examinations are performed on a 12- to 18-month cycle depending on previous audit results;
- WFAS reviews its risk-based audit plan as needed each quarter based on previous findings;
- There is a timeframe for responding to discrepancies, which are carefully tracked for resolution;
- Resolved issues are retested within 90 days to ensure proper controls now in place; and
- Each audit is formally graded.

ERMG and WFAS are independent from servicing, and report to other areas of the company. There were no exceptions noted on the 2005 USAP statement. A review of 2006 audit reports issued by ERMG and WFAS reflected that any findings were addressed and resolved in a timely manner.

Management successfully established operational risk management positions throughout servicing in 2006. Consisting of approximately eight personnel, who work closely with an assigned CRM, the function is tasked with identifying operational and cross-organizational items (e.g., between customer service and collections) for discussion and resolution, as they pertain to common issues affecting borrowers. Operational risk managers also review many different items, such as policies/procedures, compliance changes, and key operational issues.

Technology

WFHM operates in a superior automation environment, with excellent systems and support. Systems architecture and business recovery features include:

- The Fidelity MSP system, offered by Fidelity Information Services Inc., is the primary system of record;
- WFHM automation work flow software, an integrated rules-based workflow product that enhances productivity and efficiency, is used in several servicing areas;

- Behavioral scoring helps collectors target accounts that pose a higher risk of default;
- Integrated best time to call software enhances contact and penetration rates;
- Imaging technology allows staff to view documents at their desktops, thus facilitating resolution of customer inquiries;
- Electronic communication with legal counsel assists in timeline management;
- A collection/workout software package allows for earlier identification of loss mitigation candidates; and
- A satisfactory disaster recovery and business resumption plan is tested annually, and backup tapes are stored off site. A dedicated person manages the plan for WFHM.

The disaster recovery and business resumption plans are comprehensive, and must be re-approved by the senior site managers at least annually. The plans acknowledge that critical functions must be operational within 48 hours. The company relies on its other sites and a separate contract with an outside vendor to provide facilities and equipment in case of a business interruption. As an added control, WFHM also retains an agreement with a separate vendor to deliver mobile units if necessary.

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Residential Mortgage Administration/Residential Subprime Mortgage Administration

The rankings for loan administration are affirmed at STRONG for residential mortgage servicing and residential subprime servicing.

Mary Coffin, executive vice president, oversees WFHM's servicing and post-closing divisions, which have more than 6,100 employees. WFHM was one of 15 companies in 2006 that received FHLMC's "Hall of Fame" award for overall sustained excellent performance as a servicer, and has maintained this status since 2002. FNMA recognized the company's fine loss mitigation and foreclosure prevention performance with a recognition letter in 2006.

The servicing post closing business unit has operations at seven campuses across the country. This allows the business to service customers across all time zones and offers the ability to continue operating during a weather disaster or service disruption in one sector of the country. All of the sites serve as customer service centers, providing frontline contact with its borrower base. Specifically, Des Moines handles payment processing, claims and property preservation, insurance, taxes, sales and acquisitions, training, marketing and investor reporting. It is also the largest campus. The Frederick servicing center is responsible for new loan boarding, collateral review, file management, sales and acquisitions, real estate owned, training, and some post-closing activities. Minneapolis oversees escrow analysis and insurance, lien release, new loan management, collections, and training in addition to being the main hub for the business unit's post-closing functions. The West Coast operation in San Bernardino provides lien release, file management, collections/loss mitigation, training, quality and compliance management, and real estate owned operational support. This center also is the central facility for servicing functions related to WFHM's Home Asset Management Account product. The Anchorage center handles all servicing functions related to the Alaska Housing portfolio and Alaska Bond loans. The team also provides servicing for construction loans. The Carolina campus in Fort Mill, S.C., is the main site responsible for borrower counseling, prime and subprime loan collections, loss mitigation, foreclosure, bankruptcy, and special loans. WFHM formed a new division, known as Service Experience Team (SET), which analyzes and interprets data related to the customer's experience with WFHM.

The Milwaukee site, consisting of 800 personnel, addresses customer service, claims, collections, loss mitigation and lien-release functions exclusively for the former WAMU portfolio. There are no plans to integrate the portfolio among the other sites at the present time. This portfolio evidenced high government delinquency rates at inception; and although WFHM has made progress in reducing some of the arrears (e.g., FHA was at 19% but is now at 14%), management feels it will take the remainder of 2007 to significantly reduce the delinquency level. There are two WFHM

managers in Milwaukee who were relocated to that site to closely oversee the portfolio. WFHM has also been able to recruit experienced mortgage employees from another servicer that recently closed its facility in the area.

One executive vice president (EVP) leads the servicing and post-closing operations business unit, and is a member of WFHM's executive management team, which makes up the company's top-level officials. Six senior vice presidents, each responsible for various functions, report to the EVP.

Management leverages its existing platforms for all servicing functions, regardless of product, so that only significant differences among the products will be discussed.

Table 3

Key Statistics - Loan Administration

	2006	2005	2004	2003	2002
Prime loan administration					
Loan portfolio total					
Volume (mil. \$)	1,002,458	834,292	707,871	643,462	534,684
Assets (No.)	6,210,845	5,302,826	4,766,872	4,516,908	3,997,599
Delinquency (% of loans)					
Total*	4.93	4.09	3.85	3.80	4.42
30-day	2.89	2.24	2.21	2.34	2.78
60-day	0.84	0.72	0.72	0.70	0.77
90+-day	1.20	1.13	0.92	0.76	0.87
Foreclosure	0.46	0.39	0.41	0.50	0.52
Bankruptcy*	0.73	0.84	0.69	0.71	0.71
Real Estate Owned (No.)	4,417	3,600	3,954	1,686	1,486
Subprime loan administration					
Loan portfolio total					
Volume (mil. \$)	30,063	26,702	19,841	12,727	6,081
Assets (No.)	210,227	184,326	138,751	94,721	50,216
Delinquency (% of loans)					
Total	10.52	8.90	6.44	6.13	9.28
30-day	6.55	5.30	4.11	3.76	5.71
60-day	2.00	1.69	1.21	1.05	1.55
90+ day	1.97	1.91	1.12	1.32	2.02
Foreclosure	2.51	1.63	1.51	1.64	2.64
Bankruptcy*	1.34	1.60	1.33	1.56	2.31
Real Estate Owned (No.)	1,541	852	769	649	504

*Bankruptcies included in the individual delinquency buckets.

Standard & Poor's reviewed all areas of loan servicing and key areas of risk are discussed below in more detail.

Loan boarding and rate administration

WFHM has appropriate controls and procedures in place for loan boarding. A 66-person data integrity team (seven years experience) oversees this function. This includes a document-to-system review of information to ensure accuracy. Any loans identified with possible inaccurate data are transferred to a Web-based queuing system for additional review. Almost 100% of prime and subprime loans are boarded electronically. Welcome calls for subprime commence from the collection area.

The 44-staff members in the special loans department average 12 years experience. Approximately 16% of the portfolio is made of ARM or interest-only mortgages. WFHM does not originate or service any option ARMs and has only a small balloon portfolio (19,000 accounts) based on a 40/30 amortization. For its remaining ARM products, there are dual reviews of the indices to ensure the correct information is input into the system.

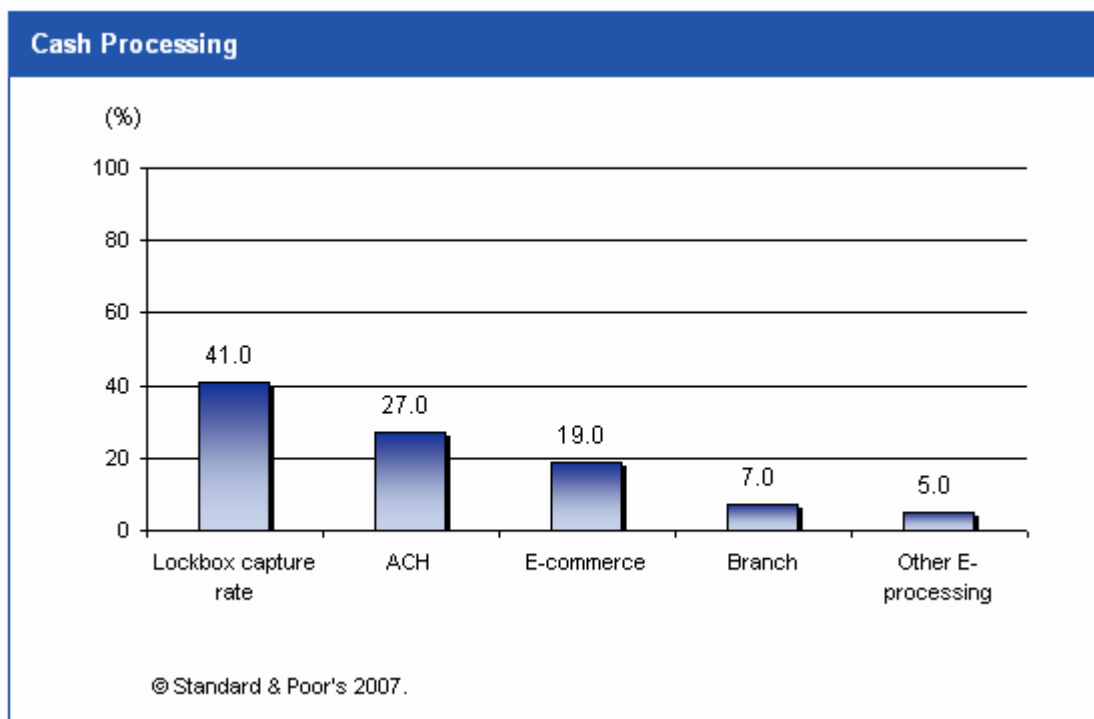
On bank-owned product, the company's loss mitigation group calls the borrower 45-60 days before a large payment change to ascertain if they can manage the new payment. Assuming there is a current or pending difficulty, the department applies four available options to try and counter a potential delinquency: a conversion to a fixed-rate mortgage; a "step" rate, in which the payment would gradually rise over a six-month period; spreading the increase over a 12-month timeframe; or a partial claim, whereby any delinquent amount is serviced separately via a new note until the loan is paid off.

