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Ratings

Servicer Evaluation: Countrywide Home Loans Inc.

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Servicer Evaluation: Countrywide Home Loans Inc.

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(Editor's Note: The following report has been republished since it was originally released on June 22, 2007, to reflect updated FDCPA, collection, and call center information provided by the company.)

Opinion

The rankings for Countrywide Home Loans Inc. (Countrywide), a wholly owned subsidiary of Countrywide Financial Corp., are affirmed at STRONG in the following categories: residential loan servicing, residential subprime loan servicing, residential special servicing, and residential subordinate-lien servicing.

The rankings are based on the company's superior level of automation, highly tenured management team, strong internal control and risk management environment, thorough policies and procedures, an excellent training regimen, and the successful execution of strategic business initiatives.

Senior management has established aggressive growth targets, and the company made strides to achieve them in 2006, when it became the first loan servicer to service a loan portfolio with more than \$1 trillion in unpaid principal balance (UPB). In order to accommodate this significant portfolio growth, Countrywide quickly established additional servicing sites in Texas, Arizona, and India. Countrywide's multiple servicing sites, located across different time zones, provide strong disaster recovery and business continuity support, access to regional job markets, and accelerated payment posting and transaction processing capabilities in a virtual 24/7 loan administration environment. In addition, senior management has established a pervasive corporate governance structure within loan administration that focuses on key factors such as continuous process improvement, capacity planning, and financial planning, which is designed to strategically align the company for future business growth and assure consistency across all business platforms.

Countrywide continues to improve its operating efficiencies by investing in technology and performing traditional vendor services in-house in strict adherence to its vertical integration business strategy. This strategy has allowed the company to enhance ancillary fee income while minimizing the need for vendor oversight, and enables Countrywide to provide cost-efficient and uniquely tailored services to its various loan servicing operations as well as third-party clients. As a result of Countrywide's unique vertical integration business strategy, superior level of automation, and workflow-oriented processes, the company's loan servicing costs are significantly better than industry standards, and its seasoned management team continues to successfully minimize

portfolio risk through sound internal controls and prudent loan servicing practices.

Outlook

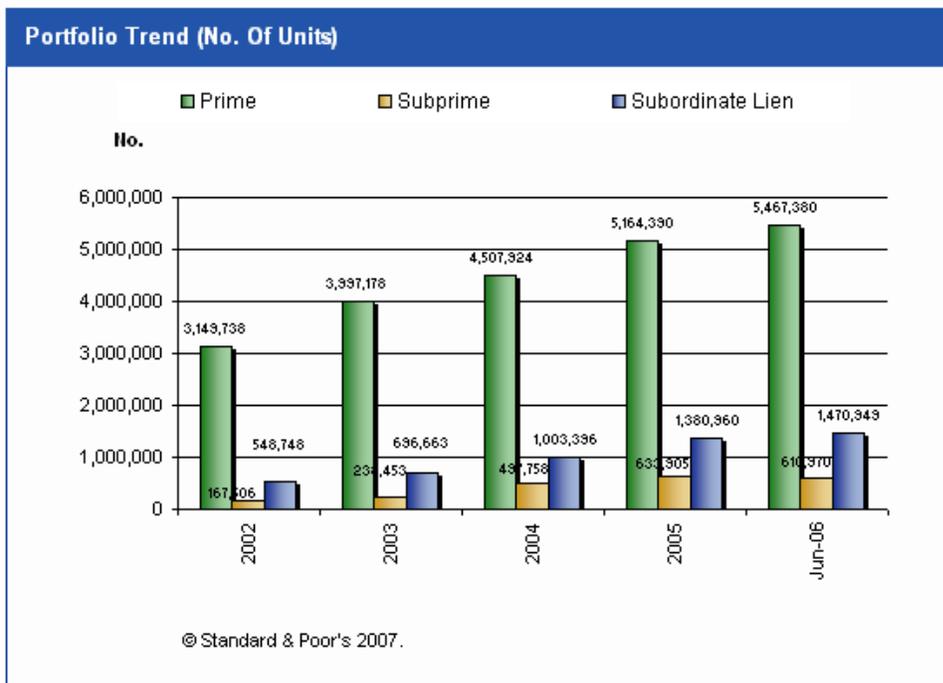
The outlook is stable. Management is committed to improving Countrywide's performance and profits by expanding its loan servicing portfolio organically through its considerable wholesale and retail networks, as well as by diversifying into ancillary business lines and expanding its international operations. Countrywide's servicing strategy is to capitalize on its superior automation, innovative vertical integration strategy, highly tenured management team, and sound internal controls to maximize cost efficiencies and minimize portfolio risk. Countrywide is well situated to achieve its stated goals and Standard & Poor's believes Countrywide will remain a highly competent servicer in the conventional, subprime, subordinated-lien, and asset management sectors of the residential loan servicing market.

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Profile

Countrywide was founded in 1969 by David S. Loeb, who retired from the company in 2000, and Angelo R. Mozilo, who currently serves as chairman, president, and chief executive officer. Countrywide is the largest independent mortgage company in the U. S., with approximately 550 branches in 44 states. As of June 30, 2006, Countrywide was the largest originator and servicer of conforming and subprime mortgage loans in the U. S., according to the Quarterly Mortgage Data Report published by National Mortgage News. Countrywide services more than \$1 trillion in residential mortgage loans for more than 7.6 million customers. Countrywide's primary income stream comes from mortgage loan originations, fees from servicing residential mortgage loans for Fannie Mae, Ginnie Mae, Freddie Mac, and from assorted affiliate and private investors. The company continues to realize significant growth in ancillary income from its subsidiary companies, which provide services such as real estate appraisals, credit reports, tax bill procurement and escrow services, field inspection and maintenance services, investment services, insurance products, as well as international consulting services and mortgage loan servicing. Countrywide continues to expand its footprint both in the U.S. and India to accommodate future portfolio growth.

Chart 1



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Management And Organization

The ranking of STRONG is affirmed for management and organization.

Management and staff recruitment, development and training

Countrywide has a very seasoned management team, comprehensive and well-written policies and

procedures, strong internal controls, excellent training programs, and a superior level of automation. The company has a highly tenured senior management team with minimal turnover, which contributes to a very stable loan servicing environment.

- Senior managers average more than 13 years of industry experience and eight years of company tenure.
- Servicing staff turnover is 36% and management turnover is low at 5%.

