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Servicer Evaluation: Wells Fargo Bank N.A.

Publication date: 26-Aug-2009 09:58:41 EST

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Opinion

The ranking for Wells Fargo Bank N.A. (WFB), a wholly owned subsidiary of Wells Fargo and Co. Inc., is affirmed at STRONG as a Residential Mortgage Master Servicer.

WFB has an experienced staff and very good internal controls within the master servicing operation. Management successfully augmented its training program through the introduction of a default curriculum in 2008, which properly acquaints applicable personnel via a more formalized instruction process. The technology environment remains solid. Enhancements made to its various systems over the last 18 months have resulted in more information being provided to its investors, while also fostering the use of additional electronic mediums versus manual intervention in data collection. Management has lessened instances of wire remittance issues and increased the percentage of information uploaded onto the system without any subsequent discrepancies that require staff intervention with its servicers. Policies and procedures are well written and undergo at least an annual review and revision process.

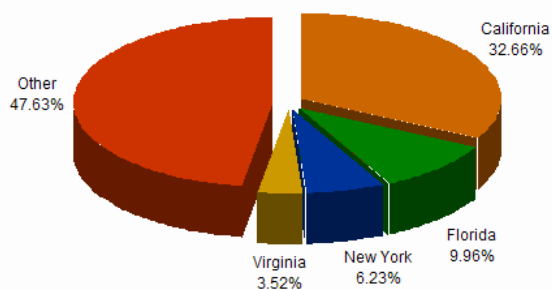
WFB continues to rely on its dual auditing mechanisms to identify and correct any operational deficiencies. A quality assurance group also assists by performing periodic reviews of standard operating procedures within a department, which serves as an additional supplementary form of oversight. Controls for managing oversight and performing on-site reviews of its servicers remain strong. The company plans to enhance the servicer oversight process through the introduction of an expanded servicer scorecard before year end. Administration of the default area remains proactive. Additionally, two separate groups concentrate respectively on handling specific servicer related issues and oversight over how servicers handle loan level default/litigation issues. There is continuing communication as applicable with the respective master servicing department(s) to keep them apprised of important information.

Outlook

The outlook is stable. WFB's master servicing division remains focused on maintaining its strong internal controls and good infrastructure through these challenging market conditions. Additional enhancements are planned throughout the year to further strengthen operational efficiencies. In consideration of its fine technology environment, experienced management and staff, and sensible servicer audit program, Standard & Poor's Ratings Services believes WFB will remain a strong Residential Mortgage Master Servicer for a wide variety of investors and other clientele.

Chart 1

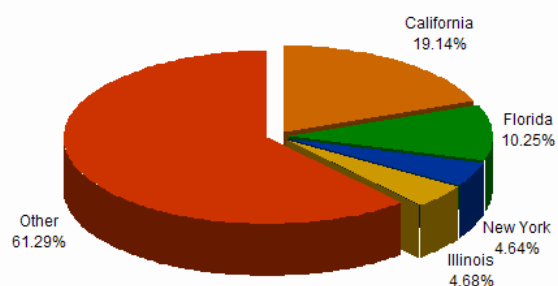
Geographic Distribution By Volume



© Standard & Poor's 2009.

Chart 2

Geographic Distribution By Units



© Standard & Poor's 2009.

Table 1

Key Statistics 2009*

Loan Administration

Loan Portfolio Total

| | |
|------------------|-----------|
| Volume (Mil. \$) | 586,204 |
| Assets (#) | 2,450,930 |

Delinquency (% of loans)

| | |
|-------------|-------|
| Total | 10.95 |
| 30-day | 3.25 |
| 60-day | 2.13 |
| 90+-day | 5.57 |
| Foreclosure | 9.72 |
| Bankruptcy | 1.53 |
| REO | 3.83 |

* May 31.