Cash management and investor accounting

WFHM's prudent controls in its cash management department minimize risk of loss resulting from fraud or human error. The 252 staff members average five years of experience. The department is divided into separate units to address the multiple payment mediums. Different personnel handle customer loan payoffs, payment research, electronic payments, reversals, and other special transactions for customers. This permits the staff to develop a level of expertise and specialization for each function, although cross training allows for reallocation of resources depending on volume levels. Highlights and controls include:

- Four vendor lockbox facilities located throughout the U.S., with payments directed to the nearest site in order to expedite processing of funds;
- A superior 99% electronic processing rate;
- The lockbox reject rate is excellent, at 0.85%;
- Annualized turnover of only 10.8%;
- Electronic interface between the branches and servicing system further enhances posting productivity;
- Check images are immediately available online in case there is a need for further research;
- Cashiering operates from a secure area that requires card key access;
- A spreadsheet detailing posting exceptions or questions is forwarded to the appropriate area for comment, thus reducing the risk of lost or misappropriated checks; and
- (Vendor) Management closely monitors lockbox performance through service-level agreements with its provider and annual on-site audits of the lockbox.

Chart 4



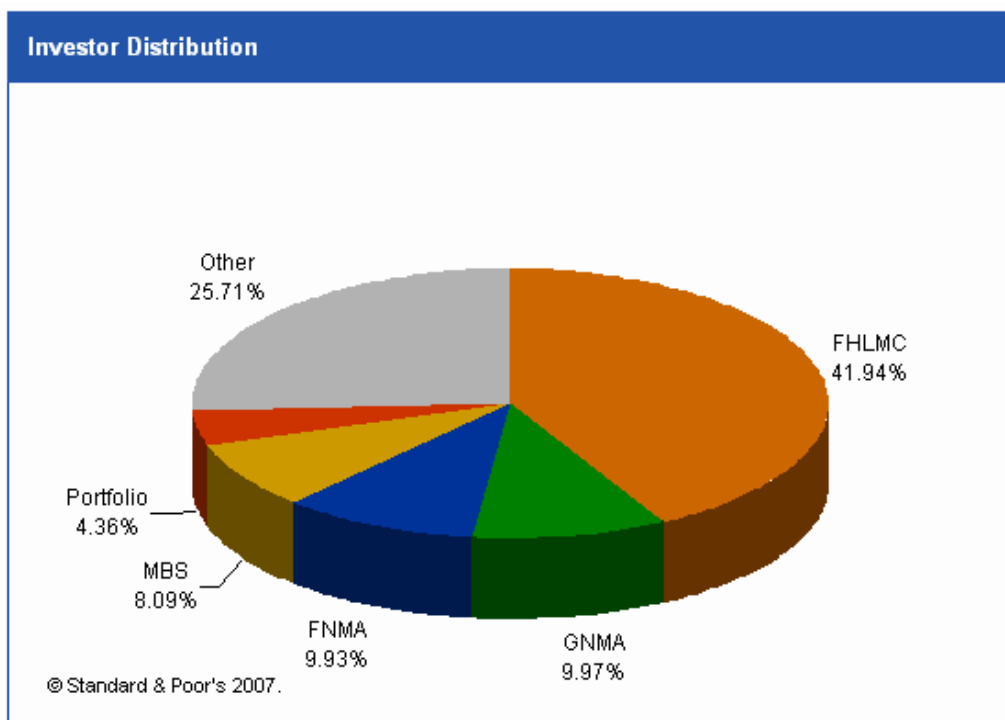
The department also has dedicated business analysts whose primary duty is to analyze opportunities to further augment and/or develop technology that will increase processing efficiencies. Through the use of planet coding of the coupon statement, which is scanned by the post office, management knows when to expect a borrower's payment. This represents an excellent productivity and cost savings tool. The process also reduces collection calls and letters based on the payment mailing date. Currently, WFHM ceases collection efforts for three days after notification. At that point, if the funds are not received, further collection contact resumes.

The investor services department handles investor reporting and remitting functions. Separate personnel generate investor reports, while remaining individuals perform reconciliation activities on the custodial and operational accounts. The treasury department completes wire transfers. In addition to FNMA, GNMA, and FHLMC, the department also has relationships with more than 600 private investors as well as several different bond programs. FHLMC is the largest investor, representing approximately 41.94% of the portfolio by UPB, with GNMA and FNMA accounting for 9.97% and 9.93%, respectively. There are dedicated teams to handle these transactions as well as ASC business and the WAMU portfolio. The company's good risk management policies, along with sensible controls ensure timely and accurate reporting to its diverse investor base. Attributes in place include:

- Management and staff average 12 and seven years experience, respectively;
- Reports, reconciliations, and remittances undergo management review before data is finalized;
- An efficient electronic reporting and remitting represents 95% and 98% for prime and subprime transactions, respectively;
- Approximately 77% of the 5,600 custodial bank accounts undergo an electronic monthly reconciliation;

- Online access to the bank statements facilitates daily/monthly balancing;
- Various internal QC reviews ensure that controls are functioning properly;
- A full-time trainer and two assistants in the department support and maintain the training process;
- Minimal aged open items; and
- WFHM has maintained a Tier 1 performance rating from FHLMC for the last 33 quarters, and received an "Excellent" peak performance profile score from FNMA.

Chart 5



The company's robust Web site, known as SecuritiesLink, provides performance data on MBS issued by Wells Fargo. The site provides loan level information, such as prepayment and remittance reports, to its clientele on nonconforming jumbo, Alternative A (Alt-A), and subprime transactions. This is an excellent way to keep the company's large investor base apprised of the most recent performance on each respective MBS pool. Web site security restrictions prohibit unauthorized personnel from obtaining proprietary data.

Customer relations

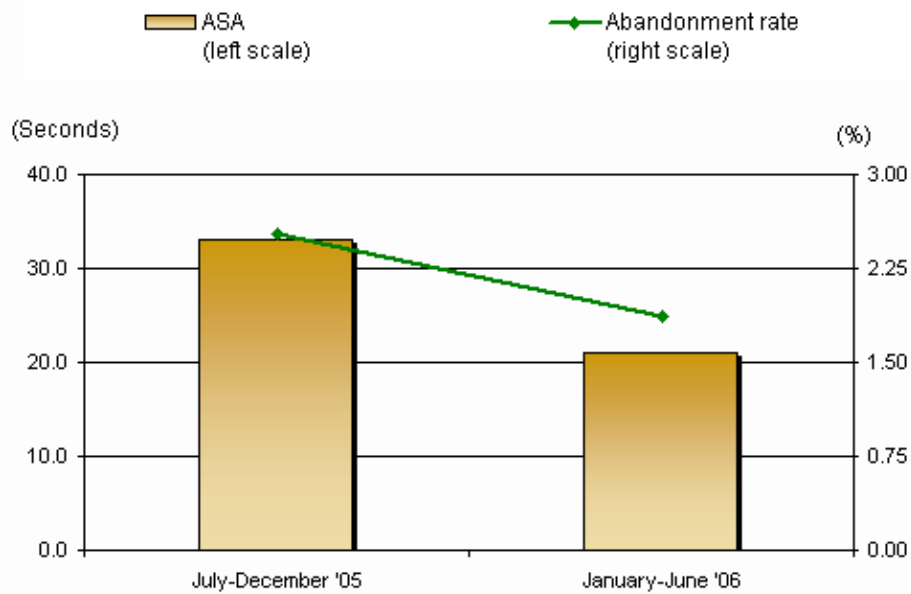
WFHM provides a superior level of customer service to its large borrower base. The 611 full-time and 123 part-time customer service representatives operate from all sites. Though previously operating from five locations, management added a team in Fort Mill and Milwaukee, although the latter site is primarily dedicated to former WAMU customers. Additionally, WFHM has an agreement with a third-party vendor (ICT) that provides additional outsourced representatives (up to 150) who handle simpler borrower inquiries and assist during heavy call volume times. The vendor resource FTE is managed on a month-to-month basis. For the six-month period ending Dec. 31, 2006, ICT handled almost 29% of WFHM's total call volume. Service indicators are as follows:

- Turnover rate of 61.28%, which is mainly attributable to WAMU staff attrition resulting from the acquisition and new hires that did not remain with the company;
- Skills-based routing, along with other task queue management tools, improve customer

- satisfaction;
- Balance routing to direct calls to a different call center so borrowers do not have extended hold times;
- A dedicated Spanish-speaking group eases communications with the company's large Spanish borrower base;
- The VRU is available 24/7, has bilingual capabilities, and can transfer calls to a bilingual customer service representative;
- A good VRU capture rate of 39.16%;
- Improved abandonment rate of 1.87% and an average speed of answer (ASA) of 21 seconds, which are excellent statistics;
- Superior performance by the vendor, which averaged a 1.28% abandonment rate and 15 second ASA;
- Vendor conducts surveys on 1,700 customers monthly;
- An additional internal customer survey;
- A well-defined monitoring program in which supervisors silently monitor each representative on 10 calls monthly, with verbal and written feedback provided to discuss areas for improvement;
- Quality control performs quarterly call monitoring and examines customer correspondence and resolution issues;
- There is a dedicated executive correspondence group in Des Moines that handles customer disputes referred to senior management, and other regulatory items;
- A customer resolution team to address escalated calls requiring additional research;
- A dedicated e-business manager oversees various aspects of the Web site;
- Average number of days to resolve written or e-mail inquiries are four days and one day respectively;
- No RESPA or FCRA timeline compliance issues in 2006; and
- The Web site has approximately 948,000 registered users.