Countrywide provides superior training at the corporate and departmental levels. At the corporate level, the recruiting operations, staffing operations, and support areas are responsible for recruiting personnel for all loan administration divisions. They also provide staffing and compensation governance, temporary personnel support, and workforce analytics. The training and performance consulting department is tasked with developing and administering the company's various training programs, and does so by utilizing various media, including computer-based training (CBT) modules, Web-based curriculum, and classroom instruction. Highlights of the training program include:

- The new hire orientation program includes 36 hours of introductory training, and new call center hires in the customer service and collections areas receive up to 240 hours of classroom and skills training.
- Three hours of FDCPA training is required.
- Learning and development workshops have been developed to enhance writing and presentation skills, conflict resolution skills, and promote teamwork and creative problem solving techniques for employees primarily performing customer-related tasks.
- The loan administration support group serves as an in-house temporary staffing agency, and has a pool of qualified personnel that can be assigned to different areas as needed.
- A team leader certification program was developed to promote leadership skills.
- The loan administration area administers a large selection of leadership programs that provide continuing skills training for employees.
- The "Get Set" initiative is a career development program that identifies top performers for career advancement opportunities.
- The "Learning to Lead" program provides a core curriculum for leadership development.
- Courses include topics such as human resource management, interpersonal communication skills, planning, and decision-making.
- The training department conducts open forums, in a roundtable discussion format, in which various training topics and issues are raised and discussed.
- In-house desktop personal computer training is conducted via CBT modules and Webinars.
- A multimedia library with an extensive selection of instructional audio and video tapes, including in-house videotaped training sessions. A large selection of instructional print resources is available also.

Refresher courses are offered throughout the year on various mortgage servicing topics, which are conducted by the department trainers. Overall, Standard & Poor's believes that Countrywide provides a superior training environment for new hires and experienced employees.

Internal controls

Countrywide demonstrates solid controls in the development, drafting, and dissemination of loan-servicing policies and procedures. The company has effective methodologies in place for reviewing and updating policy and procedure manuals, including:

- Policy and procedure manuals are well written and concise, utilizing a combination of descriptive narrative and task-specific instructions.
- Policies and procedures are available to all employees via the company intranet.
- Electronic bulletins are sent to communicate policy and procedure updates, ensuring consistency in the performance of servicing tasks.
- Changes to policies and procedures are approved via an authority-level matrix.
- All loan administration areas conduct an annual review of policies and procedures to ensure that they are up-to-date.

Countrywide has a highly structured and effective internal audit program. The internal audit department, operating at all servicing sites, reports independently to the audit committee of the board of directors and performs periodic audits of loan-servicing areas throughout the year. The audit methodology includes:

- An audit plan is developed that identifies areas of potential weaknesses, audit objectives, and available resources.
- Audit scope identifies key areas of risk including cash management, investor accounting and reporting, and default management.
- A process for summarizing findings and drafting plans for corrective action has been implemented.
- Internal audit maintains a database to track the progress of its audit plan throughout the year and open items are reviewed and brought to the attention of senior management on a quarterly basis.

A review of internal audits performed within the past 18 months revealed no significant findings. In addition, there were no significant findings on the company's 2005 Uniform Statement of Attestation Program (USAP) compliance letter. The internal audit department also conducts audits of various loan administration areas on a monthly and quarterly basis in accordance with HUD guidelines, although the scope of the audits is broader so that it covers all loan types in the portfolio. Periodic audits are conducted by HUD, Fannie Mae, Freddie Mac, and various other investors throughout the year and those conducted over the past 18 months contained no significant findings.

Countrywide also employs numerous compliance professionals within the loan administration group, including 18 compliance officers and a support staff of 11 additional compliance specialists and administrators. A central compliance committee meets bimonthly and the loan administration compliance committee meets quarterly. The company's corporate contracts and negotiations department is responsible for soliciting, reviewing, and qualifying RFPs from potential vendors.

Countrywide has the requisite levels of independent audit necessary to provide additional oversight and control over its loan administration areas. The company's comprehensive audit programs are designed to mitigate risk of loss while assuring proper adherence to investor guidelines and prudent loan servicing standards.

Legal

Countrywide Financial Corp., the ultimate parent of Countrywide Home Loans Inc., is a party to various pending and threatened legal actions that include claims for substantial monetary damages, and others purport to be class actions. Management asserts that these actions are not likely to be material. For additional information, please refer to Countrywide Financial Corp.'s U.S. Securities and Exchange Commission Form 10-Q report for the period ending June 30, 2006.

Technology

Countrywide operates in a superior automated environment with highly effective computer technology. Countrywide's servicing systems development group oversees the loan-servicing system and all ancillary client-server applications on local and wide area networks. The following systems architecture is used for business operations and recovery:

- The company's proprietary loan-servicing system is housed within multiple AS400 mainframes.
- Individual programs and files may be accessed through the Countrywide system. A menu tree controls user access and is monitored by the systems integrity group for security purposes.
- Dedicated managers in the systems development group are assigned to specific loan administration areas to facilitate project development.
- The help desk for user inquiries is tracked for resolution in a database.
- There are fully functional mirrored servicing platforms in California, Texas, and Arizona.
- All data resides on servers located in the U.S.; data encryption is in place between U.S. and offshore platforms.
- Distributive processing is employed, which allows the company to run separate reports at each location overnight, significantly reducing system downtime.
- A flexible proprietary servicing system provides cost-efficient servicing technology and facilitates the introduction of new products into the marketplace, resulting in competitive advantage.
- There is sufficient systems capacity to support projected business growth.

The company has a well-developed disaster recovery and business continuity plan in place consisting of:

- Fully mirrored platforms in California, Texas, and Arizona that provide built-in disaster recovery.

- Back-up power generators are located at both sites in case of power failure.
- Data is replicated between primary and secondary servers throughout the day and can be restored within 60 seconds with no loss of data.
- Additional AS400 mainframes are provided by IBM to the Texas location in the event of a disaster.
- The disaster recovery plan is tested several times per year and the written plan is available to employees online for easy reference.
- System tape back-ups are performed daily and are stored at an off-site archival facility.