Profile

Master servicing responsibilities reside within the mortgage markets group (MMG) of Corporate Trust Services (CTS), a division of WFB. This group or its CTS partners also perform other functions, such as custodial services, trustee, registrar, paying agent, securities administration, tax administration, Securities and Exchange Commission (SEC) reporting, and advanced investor reporting for a range of commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (RMBS) products. Formed in 1934, CTS initially served only the municipal bond market. The RMBS division began operations in 1994. WFB entered residential master-servicing by acquiring Ryland Mortgage Co.'s institutional financial services unit in 1995, followed by its purchase of Prudential Home Mortgage's master servicing business in 1996. To further complement its existing product lines, the company started a CMBS division in 1997 and later a CDO unit in 2000. The formation of the Structured Products Group (SPG) in 2002 merged these previously independent areas under one department. CTS previously reported to the Home and Consumer Finance Division, but it is now under the direction of the Wholesale Banking Group.

CTS employs more than 1,500 personnel in 30 offices throughout the U.S. and the U.K., of which approximately 260 domestic personnel handle master servicing responsibilities. CTS now services a total of more than 16,000 transactions amounting to over \$2.7 trillion. WFB is one of the largest residential master servicers in the U.S., with a portfolio amounting to \$632 billion. Master servicing clients include mortgage companies, thrifts, REITs, conduits, and other investment banking entities. The portfolio is expected to remain relatively stable through year-end 2009.

Management established a collateral risk management (CRM) service in 2006 that provides oversight over approximately 172 transactions affecting seven clients. Depending on the level of service requested, management performs specific or a full CRM analyses to determine if fraud, inadequate servicer performance, and/or other factors have affected performance and losses. The review affects both performing and delinquent accounts, and includes monitoring prepayment penalty enforcement, early pay defaults, excessive legal fees, and property value discrepancies. The service can include standard oversight and results reports to performing more in-depth analyses and taking appropriate action on behalf of the client. Management introduced a proprietary web-based application known as Interactive Portfolio Surveillance (IPS) for its CRM clients. IPS allows the user to segment a portfolio in various ways, thus allowing for customized reporting. Due to current market conditions, there has been less new CRM business over approximately the last 12 months.

Management states there are no material servicing-related lawsuits that would have an adverse impact on the company. For more information, please refer to the parent's SEC filings.

Management And Organization

The ranking of STRONG is affirmed for Management and Organization.

MANAGEMENT AND STAFF RECRUITMENT, DEVELOPMENT AND TRAINING

WFB continues to exhibit a knowledgeable management team.

- Senior managers average a sound 16 years industry experience and almost 12 years with WFB.
- Middle managers have good experience, with an average of 10 years relevant expertise and more than six years company tenure.
- An overall average of 12 years of trust administration experience.
- The annualized turnover rate has increased slightly to 25% for staff and 20% for management, although this is due to the current market environment that has resulted in limited layoffs.

The company's favorable geographic locale allows it to hire personnel knowledgeable in primary/master servicing via external sources or through an affiliate operation, Wells Fargo Home Mortgage Inc.

WFB has a thorough training program that utilizes both a formalized classroom and mentoring approach to ensure employees are well versed in their job responsibilities. Subject matter experts (SME) are responsible for most initial employee training, although the corporate learning and development team and project managers provide more formal training as needed. Monthly meetings are convened to discuss improvements in the training regimen. Highlights of the program include:

- A 20-hour new hire orientation, although staff undergo an average of 36 hours training annually;
- A four- to six-week training program for new loan accounting analysts that addresses all applicable areas of master servicing, such as collateral processing, bond administration, and certain accounting topics;
- The program includes overviews of policies, systems, and instruction in a simulated environment;
- The SMEs evaluate and grade the staff, with results communicated to appropriate management;
- The addition of a formalized default training program in 2008 that provides a well-defined overview of the respective processes affecting collections, foreclosure, workouts, etc.;
- First Stage training introduces staff to other areas of master servicing;
- Compulsory regulatory/compliance training in areas such as privacy and SEC regulations, which includes testing on the subject matter;
- Career enhancement courses in topics such as project management and coaching fosters employee development and advancement;
- A wide variety of courses available through the Learning Management System, which allows for online tracking of completed courses; and
- A library of master servicing materials for self study.