Chart 6

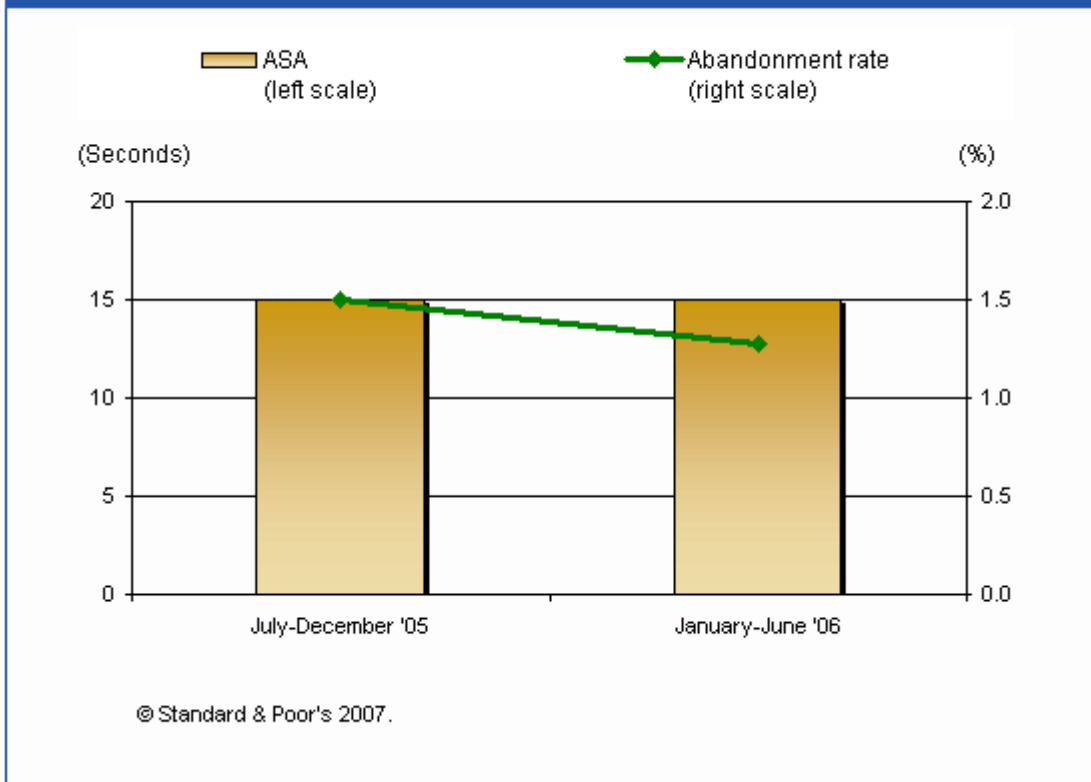
Customer Service ASA And Abandon Rates



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Chart 7

Vendor Customer Service ASA And Abandon Rates



The company's customer impact team is responsible for formally convening meetings with all department managers whenever there is an issue that affects its customer base. This includes circumstances such as natural disasters, delayed posting of tax payments by the municipality, and other servicing-related discrepancies. Resolving the issue may encompass establishing a special VRU message to answer forthcoming customer inquiries, or ad hoc letter campaigns.

The company's business integration unit provides various support services for different business lines. This includes assistance related to acquisitions, audit administration, business development, quality management, and communications/business processing.

Escrow management

WFHM escrows on approximately 78% of its portfolio. Four hundred and twenty-nine team members handle tax functions and 45 members address insurance matters. Tax personnel average seven years experience. The company uses its own affiliate, Wells Fargo Real Estate Tax Service, to manage all tax related issues, and outsources its insurance functions inclusive of customer service and claims processing to two third-party vendors. The reasonable controls in place to manage escrow administration tasks include:

- A proprietary tax system, TSS, tracks taxes on escrowed and non-escrowed loans;
- An escrow specific work queuing and tracking system allows for better reporting on escrow issues, as well as automatic assignment of escrow items to appropriate staff;
- Separate tax sale and non-escrow teams to monitor and research issues related to their areas;
- Tax penalties decreased to \$0.10 per loan at year-end 2006, down from \$0.17 per loan in 2005 and \$1.69 per loan in 2004;
- Imaging technology allows for automatic uploads of information into the system, reducing

- the time-consuming task of manually inputting data;
- Approximately 34% of premiums are paid electronically with the carrier;
- Vendor personnel of the largest outsourcer perform 20 call monitoring sessions of each staff monthly;
- The vendor proactively contacts the carrier eight days before policy expiration to ascertain the status of the billing, followed by a series of calls/letters over 60 days before obtaining a lender-placed policy;
- An excellent 2.12% abandonment rate and 27 second ASA for the vendor;
- A separate flood compliance unit monitors the portfolio for adherence with applicable federal flood insurance regulations;
- Lender-placed hazard policies account for a low 1.11% of the portfolio, with a 29.43% cancellation rate;
- Lender-placed flood policies amounted to 0.34%, with a 40.04% cancellation rate; and
- A vendor management team uses a database system to monitor the insurance vendor's performance, performs annual on-site audits; and conducts quality reviews affecting loss drafts and cash controls.

Chart 8

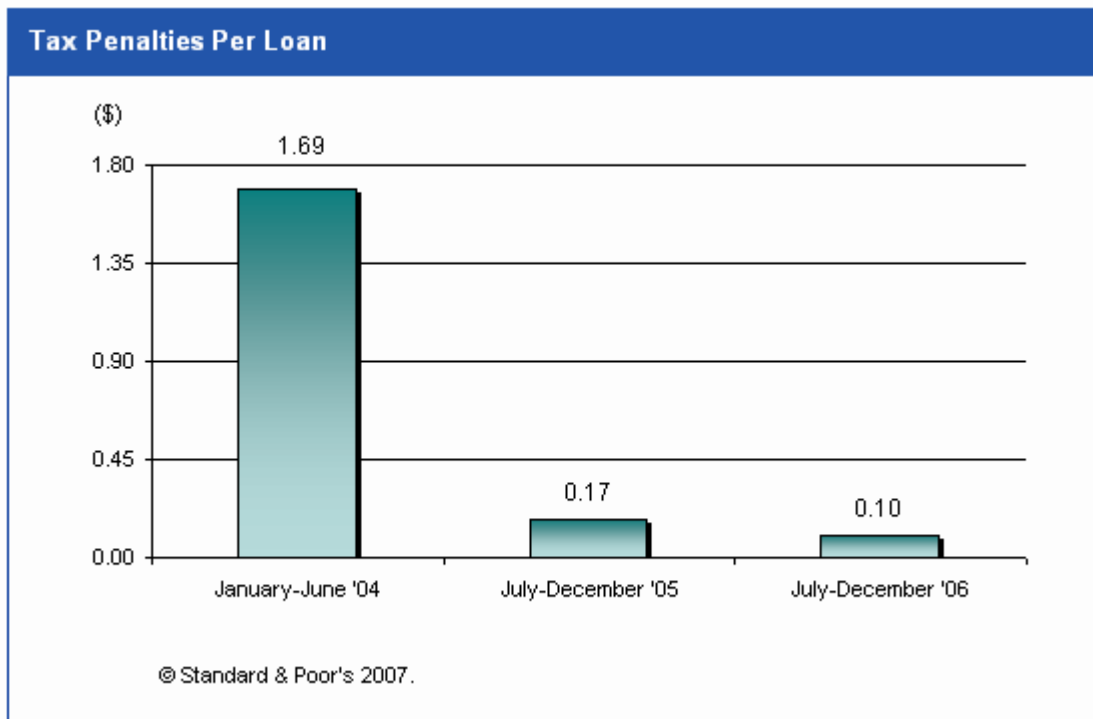
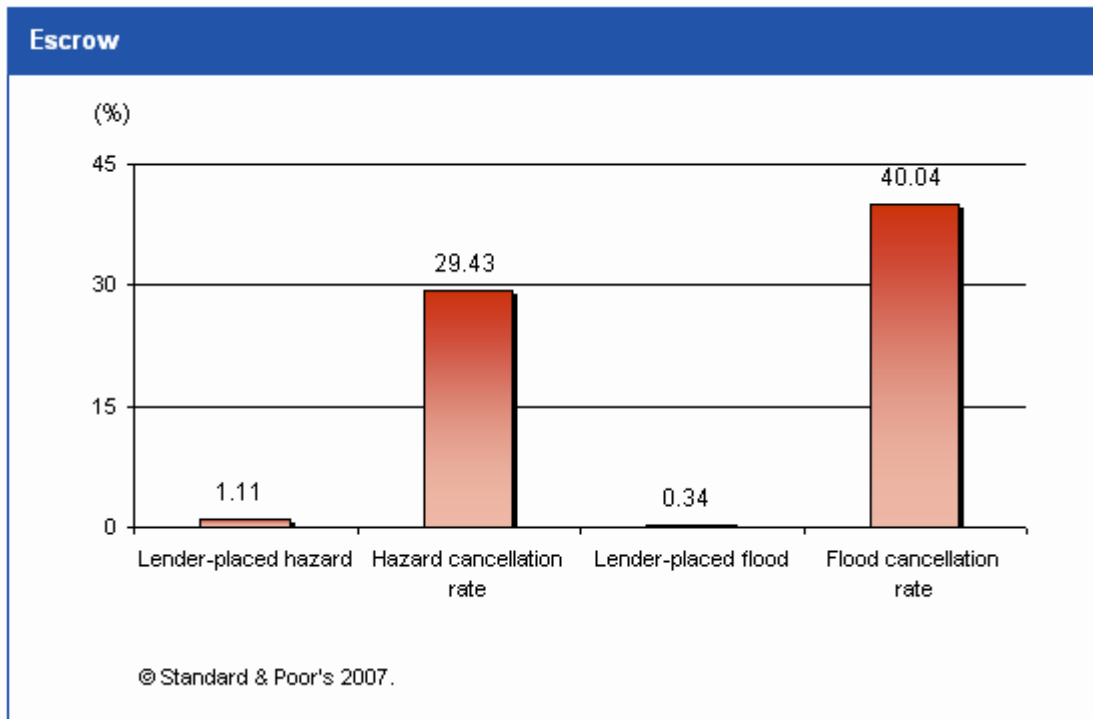