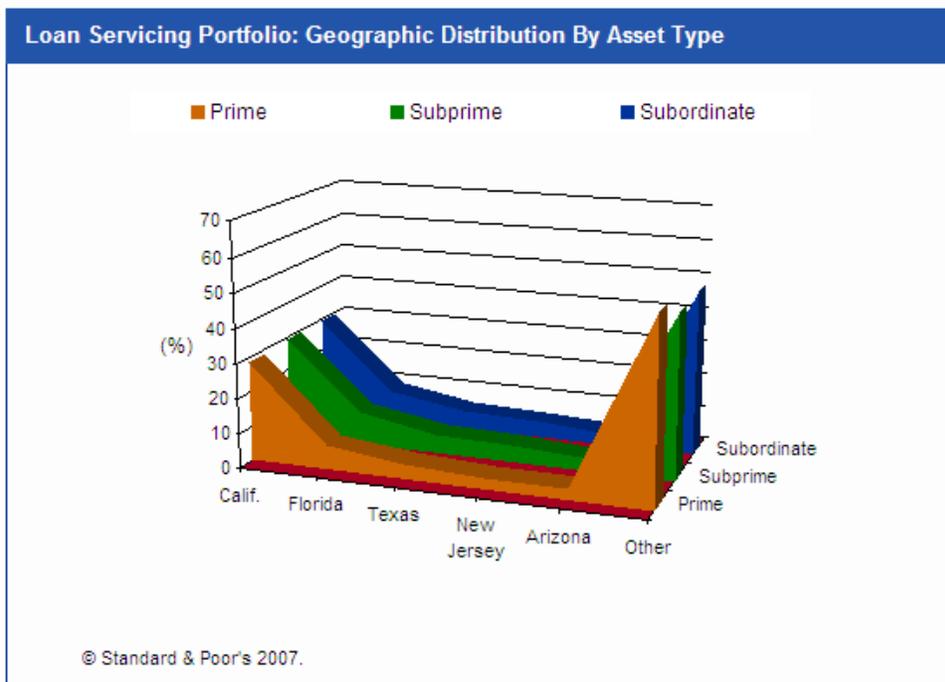
Management represents that Countrywide's computer processing environment is one of the largest AS400 sites in the world. As such, management performance reports are produced weekly and are uploaded to IBM's offices in Rochester, Minn., to identify and trend performance problems and evaluate potential system upgrades in a proactive manner. Overall, Countrywide operates in a superior systems environment that provides a satisfactory framework for continued company growth.

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Loan Administration Overview

The ranking of STRONG is affirmed in for residential loan servicing, subprime loan servicing, subordinate-lien servicing, and special servicing.

Chart 2



Steve Bailey, senior managing director and CEO, oversees Countrywide's loan administration division, which includes all loan servicing areas and employs approximately 8,038 full-time equivalent servicing staff among its Simi Valley, Calif., Plano, Texas, Fort Worth, Texas, Irving, Texas, Richardson, Texas, Tempe, Ariz., Lancaster, Calif., and Hydrabad, India servicing sites. Countrywide's portfolio is geographically diverse, with the heaviest concentration of loans (based on total outstanding balances) in California, followed by Texas, Florida, Colorado, and Michigan, providing a satisfactory level of insulation against delinquency spikes caused by regional economic downturns (see chart 2).

Standard & Poor's reviewed all areas of loan administration including the loan boarding function, customer service, escrow administration, and adjustable-rate loan analysis. Overall, Standard & Poor's found these areas to be satisfactory. Key areas of risk are discussed in more detail.

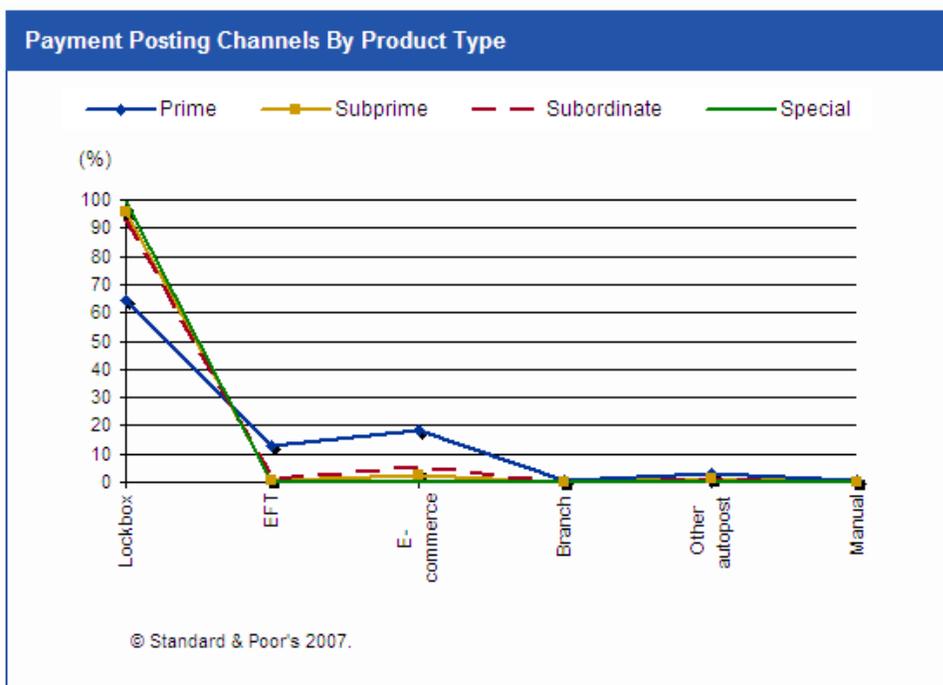
Cash management and investor accounting

Countrywide has a highly efficient cash management environment with solid internal controls in

place to minimize risk of loss from error or fraud. Mortgage loan payments are processed via an internal lockbox operation located at three servicing sites in California and Texas. The finance administration area handles payment processing, and investor accounting and reporting. The cash processing area is tightly controlled and performs very efficiently:

- The company has a highly efficient internal lockbox operation, which started in 1985, and efficiently processes 100% of all payment items on the same day.
- Minimal lockbox error reject rate (by product type):
- Conforming loans: 0.07%
- Nonconforming loans: 0.49%
- Special servicing portfolio: 0.18%
- Subordinate-lien loans: 0.14%
- A proprietary rules-based processing system reduces human error and maximizes processing time.
- Accelerated reply mail is used in major cities for expedited post office handling and routing to Countrywide.
- A stop file is created for payment rejects and special handling code sprayed on back of check to facilitate research.
- A rules-based system automatically calculates loan payoff requests.
- Prepayment penalties are system-calculated, and a periodic audit system data versus note terms is performed to validate prepayment penalty information.
- Check 21 conversion is in place.
- Autoposting accounts for approximately 98.40% of all monthly payments received, including a high portion of e-commerce (26.52%) and electronic funds remittances (14.44%).
- Manual posting of payments is minimal: Conforming loans--0.58%; subprime loans--0.09%; special serviced loans--0.01%; and subordinate-lien loans--0.07%.
- There is a high-level of security in the posting area, including card key access and video surveillance.
- For added security, desks do not have drawers; lockers are provided for personal belongings.
- A compliance officer is embedded in the payment processing area for added oversight.