INTERNAL CONTROLS

WFB's policies and procedures are comprehensive and fully annotated, thus serving as a supplementary training mechanism for the staff. The following reflects the solid controls in place for disseminating and revising the manuals:

- The policies are available on the company intranet. This results in consistent application of servicing practices, while also avoiding the time-consuming process of sourcing information only available in paper format;
- A glossary of frequently-used terms, and in many instances, screen prints for clarification purposes;
- Proposed changes require managerial approval, as well as subsequent review and discussion with other affected departments;
- Monthly e-mail notifications to all departments explaining any revisions;
- The manager must subsequently schedule any necessary training on the applicable topic;
- Technical writers ensure standardization of the narrative;
- A policy and review group in risk management examines proposed revisions and inputs the changes;
- Annual reviews of the manuals to ensure they are current; and
- Critical deal documents are also on the shared drive.

WFB generally employs dual auditing mechanisms conducted through the auspices of risk management personnel and corporate internal

auditors. The risk management (RM) division encompasses the following teams:

1. Compliance/shared services consist of subject matter experts who analyze regulatory matters affecting CTS and provide ongoing administration of the compliance risk program;
2. Strategic risk team maintains responsibility for setting departmental risk procedures and analyzing new regulations;
3. Data analytics team that creates ad hoc reports, performs root cause analysis, and extracts various data measurements;
4. Operations risk team that oversees new products, reviews key risk indicators, and performs business reviews; and
5. Policy administrator/review team that develops and implements new policies and procedures.

Risk management personnel must attend corporate trust school. It is a three-year program that addresses all facets of corporate trust services inclusive of statutory regulations. Many personnel are certified corporate trust specialists, thus adding depth of expertise to the division.

The department focuses on identifying and isolating key control risk indicators within a process that result in heightened exposure to the company. A focus in 2009 will be on reviewing loan modification and loss processing functions. Attributes of the review process include:

- The plan identifies five critical risk components (e.g. monitoring/testing, control activities) as well as five Office of the Comptroller of the Currency risk categories (e.g. compliance, reputation);
- A monthly key risk indicators report assists the departments with identifying possible areas for improvement based on established thresholds;
- Any departmental metric that exceeds tolerance levels is analyzed to determine the root cause and possibly requires corrective action;
- Conducted on different processes throughout the year, reports are graded based on various factors noted in any findings;
- Reports are assigned a color-coded net controls effectiveness score based on severity (red, yellow, or green) with a root cause analysis performed on the former two ratings;
- Findings are tracked through a separate Centralized Issue and Corrective Action Tracking database; and
- Annual regulatory/compliance reviews as it affects master servicing (e.g. Reg AB).

The internal audit (IA) department based in San Francisco performs operational and regulatory reviews of master servicing. The frequency of formal reviews depends on audits results completed by Risk Management and other external entities. In accordance with industry practices, IA is encouraged to perform examinations of WFB approximately every 12 to 15 months to ensure the company is adhering to prudent master servicing practices and company guidelines. Audit reports are graded acceptable, qualified, and unacceptable. Reports ranked 'unacceptable' require a subsequent audit within a specified timeframe as determined by the auditors. There is a database used for tracking of outstanding items.

A dedicated quality assurance (QA) area, reporting to the structured products services group division lead, supports the business lines and performs some informal testing of key process indicators to ensure they comply with standard operating procedures. They then partner with the operating groups to identify issues and their effect on the organization and follow-up on resolution items. This includes a periodic review of the policy and procedure manuals. They also serve as a liaison for any internal or external auditing of the operation and assist the business lines in developing responses to any RM findings. QA incorporates any issues identified through RM into its future review plans. Although reports are produced, results are primarily verbally communicated to the business managers. Concurrently, a quality review board consisting of QA, management, and the client service teams convene monthly to discuss training needs, best practices, process improvements, and escalate material issues to the appropriate managers.