Chart 9



A key indicators report monitors for compliance with stated goals and thresholds as they pertain to various escrow processes, with monthly and year-to-date comparisons. Management plans to introduce telephone monitoring of its tax personnel in the near future.

Lien release functions reside in San Bernardino, Minnesota, and Milwaukee. The 135 members average 10 years of experience. There have been minimal late release penalties in 2006.

Default management

Compliance remains a key focus of this department. As part of its overall initiatives, management meets each month to update its set of key indicators that measure departmental performance and compliance attributes. An additional compliance mechanism concerns the company's MARC (management assessment of risk control) report, which tracks and measures the controls in place to mitigate risk. A score is assigned to the report and management must explain any deviations. Although not a true compliance function, the default division has a separate department that serves as a dedicated resource focused on interactions with its investors, clients, and consumer advocacy groups to assist with general and customer matters.

WFHM uses its excellent technology, strict controls, and assertive collection methodology to maintain very respectable delinquency levels within the portfolio.

Table 4

Delinquency Statistics

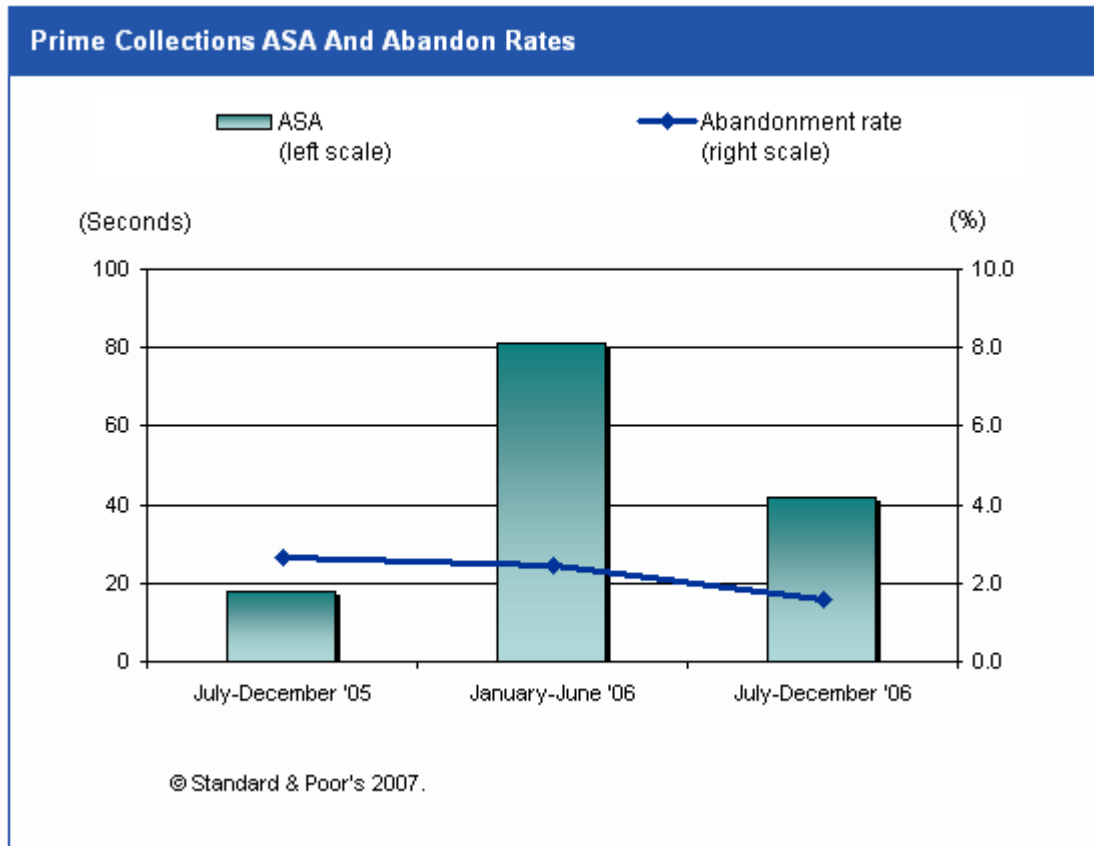
	WFHM delinquency statistics (%)	MBA delinquency statistics (%)*
Prime	1.64¶	2.57
FHA	9.99	13.46
VA	4.85	6.82

*Seasonally adjusted. ¶FNMA/FHLMC loans. As of Dec. 31, 2006.

Approximately 20% of the portfolio consists of higher delinquency FHA and VA mortgages, a slight increase from 15% in 2005. The collection department operates mainly from South Carolina, but has smaller groups in Minnesota, and California. Together, the collection and loss mitigation groups form the loss avoidance department, which is staffed by two separate senior vice presidents who respectively handle prime and subprime accounts. The company uses a proprietary outbound call management and compliance system, known as CCP, in conjunction with other software modules to enhance borrower contact. After initially scoring a loan using other software, the program employs a work rules methodology that applies investor guidelines to prioritize borrower contact and frequency of calls is based on various loan characteristics. The application retains a historical record of call attempts and reasons regarding why contact was not initiated, all on a loan-level basis. Features of the company's collection processes and controls include:

- The 286-part time staff receive the same training regimen as full-time staff and provide much of the extended coverage for evening hours;
- Prime management averages six and a half years industry expertise;
- Collectors average almost two years experience;
- The prime turnover rate is 27.44%;
- A fine abandonment rate of 1.58% and 42 second ASA;
- There are separate early stage and late stage inbound/outbound collectors. Early stage consist of accounts that are between one and 89 days delinquent;
- Recording of all inbound/outbound calls in the default area for reference in case of future issues;
- Silent monitoring of collectors depends on the previous quality scores, which ranges from a low of three for part-time staff to a high of 10 for full-time employees;
- FNMA's Risk Profiler and FHLMC's EarlyIndicator scoring models are used to identify loans posing a higher risk of default for earlier collection contact, which may begin by the fifth day in arrears;
- FHLMC Tier 1 status as a default performer for the past 33 quarters;
- All Western Union® payment transactions are completed via ACH;
- Ability to obtain online credit reports on delinquent borrowers;
- Skip trace success rate of 52.88%;
- Call quality and accuracy of data input are tracked for future trending and improvement purposes;
- Skills-based routing for calls received via the VRU, with transfer to an appropriately experienced collector depending on the age of delinquency, method of payment, and language preference;
- Ability to make promise to pay arrangements through the VRU for early stage delinquent accounts; and
- An automation unit works with IT and the business units to implement systems improvements.

Chart 10



With regard to call monitoring, a collector must score consistently within a predetermined range for a three-month cycle to determine the amount of additional monitored training sessions that he or she may need to receive. The average number of graded calls now stands at seven based on historical average scores. Nevertheless, it is recommended that management establish a uniform methodology to monitor 10 calls for both part- and full-time collectors, as this is the standard followed by the industry and its competitors.