Chart 3



A check log is maintained for all other exception items and checks are kept overnight in a secured vault. Departments are required to clear outstanding items within predetermined guidelines and the payment processing staff monitors compliance. In the event that payments are received in another loan administration area, secured lockboxes have been installed in various departments so that

checks may be safely deposited when they are received. The lockboxes are checked daily and require dual key access to remove items.

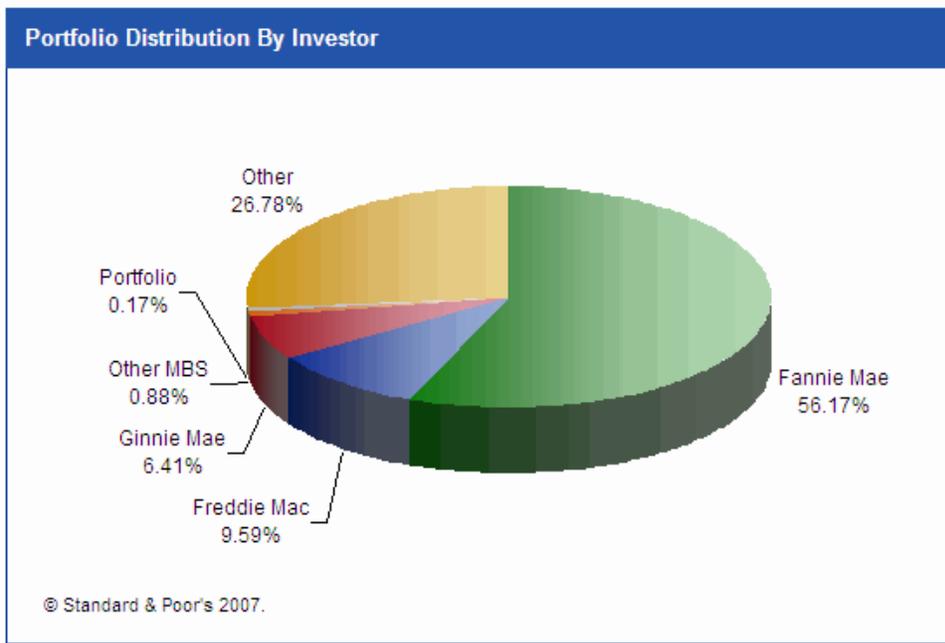
Countrywide services more than one million active home equity lines of credit (HELOC), representing approximately \$48 billion in outstanding UPB. The company is moving its internal check processing function from a third-party vendor to its internal disbursements group for greater control and efficiencies. HELOC draws are frozen when a loan becomes 30 days past due. This minimizes further risk of loss from default. Other controls include signature verification on draws above a predetermined amount. In addition, any authorized party on the account may restrict or freeze withdrawals but reinstatement requires the approval of all signatories. To date, Countrywide has granted more than four million lines of credit and periodically conducts HELOC utilization campaigns to increase usage. The delinquency rates for Countrywide's subordinate-lien products reflect better performance than industry delinquency rates, as reported by the American Bankers Association and is attributable to Countrywide's strong internal control environment.

As new HELOC accounts are loaded onto the system, a welcome letter and book of 10 convenience checks is sent to the customer. The operations unit is responsible for reviewing a daily file of all drafts presented for payment during the previous day. Items that are not posted automatically on the servicing system appear on an exceptions report that must be reviewed and approved by management.

Investor accounting is responsible for reporting, remitting, and reconciling accounts in accordance with investor guidelines. Investor reporting and remitting is performed by separate individuals within the department whose duties are rotated on a monthly basis. To manage the substantial portfolio growth, the group has been realigned to focus on processes. For instance, the transaction management group closely interacts with capital markets to proactively ensure that there is sufficient capacity and technology to adequately handle incoming volume. Other strategic groups include data quality processing, a reporting group, a cash management group, and lastly, a bank reconciliation group. The company has solid controls in place to protect investors from risk of loss resulting from fraud or human error. The following risk management policies are in place:

- There is proper segregation of duties between personnel that process investor remittances, generate investor reports, and perform bank account reconciliations.
- The servicing system performs a daily reconciliation of the clearing account and exception reports are generated, which are reviewed by investor accounting personnel.
- Auto sweep of clearing account funds into the respective custodial accounts.
- Online access to bank account statements facilitates daily and monthly reconciliations.
- Management reviews investor reports and bank account reconciliations.
- All accounts must be reconciled within 30 days and a senior management committee reviews exceptions monthly.
- The data gathering process for investors is fully automated with no manual data manipulation, which preserves the integrity of the data reported to investors.
- Tier One performance rating by Freddie Mac for investor accounting and reporting.
- Freddie Mac Tier One Hall of Fame certification since inception.
- No exceptions reported in 2005 USAP compliance letter.

Chart 4



The company represented that late remitting fees have not been assessed during the past 12 months. A review of investor audits performed in this area, as well as a Tier One performance rating from Freddie Mac, indicates that Countrywide enjoys a very high level of performance in its investor accounting area. Overall, there is an excellent segregation of duties, a high level of automation, and effective managerial control over the investor reporting, remitting, and reconciling functions, which should guard against risk of loss due to errors or fraud.

Escrow administration

Countrywide exhibits strong controls in the administration of escrow accounts. Approximately 75% of prime and 50% of subprime loans have escrow accounts for the payment of taxes and insurance, minimizing the risk inherent in nonpayment of these items. In line with its vertical integration business strategy, Countrywide Tax Services Corp. (CTSC) and Balboa Insurance Services, both corporate subsidiaries of Countrywide, provide tax and insurance procurement, tracking, and payment services. The proactive control environment and key performance indicators include:

- Lender-placed hazard insurance coverage is tightly controlled at 0.88% and 7.23% for the prime and subprime portfolios, respectively, and compares favorably with industry standards.
- The lender-placed cancellation rate for the combined portfolios is excellent at 12%.
- Lender-placed flood insurance coverage is tightly controlled at 0.09% and the cancellation rate is 18%.
- Nonreimbursable tax penalties on the combined portfolio average an excellent \$0.04 per loan.
- Escrow and non-escrow accounts similarly receive several notices as part of a letter cycle in which borrowers are notified that proper evidence of insurance coverage or paid taxes has not been provided.
- Escrow accounts are maintained and an analysis is performed in accordance with RESPA guidelines.