An internal audit conducted in May 2008 revealed no material findings. Previous risk management audits from 2007-2008 show that WFB properly resolved any findings. The Reg AB attestation reflected no material instances of noncompliance related to the master servicing operations.

TECHNOLOGY

WFB's excellent systems architecture, along with solid levels of IT support, allows it to effectively perform master servicing functions. The primary system of record is known as CDB, a robust proprietary application with several supplementary modules within its database. WFB Corporate Trust recently expanded to include another WFB data center to complement its existing sites in Minnesota and Maryland. Several of CDB's important features include:

- A database detailing pre- and post closing deal information, such as total loans in the securitization, collateral type, fees, and the company's role in the transaction;
- Module for loan level validation of data before boarding onto CDB, and access to static information on securitized accounts;
- DataStage, a tool that enhances the automated upload of file data by creating a workflow process to CDB;
- ServicerConnect, which is linked to DataStage, is a proprietary application that uses a secure Web site so servicers can forward reporting activity;
- LASER application for verifying and reconciling servicer reporting and remittances;
- Creation of a Production Information Database that allows the client service teams to create different reports to manage the reporting process through standardized queries;
- Document module tracks correspondence sent to trustees and custodians regarding requests for and execution of instruments;
- Proprietary application for reporting and analyzing loan losses, and tracking reimbursement of servicer expenses;
- COPS application for tracking of cash and exceptions;

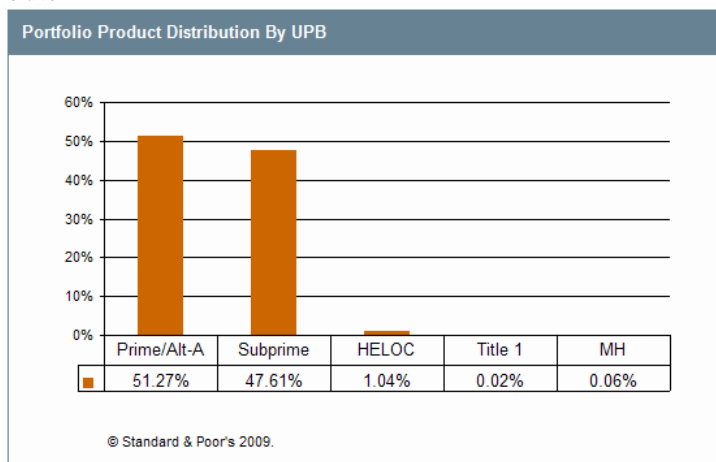
- CTSLink for investor access to securities data on all transactions;
- Tape backups are stored offsite and all data is encrypted, inclusive of removable devices;
- Dedicated personnel oversee the disaster recovery/business resumption plan (DR/BRP) for CTS;
- Use of another data center in Tempe, Ariz., that replicates data for CTS;
- Automated software alerts calling tree personnel via various mediums when implementing the DR/BRP;
- Periodic review of work areas by risk management to ensure personnel comply with the security policy;
- Semi-annual tests of the DR/BRP, with the most recent test successfully conducted in May 2009;
- Annualized refresher training on the DR/BRP helps ensure employees are cognizant of their roles in the event of a crisis; and
- The services of a separate vendor to provide alternate sites (two total) in case of a business interruption.

There is a dedicated customer service team to help CTSLink® users. The site was enhanced to provide better data regarding RMBS series level collateral, as well as screen alerts and email notification options for its clientele.

Loan Administration

Bob Campitelli, senior vice president/division manager, oversees the MMG, which includes the approximate 260-person master servicing operation. As of May 31, 2009, WFB master serviced 2.4 million loans representing a UPB of \$586 billion. WFB oversees over 800 servicers. The portfolio product mix is heavily concentrated in prime/Alt-A and subprime loans.

Chart 3



WFB performs master servicing activities primarily from Columbia, Md., although certain ancillary functions related to document custody, bond administration, and an additional RMBS accounting/cashiering unit resides in Minneapolis. There is also another office in Houston that houses certain default personnel.