The default information management and analytics (DIMA) department generates ad hoc reports meant to monitor key changes, assess risk, and evaluate effectiveness of any changes to the division. This group, consisting of 86 personnel, discusses the results of these analyses with various affected departments so each business can better identify possible issues and oversee their areas more effectively. This includes analyses to see how portfolios are affected by various market conditions and other indicators (e.g., tax increases, interest rate hikes, etc.). Each manager has its own Web page of commonly generated data reports, although the internal default Web site has over 500 such documents for selection.

A default risk management group also performs some root cause analysis for the entire default area, as well as conducting audit reviews that seek to analyze the entire default process involved when loans become delinquent and then reinstate. This area also performs some compliance reviews to ensure the department adhered to investor guidelines.

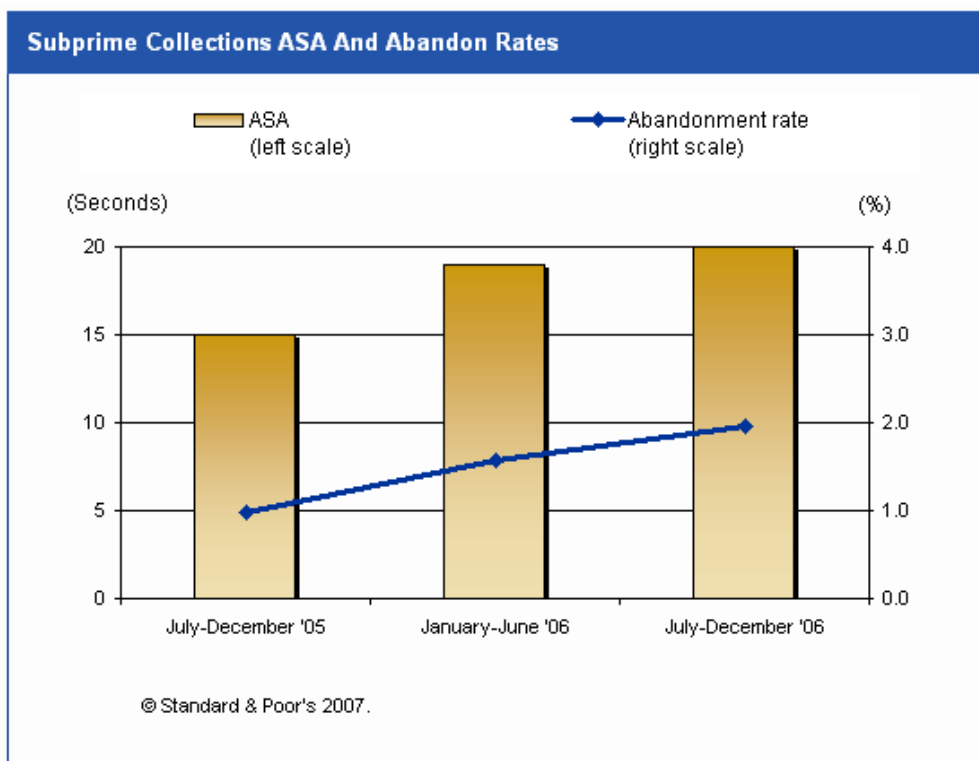
There are 134 full-time subprime collection personnel mainly based in Fort Mill, with a small staff in San Bernardino. Collectors average slightly more than one year of industry experience and company tenure. Management implemented a change in the last year whereby FHA and Alt-A

accounts are now handled by subprime collectors because it felt these types of accounts require similar intensive collection efforts. Approximately 23% of the portfolio consists of loans made to borrowers with a FICO score of less than 580.

For WFHM accounts, the department forwards a general welcome letter 15 days before the payment due date that reminds the borrower of the mortgage terms and provides a telephone number for the company. The letter also asks the borrower to contact WFHM to confirm receipt of the letter. Assuming there is no response from the borrower, collectors attempt to contact the customer on two separate occasions five days before the payment due date to verify receipt. Highlights of the subprime default management controls and process include:

- Turnover averages a sound 22%;
- The 10.52% delinquency rate is better than the MBA average of 13.33%;
- Collectors begin borrow contact as early as the second day of default;
- There are daily collection calls attempting borrower contact, and every three days thereafter if acceptable payment arrangements are not completed;
- The company forwards reminder letters by the 10th day of delinquency, along with a series of other correspondence, culminating in a notice of intent to foreclose by the 32nd day of delinquency;
- Property inspections are ordered at the 25th day of default;
- The abandonment rate remains exceptional at 1.95% with a 20 second ASA;
- Collectors may offer up to a 10-month forbearance agreement without supervisory approval using the EarlyResolution (ER) system, which reviews the plan details based on investor guidelines;
- Monthly audits by the supervisor encompass reviewing the entire default process on selected accounts to ensure compliance with company requirements; and
- Skip-trace results reflect a 40% locate rate.

Chart 11



WFHM's well-controlled workout function promptly solicits delinquent borrowers for potential loss mitigation options. The department achieved a Tier 1 ranking from HUD in 2006, making it eligible for increased incentives regarding special forbearance agreements, extension of preforeclosure sale timeframes, and automatic reimbursement of a certain percentage of foreclosure costs. Additionally, the area achieved a 60.78% FNMA workout ratio, exceeding the established benchmark of 55%. The 129 loss mitigators average three years expertise and company tenure. Ten separate staff members are responsible for subprime workout functions and follow the same general processes followed in the prime mortgage area. The main difference involves earlier and more proactive contact with its subprime borrower base, with loss mitigation counseling beginning as early as the 31st day of delinquency. Additionally, there is an emphasis on forbearances versus modifications (as in the prime arena) due to investor limitations as stated in the securitization documents. Loss mitigation processes include:

- Separate inbound loss mitigation staff members handle borrower calls and address workout options;
- The ability to submit workout information via a dedicated Web site link;
- Additional information on loss mitigation options available on the Web site;
- Workout efforts continue during the foreclosure process in an attempt to resolve the default and reduce future losses;
- A liquidation team in Milwaukee receives warm transfers from collections for workout consideration on the WAMU portfolio depending on the circumstances;
- The ER software uses tailored questions directed toward the borrower to assist in determining the appropriate workout strategy during the collection/workout process;
- Quarterly meetings to calibrate ER for business purposes;
- Abandonment rate of 3.30%;
- Use of a separate entity to obtain borrower signatures on loss mitigation documents as necessary;
- A proprietary decision optimizing tool (DOT), which, assuming there is not a viable workout option available through ER, provides broader parameters to possibly qualify the customer;
- Proactive workout solicitation mailing when the account is 45 days past due;
- An on-site vendor orders property inspections and other administrative functions, which allows staff the opportunity to concentrate on maximizing timeline management;
- Delegated workout authority from FNMA, FHLMC, and certain mortgage insurance companies expedites approval timeframes;
- File imaging, inclusive of declinations, serve as a permanent reference source in case of discrepancies;
- The company does not yet formally track recidivism rates, but eventually plans to implement such a process in accordance with industry peers; and
- A quality review team performs audits on approved workouts, thus serving as a dual control to ensure compliance with investor and company requirements.