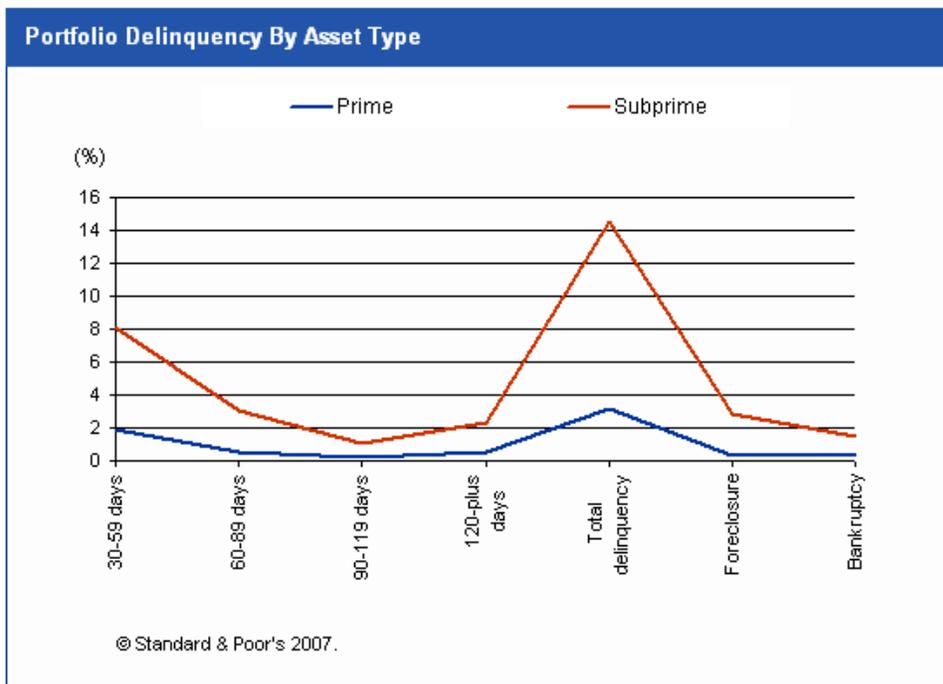
Customer relationship management

Countrywide provides an excellent level of customer service via its customer contact divisions, located in California and Texas. Customer service representatives undergo six weeks of classroom instruction that covers policy and procedures, testing, and call scenarios. After representatives complete the required instruction, they graduate to a live call center environment where they are monitored and supervised extensively. The call centers are well automated using a variety of technologies such as an automated call distribution (ACD) system and a voice response unit (VRU). Service indicators include:

- Multisite load balancing of incoming call volume based on geographic location of caller for optimum efficiency.
- Smart call routing to automatically relay recent account activity to the caller.

- Annualized staff turnover of 44%.
- A bilingual 24-hour VRU with an efficient capture rate of 48%.
- Robust trending analysis of call volume to monitor customer service issues, determine workflow demands, and identify training needs.
- Average speed of answer is excellent at 53 seconds.
- Call abandonment rate averages an acceptable 2.99%.
- Call blockage rate is 0%.
- First call resolution rate is highly effective at 91%.
- extensive customer service Web site with a 34% usage rate offering e-commerce and e-mail solutions for borrowers.
- The customer service Web site has five million registered users.
- Database monitoring of all customer correspondence is conducted through traditional and internet channels to ensure RESPA compliance.
- The office of the president responds to regulatory inquiries and attorney letters.
- There is extensive call monitoring of customer service representatives to ensure call quality.

Chart 5



Default management

Collection and loss prevention efforts for all loan products and asset types are performed and managed in the loss mitigation area. The policies and procedures are well written, comprehensive, and include detailed collection timelines as determined by investor guidelines. The collection effort is highly automated using inbound and outbound call management systems. The company has developed effective proprietary systems that work with its predictive dialer enabling management to customize calling campaigns for multiple collectors or on an individual basis.

- There is a blended call center environment for efficient handling of both inbound and outbound call volume.
- Autodialer technology coordinates calling campaigns and manages productivity.
- The management team for the conforming and nonconforming products averages 17 and 16 years of experience, respectively.
- Collectors average more than three years and two years experience in the conforming and nonconforming collection areas, respectively.
- The annualized turnover rate of collectors averages 31% overall.
- There are extended calling hours (360 days a year seven days a week) during evenings and weekends to canvas the geographically diverse portfolio.
- The company employs bilingual call center representatives.
- Freddie Mac's Early Indicator and Fannie Mae's Risk Profiler credit scoring and behavior

modeling software are used to identify and incorporate higher risk loans into calling campaigns.

- An electronic interface with property management vendors is used for ordering and receiving property status information.
- An independent quality control group monitors call center activity and provides extensive written feedback using scorecard methodology.
- Call recording technology is utilized for quality control and to identify training needs.
- Promise-to-pay as well as actual payment remittance may be accomplished through the VRU or the Web portal.
- The promise-to-pay success ratios are excellent across all product types (see chart 6).
- The company has earned Freddie Mac's Tier One performance profile rating for default management.
- The median speed of answer for inbound collection calls is 79 seconds with a median call abandonment rate of 5.64% among all asset types (see chart 7).
- The overall right-party contact rate averages a satisfactory 16.39% across all product types.
- Ten mandatory call monitors per representative are conducted each month to assure call quality, skill, and identify training needs.
- Roll-rate migration percentages for 90-plus, 60-89 day, and 30-59 day delinquency buckets effectively mitigate default risk.
- The company utilizes best time to call data to coordinate calling campaigns.
- Welcome calls are made to borrowers before the first payment is due to verify loan data and reinforce good paying habits within the company's subprime portfolio.
- The welcome call contact rate is 33%.
- First payment defaults are contacted on second day after due date and reminder letters are generated. A bifurcated collection approach includes state-specific notices and calling campaigns.
- Effective prime time calling hour penetration (see chart 7).