There are six separate groups responsible for master servicing processes, with each overseen by a senior manager/vice president. The areas encompass:

1. Process management and control (e.g. cash management);
2. Client services delivery (accounting and investor reporting related functions);
3. Default/credit risk management;
4. Process improvement;
5. Servicer oversight; and
6. A centralized services delivery area (SEC reporting, Sarbanes-Oxley Act, etc.).

These senior managers report to the senior vice president/division manager of MMG, who reports to a senior vice president/head of the structured products services group. This individual reports to the executive vice president of CTS.

Since Standard & Poor's last review, there have been several changes to the management structure within MMG. Process improvement (previously referenced), a new area, was created to look at operational efficiencies and make recommendations regarding how to allocate funds to enhance any functions. Internal audit also reviews their results. The client services delivery team now reports through one manager versus several different individuals, and there are centralized client services consultants who assist any outside entity (issuers, investors, etc.) with questions pertaining to master servicing.

In addition to overseeing cash functions, process management and control also is involved in system development, and closely communicating with trustees, master servicers, and other entities such as FNMA, FHLMC, and the American Securitization Forum (ASF), to adopt standards and interpret/implement new programs or regulations affecting the industry (e.g. modification legislation, ASF Project Restart, Home Affordable Modification Program). This key area was staffed with subject matter experts chosen from the various teams due

to their knowledge base.

Table 2

Key Statistics

| | May-09 | 2008 | 2007 | 2006 | 2005 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| Loan Administration | | | | | |
| Loan Portfolio Total | | | | | |
| Volume (Mil. \$) | 586,204 | 632,351 | 707,969 | 621,520 | 450,536 |
| Assets (#) | 2,450,930 | 2,635,209 | 3,009,016 | 2,783,786 | 2,156,695 |
| Delinquency (% of loans) | | | | | |
| Total | 10.95 | 9.82 | 5.84 | 3.3 | 2.62 |
| 30-day | 3.25 | 3.83 | 2.83 | 1.97 | 1.6 |
| 60-day | 2.13 | 2.17 | 1.49 | 0.73 | 0.52 |
| 90+-day | 5.57 | 3.82 | 1.52 | 0.6 | 0.5 |
| Foreclosure | 9.72 | 7.19 | 3.74 | 1.15 | 0.45 |
| Bankruptcy | 1.53 | 1.25 | 0.72 | 0.4 | 0.62 |
| REO | 3.83 | 4.01 | 1.87 | 0.38 | |

* As of Dec. 30.

Standard & Poor's reviewed all areas of master servicing, including payoff tracking, servicing transfers, cancellation of mortgage insurance, and assumption approvals. Overall, these areas were found to be satisfactory. Key areas of risk will be discussed in more detail.

RESIDENTIAL MORTGAGE MASTER SERVICER

The ranking of STRONG is affirmed for Residential Mortgage Master Servicing.

NEW LOAN BOARDING AND ACQUISITIONS

WFB has a properly controlled new loan issuance function. Prior to the closing of a transaction, legal counsel, business development, and senior management convene to review the deal documents. This ensures that all areas understand the terms of the agreement. The company then forwards a welcome package to the new servicer that details reporting and remitting instructions along with other pertinent information. The package may also include a master servicing or program guide. Within the organization, all operational departments complete an issuance checklist, which is then used to input certain information into the system. All pooling and servicing agreements are maintained online for easy reference.

The collateral integration team (CIT) handles new deal setup. The majority of transactions are completed through an electronic upload of loan level data, thus augmenting productivity and efficiencies. Generation of logic and edit validations verify accuracy of the data. An automated scrubbing tool ensures that the data maps correctly to the appropriate system headers. The department performs a 100% audit on all new deal information. The input of role codes help identify the responsibilities of WFB for the transaction, such as whether WFB is the master servicer or warehouse manager, and its exact accounting and default obligations with respect to monitoring and reporting to the trust. It generally encompasses only one day to board a new deal. In 2008, the department performed an audit on all historical ARM data to validate the information within the system to ensure all of the data received from its servicers were correct. Management is also focusing on cross-training CIT staff to perform other functions due to lower new deal volume.