Chart 12

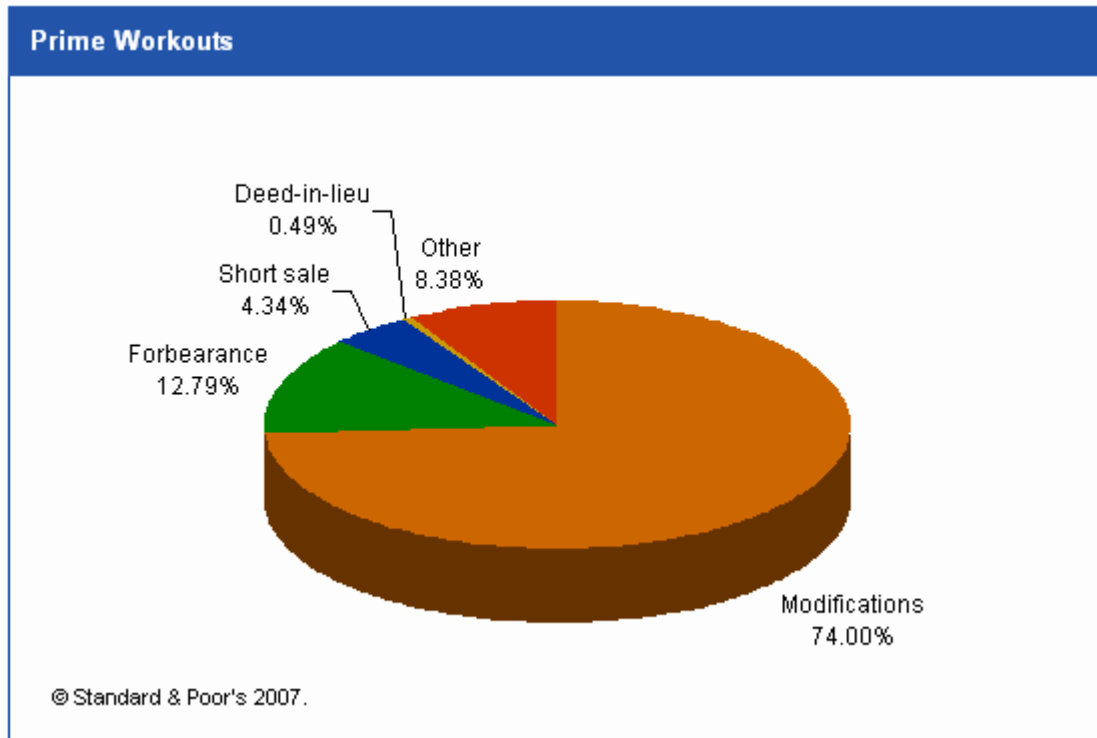
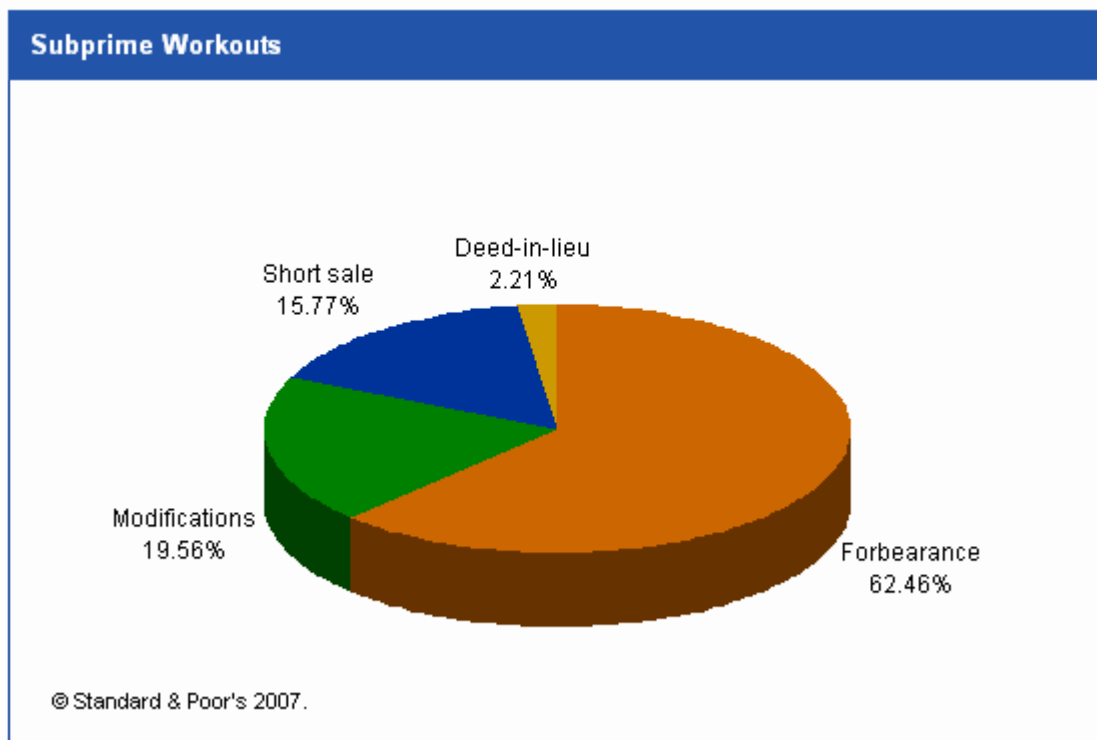
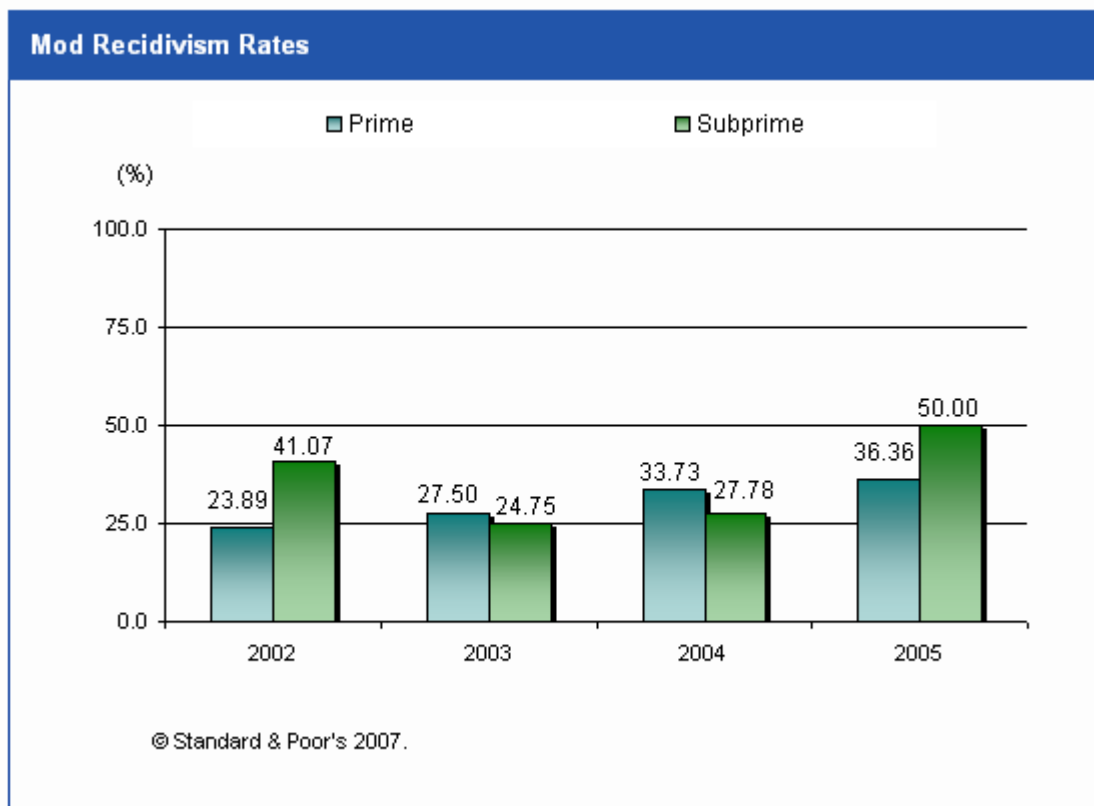


Chart 13



ER limits workout options to applicable investor guidelines using its rules-based format. It has logical online scripting and determines which loss mitigation option presents the best chance of success based on the input information. ER also includes calculations of living expenses for each state, based on national averages.

Chart 14



WFHM maintains prudent oversight over its foreclosure and bankruptcy accounts. In-house personnel handle foreclosure functions, although the bankruptcy department uses the services of three third-party providers to handle these functions. The experienced staff average more than four years experience. Controls and timeline management characteristics include:

- Dedicated foreclosure and bankruptcy personnel;
- Proprietary software analyzes key items such as collection call communication, workout attempts, and investor and state regulations to ensure the loan is eligible for foreclosure proceedings;
- The VendorScape system is used for efficient EDI exchange of bankruptcy/foreclosure legal information;
- Documents are automatically transmitted once files are referred to an attorney;
- Quarterly report cards are issued assessing performance, which attorneys receive via e-mail;
- 86.02% of prime foreclosures are completed within prescribed timeframes, but only 82.20% for subprime, which should be targeted for improvement;
- A default accounts payable group scrutinizes invoices for payment to various default vendors, thus helping ensure compliance with applicable investor guidelines regarding costs and fees;

- 12.82% of prime loans cure while in foreclosure, which is a very good rate;
- The subprime foreclosure cure rate is a fine 10.79%;
- Subprime foreclosure recommendations commence on the 62nd day of delinquency, with formal approval granted by no later than the 90th day;
- Less than a 1% mortgage insurance denial/curtailment rate;
- Auto-population of bankruptcy filings and case statuses through American Information Services (AIS);
- Cash automation function for appropriate application of pre- and post-petition payments; and
- The company uses the NDC trustee database, which allows staff members to access bankruptcy information pertaining to electronic payment application from one centralized locale versus different trustee Web sites.

Premiere, a division of WFHM (doing business as Premiere Asset Services) is responsible for all REO functions. Premiere Asset Services (PAS) has staff in Iowa, Maryland, and California. The California site only handles third-party REO relationships. Management is in the process of changing marketing assignments so it is based on geographic location. PAS handles various marketing and evaluation services for different clients in addition to WFHM, with team division by client and/or investor. Within each unit, there are separate pre-marketers, asset managers, and closers to handle specific responsibilities. The 10 dedicated prime staff members average seven years experience, while the 11 subprime personnel average five years experience. The initial listing period is no longer than 90 days with a 5% commission structure, with a minimum commission of \$2,000. The practical controls and oversight in place include:

- Financial incentives to encourage recalcitrant borrowers to vacate the premises, which helps reduce the likelihood of having to commence a costly and time-consuming eviction action;
- An average eviction time of 53 days;
- A database of approved Realtors for easier selection, as well as separate tracking of insurance coverage, licensing, and other relevant information;
- Realtors may electronically submit updates to PAS through a Web-based portal;
- A dedicated construction, bid, and repair analysis team;
- A broker manual is available on the Web site detailing approval requirements and policies;
- The requirement for two valuations, since multiple assessments serve as a better guide when formulating a list price;
- List price is at "fair market value," which is determined by evaluating the REO appraisal and BPO;
- The requirement that brokers must submit monthly status reports detailing marketing activity;
- Established authority levels for list price and subsequent negotiations;
- Ad hoc inspections of REO properties by PAS ensure that brokers are competently marketing each asset;
- REO properties are listed on the PAS Web site, which serves as an additional marketing mechanism;
- Satisfactory average marketing times of 185 days for prime and 177 days for subprime; and
- Prime and subprime returns average 83% and a low 77% net proceeds-to-market value, respectively.