Chart 6

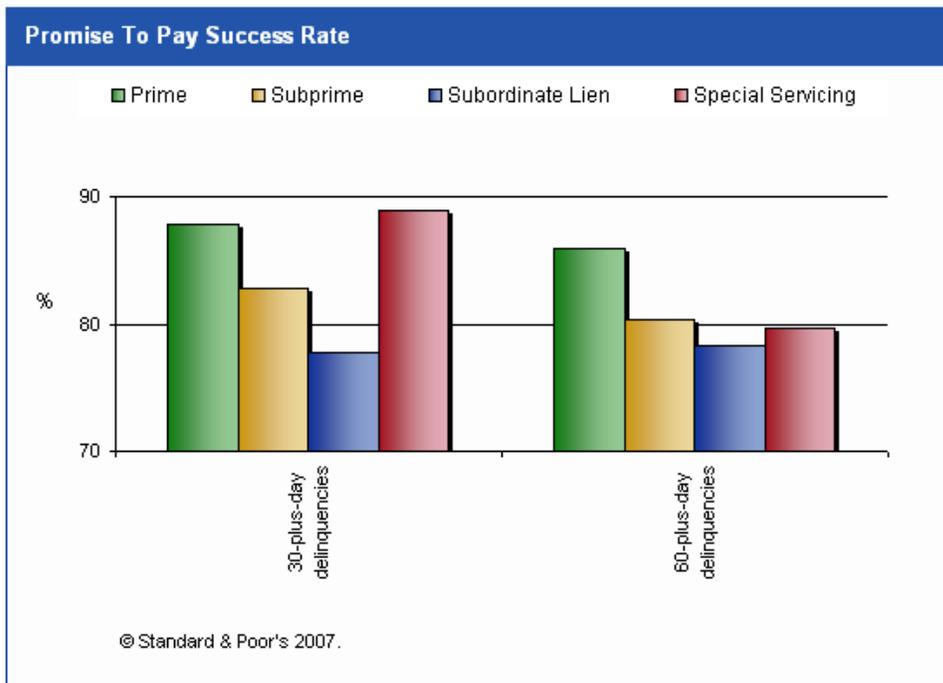


Chart 7

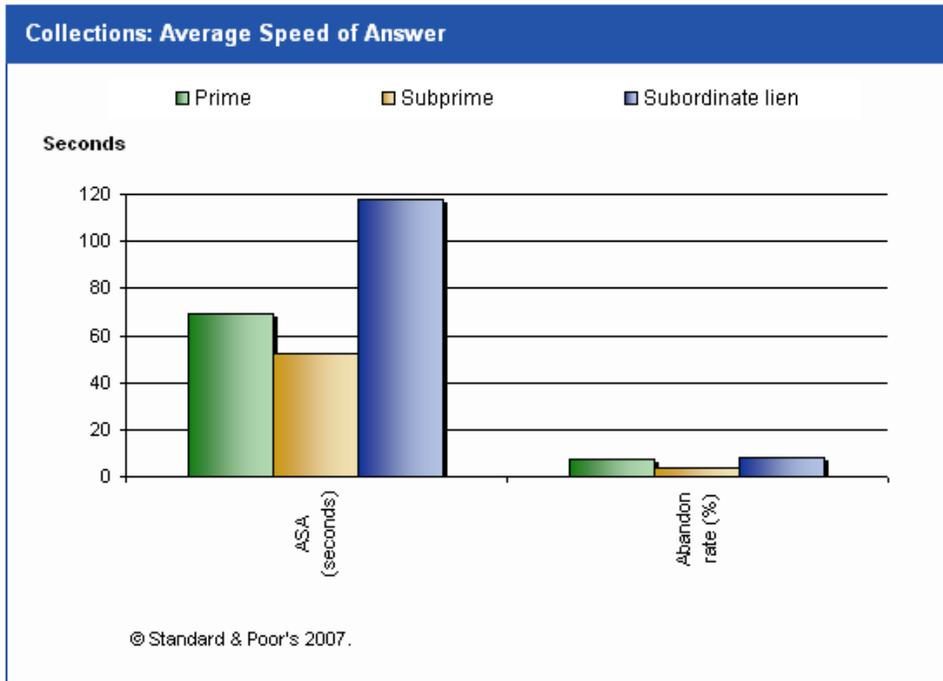
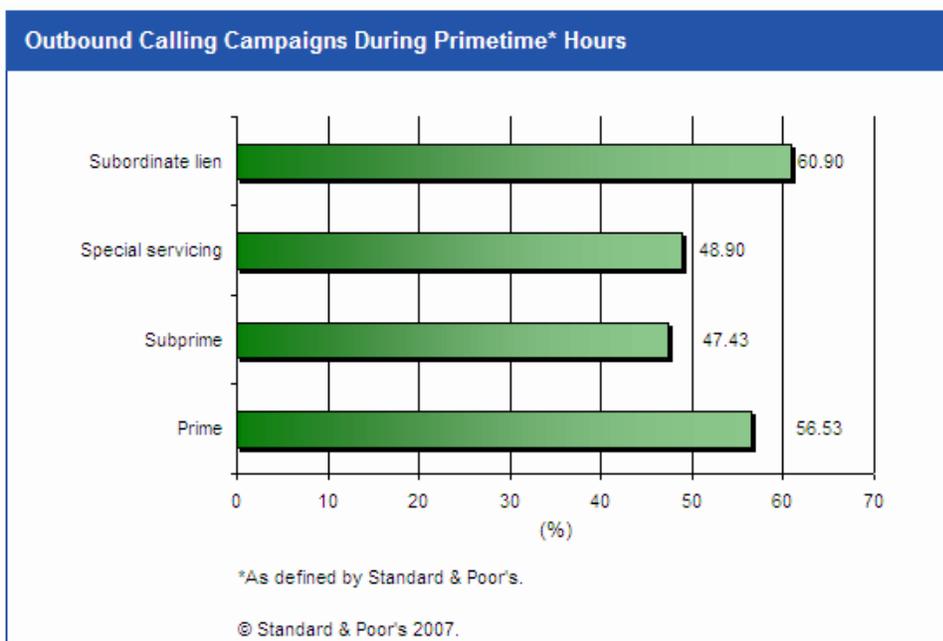


Chart 8



Delinquent accounts are queued to collectors based on experience levels. As such, serious delinquencies are referred to the most experienced collectors on a rotational basis. Countrywide's delinquency statistics are very competitive with industry averages and its default management performance is attributable to superior automation, excellent training programs, and effective call center management.