A fulfillment team within collateral integration assists with data integrity. Assuming staff cannot obtain missing data within 10 days of issuance, this group contacts the servicer/issuer to gather this information. They also collect static data from the servicer and compare it against the issuer file to ascertain any discrepancies.

WFB provides document custodial services for its clientele from four locations. The largest of these sites is based in Minneapolis, with three smaller facilities located throughout the U.S. To date, the company retains documents on over 11 million loans.

LOAN ACCOUNTING AND INVESTOR REPORTING

WFB's well-controlled accounting process properly manages servicer and master servicer responsibilities. The department oversees more than 1,500 securitizations for numerous investors in addition to transactions consummated through the Mortgage Partnership Finance Program with the Federal Home Loan Bank of Chicago. The client service teams handle the receipt and uploading of the servicer files into CDB. The loan accounting staff within the client services team handle servicer reporting and remitting as well as verifying ARM changes and, in certain instances, prepayment penalties. The cash management department, consisting of two teams, executes ACH drafts from servicer accounts, tracks expected versus actual wire remittances from the servicer, and ultimately remits funds to the trustee. Controls in place are as follows:

- Approximately 98% of servicers use ServicerConnect, a secure portal, to submit loan data;
- By working with the servicers, 80% of files are automatically loaded into the system without the need for any further review due to issues, a large increase from 35% in January 2008;
- Separate module houses business rules and assist in reformatting files to CDB;
- Key support staff assignment is delineated by servicer to develop expertise and familiarity with a client;
- An on-line system reconciliation compares forecasted balances and remittances against calculations reported by the servicer, which expediently identifies discrepancies early in the reporting process;
- Servicer remittance confirmation via a final Servicer Turnaround Report is provided to the servicer two business days prior to the remittance date;
- Immediate contact with the servicer regarding discrepancies, with escalation to a client manager if the issue cannot be resolved prior to the remittance date;
- Further conference calls with servicers between the 25th and 30th of the month to follow up on any outstanding issues or other

matters as applicable;

- There were no large-aged items as of May 31, 2009;
- Servicer report and remittance reconciliation requires second-level approval;
- 100% of servicers forward reports electronically and a solid 98% report electronically via ServicerConnect, with a 100% electronic remittance rate;
- A 100% electronic reporting and remittance rate to the trustee, with required supervisory signoff;
- Only 5% of incoming wires require further research;
- No late reporting or remittance penalties through May 31, 2009;
- On-line access to the bank statements facilitates daily and monthly balancing of the trust accounts;
- Random sampling of reconciliations to ensure accuracy;
- A secure Internet site, CTSLink, allows investors to view and download a multitude of portfolio reports and critical documents, including the Pooling and Servicing Agreement and any addendums;
- CTSLink allows for customization of certain requests, so clients may receive e-mail notifications regarding document revisions, deal terminations, or obtain automatic downloads of cyclical reports;
- CTSLink was enhanced to provide more loan level detail, available both in Excel and PDF formats, that show trending, prepayment, and default speeds;
- A separate group addresses any client requested ad hoc reporting requirements; and
- A separate customer service group addresses investor questions.

Management has made several improvements in its accounting area, of which one such item concerns modifications. The department enhanced its processes so it accommodates reporting requirements as requested by outside parties based on new guidelines. They also now have the ability to automatically upload loan level modification data from the servicer, have added 26 additional fields to the system so it supports (via new coding) different modification scenarios, and the system now performs the various calculation verifications online.

Through a further evaluation of certain processes and improved communication, cycling times between when a servicer file is uploaded and processed have been reduced. Additionally, management created a separate Access database that allows it to reconcile and track expected remittances (wires) versus actual funds received. Since its implementation, there has been a reduction in the number of unidentified wires and a concurrent decrease in the amount of time needed to research and resolve such instances due to the systems ability to query the entire database and subsequently identify the correct account to credit the funds.