Management indicated the low returns on its properties were due to the minimum commissions required on low balance subprime properties, and the geographic regions where they are situated. The top REO states are Ohio (9.42%), Texas (9.21%), Michigan (8.92%), and Georgia (5.32%).

PAS management is able to achieve efficiencies through the application of the Aspen Grove workflow management program. The software automatically assigns caseloads per representative

and tracks Realtor performance through a formal grading mechanism, along with other useful features.

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Special Servicing Administration

The ranking of ABOVE AVERAGE is affirmed for loan administration as a residential mortgage special servicer.

Alan Jones, senior vice president, oversees the approximate 27-person person special servicing operation within ASC. Management believes special servicing represents a logical outgrowth from its subservicing business due to the wealth of experience the company has in default servicing. ASC implemented a controlled business strategy when developing this area, initially recruiting an experienced team of personnel in October of 2002 to develop the appropriate controls and infrastructure for the division before actively servicing such assets. The company's initial participation in special servicing began in November of 2002 through the first HUD 601 auction program that included the initial HUD 601 investors as clients. A total of 6,500 assets were boarded between December 2002 and September 2003. A similar number of accounts were awarded after a second HUD 601 auction in October 2003. A significant business development occurred in January 2004 when two investors signed special servicing flow contracts. The company later expanded its relationship to include other Wall Street partners/investors for non-HUD 601 transactions beginning in late 2003. Two additional HUD 601 transactions were also consummated in 2004 and 2005.

The portfolio has declined by slightly more than 23% over the past year, mainly due to a lack of opportunities to acquire such assets in the current marketplace, as well as the resulting high premiums being placed on purchasing special servicing portfolios. However, the company continues to receive some small flow packages each month (approximately 200-300 accounts) from other clients. Management is also attempting to engage in more active partnering with its clients to interlink certain business services (e.g., service a delinquent loan for a client that had to purchase it from the RMBS pool).

Management remains committed to its special servicing business and hopes to expand it in the future. Recent events in the marketplace might present other opportunities to acquire distressed assets, although ASC indicated it would not pursue volume just for portfolio growth, as the emphasis is on applying the company's capabilities using the best capacity. Management is already in discussions with several clients to acquire large portfolios, and feels that if conditions are amenable, the portfolio can grow to 20,000 special serviced assets by year-end 2007. The business model continues to indicate ASC will only service the deals with no investment interest in them. A servicing fee covers costs, but ASC's compensation mainly comes through incentives, which are determined based on the performance on each deal. Loss mitigation functions, previously operating from two locations based in Pittsford, N.Y., and Frederick, Md., have been reallocated through WFHM in Fort Mill. Pittsford is now maintained solely as a support area for sales and surveillance. ASC leverages many default and nondefault functions from the prime mortgage affiliate.

Table 5

Key Statistics - Special Servicer Loan Administration

	2006	2005	2004	2003
Loan portfolio total				
Volume (\$000)	1,425,315	1,748,326	1,833,639	632
Assets (No.)	16,291	21,286	23,916	7,013
Delinquency (% of loans)				

Total	38.75	42.30	46.94	54.83
30-day	14.52	12.85	14.73	5.36
60-day	6.43	6.50	6.96	5.28
90+ day	17.80	22.95	25.25	44.19
Foreclosure	8.87	11.35	11.04	22.00
Bankruptcy	11.60	15.76	16.66	32.87
Real Estate Owned (No.)	906	1,369	1,774	778

Many senior employees were formerly with North American Mortgage Corp. Senior and middle management average more than 10 years of experience. Many of the staff members were recruited internally from the mortgage company, although there are opportunities to hire external applicants due to the geographic locations of the departments.

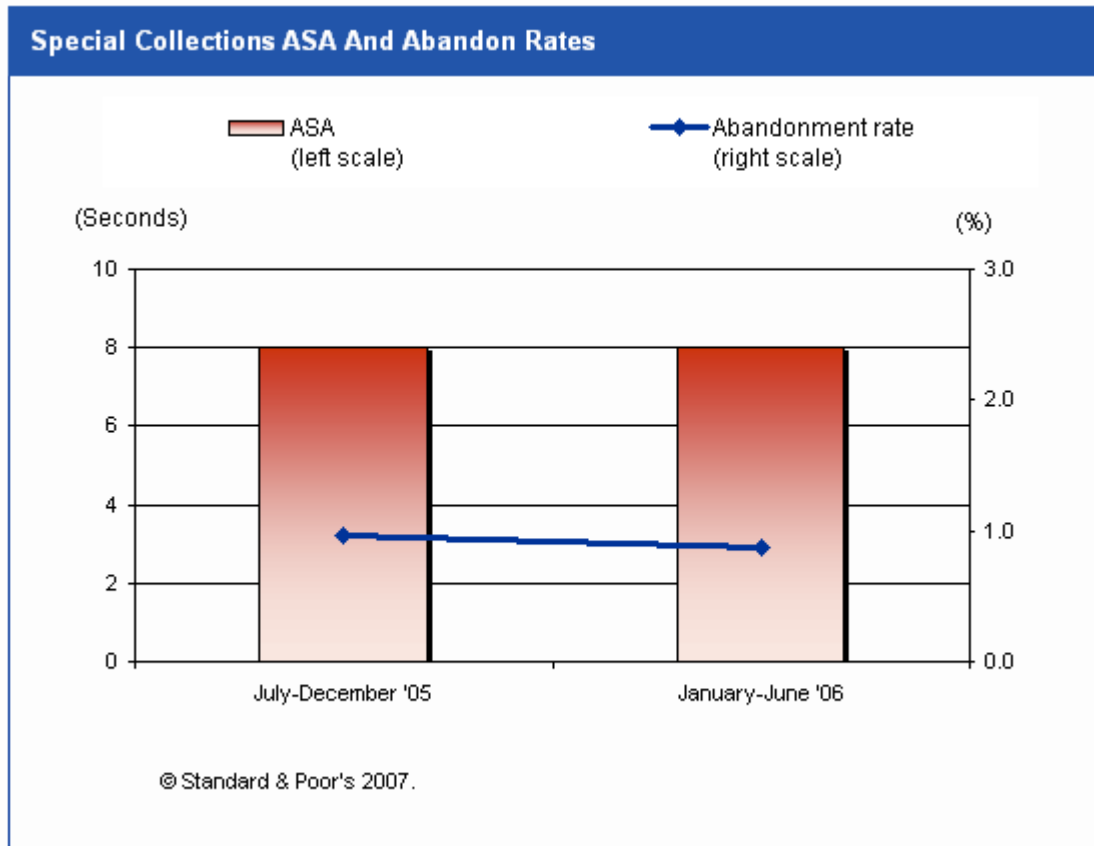
Management uses the same internal auditing and training mechanisms that are currently employed by the prime mortgage operation. There are, however, two dedicated customer service trainers and a dedicated collection trainer who perform training on special servicing and subservicing topics for an approximate three-week time period. The training addresses topics including fair fending, an overview of foreclosure and bankruptcy, escrow, applicable systems, loss mitigation, and other related subject matter. There is also FDCPA testing/training through the Web to ensure that collectors are cognizant of this important act, and the penalties for noncompliance. The division also uses a separate internally developed document, known as "management assessment of risks and controls," as a dual-oversight mechanism. This document is updated quarterly and seeks to ensure each special servicing area properly complies with policies and regulations through a review of several key processes.

An experienced collection manager in Frederick is responsible for inbound/outbound collection contact for special serviced loans. Due to the nature of the product, collectors also handle customer service issues. There is a dedicated toll-free number for this unit. The strategy for each portfolio depends on the delinquency status of the asset; for greater delinquent accounts, collectors focus more on completing a modification, while shorter term defaults rely mainly on forbearance agreements and other more intensive collection efforts designed to obtain reinstatement in a shorter time period. Highlights include:

- The department consists of 29 collectors who average three years experience and company tenure;
- The average turnover is only 12%;
- Certain collectors are bilingual;
- Call center statistics are commendable, with an abandonment rate of 0.87% and an 8-second ASA;
- Much as in the prime operation, this department uses ER to help determine borrower contact, planet codes to temporarily suspend contact on an account for five days, and the CCP; and
- Skip-tracing remains centralized through the prime operation, which evidences a fine 41% find rate.

The department is expected to achieve certain performance levels as referenced in the service-level agreements (SLA), and there are frequent meetings to discuss results based on the numerous reports generated that detail daily and weekly results.