Collection activity on subprime loans and second-lien mortgages is handled in accordance with product-driven, risk-defined timelines that are appropriately aggressive based on the elevated risk of second lien mortgages. Collection activity is segregated by the severity of the delinquency, and a dedicated support staff handles administrative functions, allowing the collectors to optimize their efforts via customized calling campaigns utilizing the automated dialer. A stringent foreclosure review process ensures that all collection efforts have been exhausted prior to commencing foreclosure. In cases where it is not cost effective to foreclose, the loan will be referred to the asset

administration area where other recovery options, such as modifying the existing note or filing suit on the note, may be pursued. A recovery plan is developed for each loan, which is approved by management, and the status of the loan is monitored monthly.

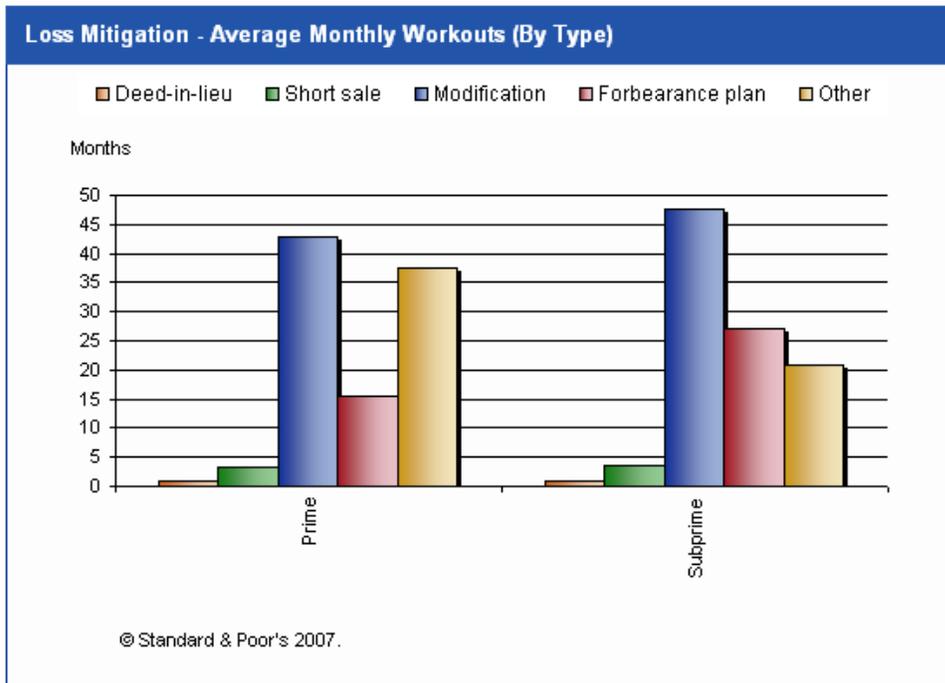
Outbound collection call activity is appropriately proactive based on established collection guidelines. If no contact with the borrower is established, an inspection of the property is ordered. After 45 days delinquent, telephone contact may be attempted every day for subprime and junior-lien loans with no contact, and the company follows a dual-path strategy whereby telephone contact will continue during the loss mitigation and foreclosure phases, as permitted. Standard & Poor's believes that the continued collection effort is a worthwhile use of departmental resources, given the costs associated with foreclosure and real estate disposition. At 50 days delinquent, a preforeclosure impact analysis is started and a broker's price opinion is obtained. A quality control supervisor reviews the account activity to ensure that the collection effort has been exhaustive and that the preforeclosure impact analysis has been completed by the 60th day of delinquency. The impact analysis is a computer-generated statement that analyzes the best exit strategy based on the borrower's financial information and property valuation when compared with the projected carrying costs of foreclosure, eviction, if applicable, and real estate marketing time and expenses. The impact analysis provides a methodology by which loan counselors and default management personnel can utilize reliable data to make well-informed and reasonable decisions in the loss mitigation and foreclosure stages.

Loss mitigation efforts are administered in the loss mitigation area and begin with a mass mailing effort to all accounts that are 30-45 days delinquent depending on asset type. Loss mitigation counselors identify and solicit viable workout opportunities through telephone and letter campaigns. Policies and procedures for loss mitigation efforts are well documented, with clearly defined approval levels and step-by-step procedures for pre-qualifying borrowers for workout packages. Loss mitigation efforts include:

- Utilization of software applications such as Freddie Mac's Prospector and Fannie Mae's Mornet programs to determine delegated authority and feasibility of workout options, and to electronically download information between the company and its investors, thereby facilitating the workout process.
- Scoring models are used at the 60th day of delinquency to prioritize borrowers that are most likely to go into foreclosure for further solicitation attempts.
- Reasons for default are reviewed to identify legitimate hardship situations that qualify for workouts.
- Additional solicitation efforts are made at 60 days into the foreclosure proceedings and again at 60 days before the sale date.

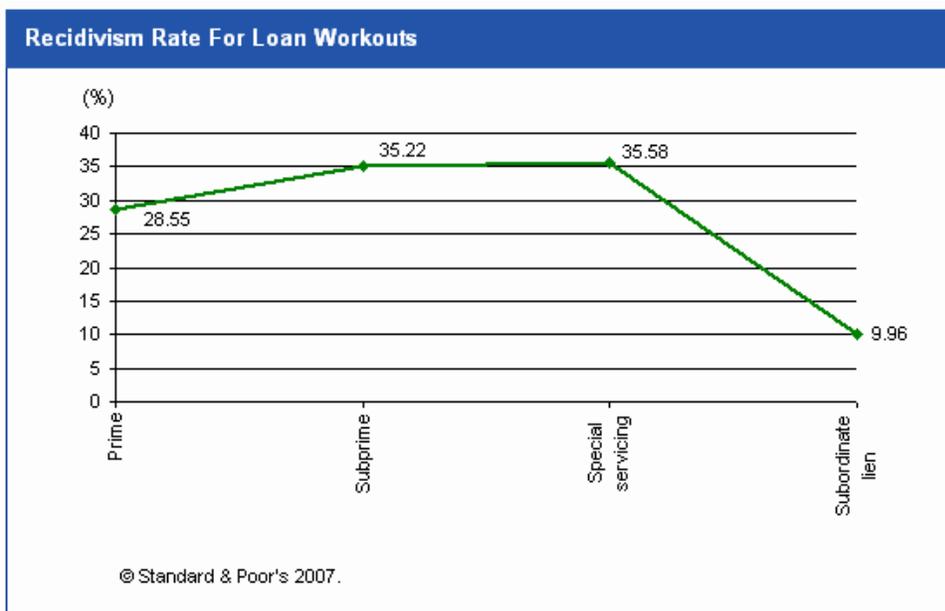
Management must approve all workout agreements, and workouts in progress are tracked through weekly and monthly exception reports to highlight processing delays and to identify workout candidates without previous solicitation attempts. The workout group is highly efficient as evidenced by the following:

Chart 9



- HUD loss mitigation ranks sixth out of the 16 largest servicers.
- The number of monthly closed workouts averages more than 2,500 for conforming product and 1,700 for the nonconforming product.
- No fee is assessed to the borrower when the borrower enters into a formal forbearance plan.
- The forbearance cure rates for the prime, subprime, and special serviced loans are 65.19%, 45.41%, and 52.54%, respectively.
- The forbearance break rates for prime, subprime, and special serviced loans 180+ days on the plan are 22%, 11.95%, and 23.45%, respectively.
- The recidivism rate for workouts that cure and redefault within six months (as reflected in chart 10) should be targeted for improvement based on Standard & Poor's Servicer Evaluation criteria.

Chart 10



Countrywide's foreclosure and bankruptcy groups are responsible for coordinating and monitoring

the company's foreclosure and bankruptcy caseload. The foreclosure area is organized by functional areas including pre-sale, post-sale, and auditing/final claim analysis. There are multiple levels of file review by management before foreclosure commences. Foreclosure cases are managed via state- and event-driven templates, and by exception reporting in the company's proprietary FOCUS system. Foreclosure cases are generally assigned to staff based on regional location and product type to develop expertise in their respective areas.

- A foreclosure attorney database houses approved counsel and data concerning unique legal issues and state or court-specific procedural items.
- Foreclosure files are electronically uploaded and referred to outside counsel, thereby facilitating timeline management.
- Auto-calculation and pre-approval of HUD and VA bidding instructions are electronically transmitted to counsel, which minimizes risk of human error.
- Monthly attorney report cards are issued to provide performance feedback.
- The percentage of foreclosure actions completed to standard is excellent at 97%.
- The foreclosure cure rate is excellent at 12.32%.
- A "control tower" group performs vendor management duties including attorney scorecards, peer benchmarking, and quarterly trending and analytics.

Countrywide's subsidiary Recon Trust, a trustee service, provides a sale line available to the general public with sale dates, bid amounts, and sales results, in an effort to increase third-party bidders and minimize REO inventory. Countrywide obtains excellent results in its foreclosure processing area, with superior performance in foreclosure timeline management. The company has enjoyed a Tier One ranking from Freddie Mac as a foreclosure servicer since the inception of the "tier" rating program, surpassing the standard foreclosure timeline by a significant number of days on its conventional loans. Similarly, the company also outperforms Fannie Mae's timeframe requirements by an impressive number of days. Foreclosure timeline performance also exceeds standard on the company's subprime portfolio. Countrywide has a highly effective foreclosure management area.

Bankruptcy case tracking is performed on the company's proprietary system and the company receives electronic bankruptcy confirmations for loans in its portfolio. A specialized cash management group oversees the correct application of payments within bankruptcy plans to ensure compliance with the 2005 Bankruptcy Act. A proof of claim is system-calculated, produced, and filed within 14 days of receipt of the file, and ACER is used to electronically access court records for case updates. An escrow analysis is performed based on the first post-petition payment date so that an accurate post-petition payment amount is calculated, devoid of any prepetition debt. This procedure is as an excellent way to minimize the risk of financial loss and noncompliance with Federal law. Management uses exception-based tracking reports to monitor all aspects of bankruptcy processing and to review staff performance.

The real estate management division oversees Countrywide Field Services Corp., a company-owned entity that provides nationwide property maintenance and inspection services for Countrywide's residential loan portfolio. Real estate valuations are centralized in the valuation services department. Appraisals and BPOs are ordered from Countrywide's subsidiary, LandSafe Appraisal Service, and are transmitted via an automated system for direct receipt of faxed results. Property inspection requests are system-generated based on investor guidelines and business rules that are programmed into the servicing system, and all results are electronically uploaded to the servicing system and available to all loan servicing staff. Rush inspections and sale date inspections are ordered manually.

- A minimum of two property valuations are conducted post-acquisition to determine asset value and list price.
- A written marketing plan is developed that includes list price, recommendations for property repairs, estimated sales price, and gain/loss projections.
- All marketing plans require management approval to ensure consistency in the marketing process.
- Cash for keys is used to minimize protracted eviction proceedings and to facilitate marketing time.
- Monthly broker status reports are reviewed to ensure acceptable marketing effort.
- Marketing is facilitated by listing properties on the Internet.
- Offer cash for redemption rights in applicable states.
- The eviction time averages an efficient 55 days.
- Marketing time averages a highly effective 82 days.
- The REO inventory turn rate is 16.21%.

- The gross sales-to-market value ratio across all product types is 98.38%.
- The net sales-to-market value ratio across all product types is 88.64%.

The specialty servicing group is a fully contained, seasoned management group, bifurcated between Countrywide risk assets and distressed assets. Distressed assets may be purchased by the company or obtained on a flow basis when a loan reaches a particular stage of delinquency. Newly acquired underperforming portfolios are analyzed by loss mitigation counselors in what the company terms a "triage" strategy. The counselors categorize the loans based on certain risk factors, including delinquency severity, borrower profile, damaged properties, title issues, and accounts for which no contact with the borrower has taken place. This categorization process allows management to develop collection strategies and calling campaigns that more efficiently target high risk accounts for early collection activity. The triage process also results in the timely resolution of critical issues. For instance, loans for which no contact has been made with the borrower or borrower contact information is missing will undergo internal skip-tracing procedures.

Countrywide's superior level of automation, default management expertise, and well-trained servicing personnel, are the primary reasons for the company's success in servicing distressed assets internally, for company-owned portfolios, and for third-party clients.

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Financial Position

The financial position is deemed to be SUFFICIENT.

The ranking is based on the 'A' senior debt rating and stable outlook of Countrywide Credit Industries, parent company of Countrywide Home Loans Inc. For information on this rating, additional information can be found on RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com.

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