It is management's intent to eventually enhance ServicerConnect so servicers can resolve any exceptions directly through the system.

Though independent of master servicing, the bond administration group handles the waterfall calculation for each transaction. Although not the master servicer's responsibility, Standard & Poor's prefers to see master servicers shadow this function as a proactive verification for both the trustee and certificate holders. It is a desirable feature that assists in validating trustee calculations, while also distinguishing the company from its competitors.

The securities administration area uses a proprietary system known as Phoenix, which is an application within the securities database, for bond and tax reporting. It is a flexible system that calculates the monthly bond payments at the tranche level. This area uses the securities database, which receives data from CDB, for its reporting requirements. Enhancements were completed to the bond remittance reports to provide more data on loan modifications for its clientele.

DEFAULT MANAGEMENT

There are 72 personnel in the default area, a large increase from 40 in 2007, responsible for oversight on delinquent loans, inclusive of loss mitigation, foreclosure, bankruptcy, REO, and loss review. Approximately 25 staff reside in the Houston office. Other oversight areas include PMI cancellations, assumptions, partial releases, and expense advance approvals. The default teams are aligned with the client service teams, accounting for better communication regarding issues. Servicers mainly have delegated authority within the transaction documents to commence foreclosure, initiate workouts, and handle REO marketing as WFB required preapproval only affects approximately 10% of the portfolio. WFB, however, still monitors the servicer's actions on an ongoing basis, including reviewing loss claim packages, to ensure they are adhering to investor interests. There are solid controls for administering the default management, such as:

- Management and staff average 14 years and five years of industry experience, respectively;
- A continued low turnover rate of only 8%;
- A quality control team performs secondary reviews and some trending analysis;
- A dedicated client services group within default participates in monthly meetings with the larger servicers to discuss issues and quarterly communication sessions to discuss best practices;
- All default reports are received electronically, as well as approximately 97% of servicer loss claim information, thus reducing manual input of data;
- The system compares information received against preprogrammed business rules, generating numerous loan level exception reports when the actions or timelines do not conform with guidelines;
- Servicers must adhere to investor guidelines regarding delinquency contact, with earlier and more assertive communication for subprime accounts;
- Initiation of foreclosure proceedings generally by the 90th day for subprime loans and between the 120th and 159th day for prime accounts depending on whether it is conventional, FHA, or VA;
- Development of a PSA matrix for all transactions that details acceptable workout options and indicates restrictions/limits for completing modifications;
- The system has preprogrammed state specific timeframes for tracking legal proceedings;
- Approval required for foreclosure bidding instructions and any nonstandard costs;
- Submission of a complete financial package for review and approval of workouts by management;

- Monthly property inspections while the account is in foreclosure;
- Adherence to Fannie Mae fees and timeframes for foreclosure actions;
- Tracking of pre- and post petition statuses through system narrative;
- Requirement of two valuations on new REOs to better determine list price;
- WFB must review REO marketing strategy and offers;
- Proprietary tracking application reports losses and curtailments on both a series and servicer level;
- Separate analysts in default are responsible for reviewing claims/losses reported by the servicers;
- The review entails areas such as ensuring fees are not excessive, timelines are appropriate, and documentation is complete; and
- Loss claims must be received the month the loan is liquidated, with supplemental claims presented within 90 days.

A separate default and restructuring group (D&R) reporting up to the senior vice president of structured products services handles various default matters across all product types. Consisting of six senior client managers, they handle items related to servicer bankruptcy, trust financial issues, repurchases, events of default, etc., as they are identified by the staff, with the goal of ensuring compliance to all contractual obligations by all parties, minimizing financial risk and maximizing recoveries. Reporting to the same area as D&R, a legal notice processing group provides case management on loan level litigation and related issues (e.g. property preservation violations, municipal litigation) by monitoring/overseeing the servicer's actions.