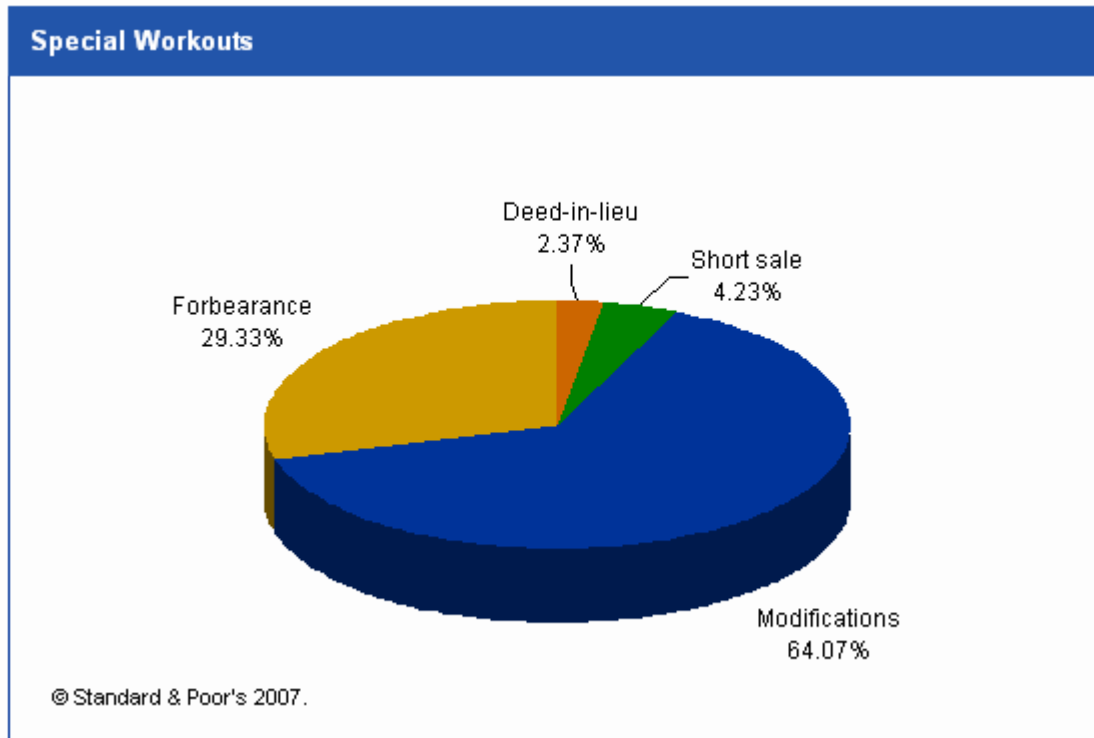
Chart 15



The frequency of the QA monitoring program is based on a score assigned to each employee. New collectors and those that do not achieve a 90% score the prior month receive a minimum of 10 monitoring sessions per month. Those receiving a 90%-94% are monitored on seven occasions monthly, while only five such sessions are performed if the individual achieves at least a 95% grade. To match with industry practices management should consider a minimum of 10 monitoring sessions per month to ensure its staff members consistently adhere to FDCPA guidelines and corporate policy.

Both collection and workout staffs utilize ER to assist in workout identification. There are six loss mitigation staff members in Fort Mill who address workout scenarios. If a borrower does not qualify for a payment plan using ER's guidelines, borrower information is then downloaded into the proprietary PANTHER system for further evaluation. PANTHER, installed in February 2003, is similar to ER but uses different client-driven parameters and is tailored for special serviced assets and workout exceptions. It analyzes repayment plans, special forbearances, deeds in lieu, and modifications. A special forbearance involves temporary reduced payments for customers for a six-month period, followed later by a modification. With modifications, the department tries to initially develop a plan that capitalizes the arrearage over the remaining term of the mortgage. If an analysis indicates this is not a viable alternative, the next options would be a rate/term change, forgiving a percentage of the arrears or possible other scenarios. PANTHER does an NPV on all workout types, due to the recent enhancement of adding a module for short sale calculations. Collectors may implement a maximum 12-month repayment plan, with the portfolio managers responsible for plans between 12-18 months duration.

Chart 16



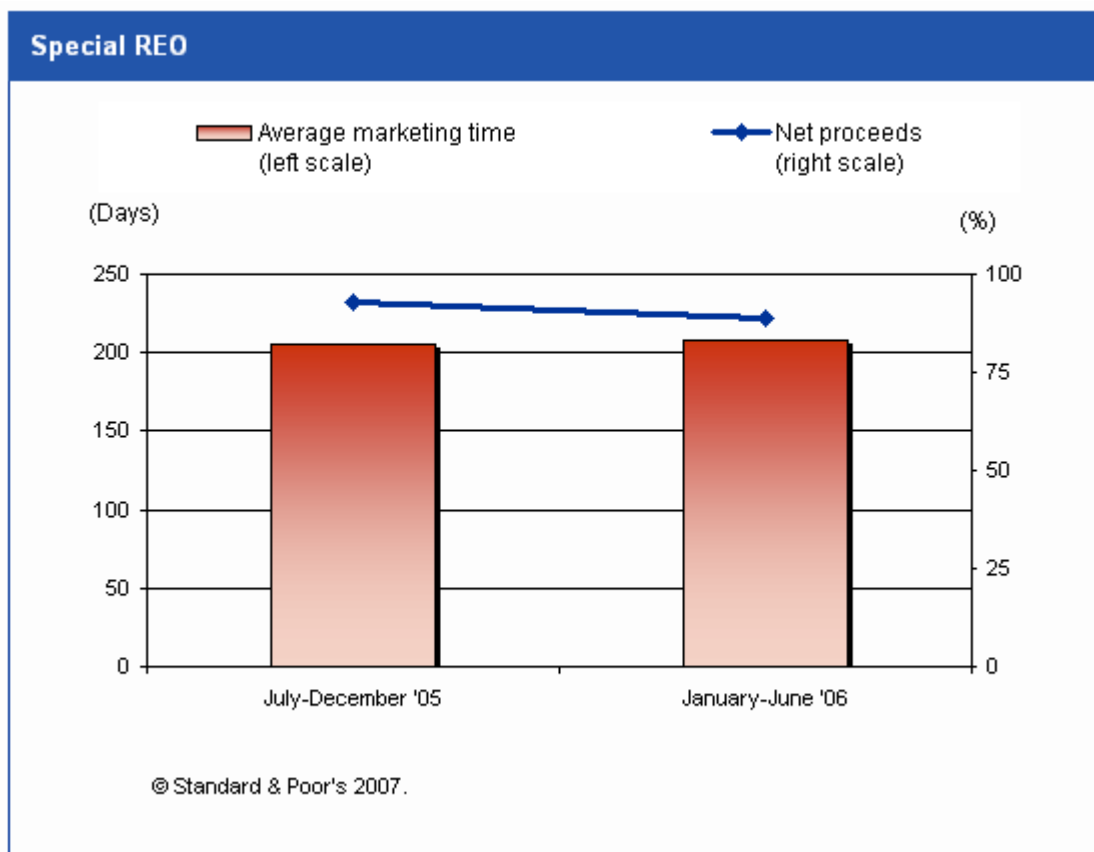
There are dedicated specialists in the prime mortgage operation who handle distressed assets that are in foreclosure or bankruptcy for particular clients. They adhere to the same timeline management policies and are cognizant of any special investor guidelines. Bankruptcy management is handled through a separate firm that notifies the company of any new filings through their own proprietary system. Through a unique arrangement, the vendor also communicates with the debtor's counsel concerning loss mitigation opportunities in an attempt to possibly cure the arrearage in a more expedient manner than through the bankruptcy plan. The vendor does not charge fees to the borrower and in most instances, the investor is willing to waive some or all of the past due amount in order to get the loan back to a performing status. The foreclosure cure rate is 7.93%.

REO activities are still the responsibility of PAS. However, a portfolio management group produces more detailed reporting and provides more stringent surveillance oversight due to nature of assets. There are 30 PAS employees assigned especially for special servicing, who average a high nine years of experience. Highlights of the process include:

- The PAS consumer Web site displays items such as photos of the property and realtor contact information;
- E-mail alerts are sent to consumers from the Web site to notify them of properties that come into inventory that meet their specific criteria;
- Every asset undergoes a budget analysis indicating "as is" and repaired values;
- Management obtains two values to assist in determining a market value;
- A client surveillance group reviews each marketing plan before forwarding it to the client to ensure the listing price and recommendations are appropriate for the asset;
- Internal analysts review repair bids; and
- Marketing time averages 208 days with a good 89% net sales to market value;

The department inputs a detailed post-marketing status report into its Web site, which reflects broker performance, property data, open houses, showings, and other information so investors can obtain historical data on the subject property.

Chart 17



A separate financial database houses information on the HUD 601 deals, as well as some private transactions. It is a flexible sophisticated module that generates several investor reports such as an activity journal, liquidation information, daily, monthly, and year-to-date recovery data, and other key statistics. These are subsequently posted to a secure Web site for viewing by its investor base. Investors may generate standard reports, although management intends to develop ad hoc querying capabilities in the near future. The division uses the services of DIMA for reporting and data management. Additionally, a portfolio management group in Pittsford provides surveillance over the special servicing unit along with other responsibilities related to client reporting. The 17 total staff members average more than 10 years of experience. A senior portfolio manager is assigned to each client. The group includes separate foreclosure and bankruptcy personnel who are responsible for these processes through monitoring timelines, provide bidding instructions to the foreclosure representative, overseeing the bankruptcy vendor's performance, and other related actions. The group also acts as a liaison between WFHM and the investor. There are also four dedicated staff members in Des Moines who handle investor-reporting tasks for the portfolios.

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Financial Position

The financial position is considered SUFFICIENT, and is based on the 'AA-' financial strength rating of Wells Fargo & Co.

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Contact Information

Wells Fargo Home Mortgage maintains six servicing centers located throughout the U.S. Wells Fargo Bank N.A. is headquartered in San Francisco, Calif.

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