SERVICER COMPLIANCE AND OVERSIGHT

The MBS servicer oversight group (MBSSO), consisting of four staff, leads resolution of major servicer issues that cross multiple clients, leads servicer transitions, coordinates applicable site visits, and approves new servicers. When approving new servicers, various documentation is required inclusive of insurance coverages, financial statements, previous external /internal audits, and an extensive application form. Using a separate compliance database, the system automatically calculates financial and insurance data eligibility based on program requirements. A separate group consisting of 15 staff recertifies much of this information from the servicer annually. The process includes initiating reminder letters and telephone calls for missing items as well as possibly contacting the issuer if there is no timely resolution of the matter.

There is a well-structured process for escalating servicer issues. A separate servicer review meeting (SRM), chaired by MBSSO, consisting of supervisors, risk management, and other senior analysts, meets monthly to discuss servicer performance trends and make recommendations regarding corrective actions. During these meetings, a servicer may be placed on an internal watchlist due to a consistent pattern of performance issues. As a precautionary measure, all new servicers are placed on the watchlist for an approximate three-month time period so personnel can closely monitor their performance. Once a servicer is placed on the watchlist for performance issues, the matter is then referred to a servicer oversight committee (SOC), chaired by the MBSSO manager and consisting of senior client managers, MBS management, risk management, and business development personnel. Through monthly meetings, the SOC makes a recommendation regarding future actions to be taken against the servicer, which is referred as necessary to the MBS Watchlist Committee, which consists of senior management within the MMG organization. This group reviews matters in which there is significant financial or reputation risk to the organization. A separate CTS watchlist identifies issues in which there is a potential loss exposure of more than \$100,000.

WFB has a sound servicer audit program that uses a series of desk and/or on-site reviews to ensure servicers are properly complying with company and investor guidelines. Management uses a proprietary analytical software tool, known as the servicer risk profiler, to enhance the process. It applies certain criteria for key areas related to financial, operational, compliance, and default trigger data to calculate a risk score for each servicer. Scores range from low to high risk, depending on total points accumulated. Depending on the final ranking, it could result in a desk or onsite review of the servicer. Updated on a semi-annual basis, the profiler represents an important mechanism for analyzing servicer performance. Servicers requiring a desk review must complete an in-depth questionnaire and forward certain relevant materials. Desk reviews can also be based on recommendations made by SRM or SOC, with reviews targeted for specific functions, by issue, or as a general servicing review. MBSSO reports the examination results within 60 days thereafter to the SRM and SOC, who might request a formal on-site review, and to the servicer if appropriate. Management is in the process of developing a servicer scorecard, scheduled for release before year end, which will be used in tandem with the risk profiler. The scorecard will consist of five sections, with each section having a series of subsections for specific data to be received either internally or externally. Each of the five main sections will be independently scored, with a tier ranking of '1' to '4' assigned based on performance.

On-site audits include representation from MBSSO and operational staff from client services and default management. WFB examines any entity servicing more than 10% of the portfolio by UPB, in addition to any requests made from the above referenced committees. Currently, the top five servicers total slightly more than 50% of the portfolio UPB, and the largest 50 encompass 90% of UPB. The rest is divided amongst the remaining servicers, thus rendering as impractical a more detailed auditing formula. Additionally, the company reviews a small number of servicers annually due to operational concerns. MBSSO reviewed a total of 23 servicers in 2008 (77% of the portfolio by UPB), and completed reviews of five entities as of April 30, 2009. MBSSO issues final reports within 30 days of the on-site visit. When applicable, servicers must forward an action plan that addresses corrective measures, which are tracked for completion.

Financial Position

The Financial Position is considered sufficient.

WFB's financial position is based on the credit strength rating of its ultimate parent, Wells Fargo & Co.

For more information, please refer to RatingsDirect, Standard & Poor's Web-based credit analysis system at www.ratingsdirect.com.

Contact Information

Wells Fargo Bank N.A. has its master servicing operation located in Columbia, Md.

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