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Ratings

[Back](#)

Servicer Evaluation: Green Tree Investment Holdings II LLC

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 Reprinted from [RatingsDirect](#)

[Opinion](#)

[Outlook](#)

[Profile](#)

[Management And Organization](#)

[Subprime/Subordinate Lien/Special Servicer Administration](#)

[Financial Position](#)

[Contact Information](#)

• [Current Ratings](#)

Opinion

The rankings on Green Tree Investment Holdings II LLC (Green Tree) are affirmed at AVERAGE as a Residential Mortgage Subprime Servicer, Residential Mortgage Special Servicer, and Subordinate Residential Mortgage Servicer. The outlook is stable for subprime and special servicing. The outlook is positive for subordinate servicing.

The rankings reflect Green Tree's seasoned management team, solid internal controls and risk management, comprehensive training programs, and an effective level of automation and technology. Although turnover is slightly elevated, it has improved since the previous reporting period. Since Green Tree's change in ownership in 2007, the company has adopted measures to stabilize its once-shrinking portfolio and develop business models to expand portfolio size.

Metrics presented by Green Tree through Standard & Poor's Ratings Services' proprietary SEAM database reflect that the company continues to compare favorably with relevant industry peers. Call center metrics affecting customer service and collections have improved in the past year. The multiple auditing channels in the organization ensure that each function is reviewed at least annually, which helps to expediently identify and correct any issues that may have a financial or regulatory impact on the company.

Green Tree established special servicing relationships in 2008. Special servicing shares the same staff as its mortgage operations. If Green Tree plans to significantly expand its special servicing business, it will be necessary to hire additional experienced staff and continue to enhance its already-fine technology base. Green Tree's good internal controls and risk management policies allow the company to effectively service portfolios of distressed assets.

[↑ back to top](#)

Outlook

The outlook is stable for subprime and special servicing. The outlook is positive for subordinate servicing. Green Tree has stabilized its subprime portfolio, which was decreasing in recent years, and is expanding its subordinate portfolio. The company has implemented a new business plan to increase the overall portfolio (discussed in greater detail below). In addition, Green Tree has formally established a capital markets business group that will continue to research opportunities for portfolio growth. Standard & Poor's believes that Green Tree will remain a proficient servicer.

Chart 1

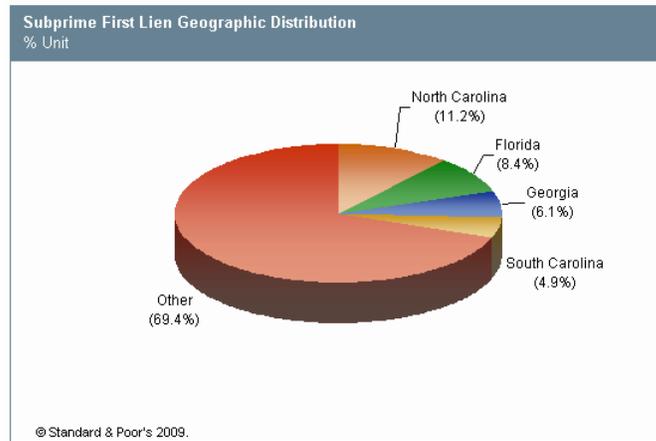


Chart 2

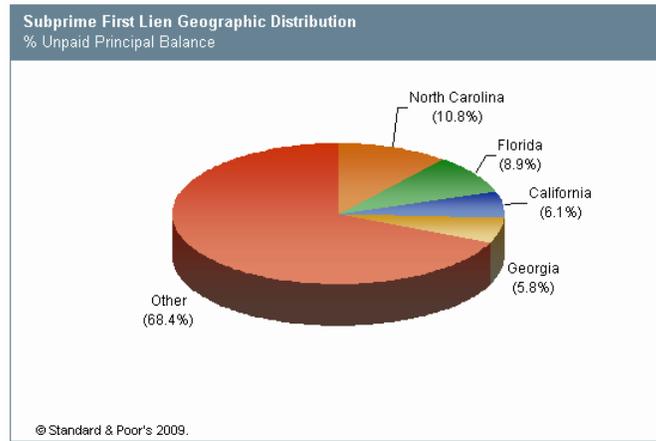


Table 1

Subprime Loan Administration – First Liens Key Statistics

	June 2008
Loan portfolio total	
Volume (\$000)	2,051,917
Assets (No.)	22,531
Delinquency (% of loans)	
Total	10.01
30-59 day	2.13
60-89 day	1.36
90+ day	6.51
Foreclosure	18.66
Bankruptcy	5.79
Real estate owned (No.)	752

Chart 3

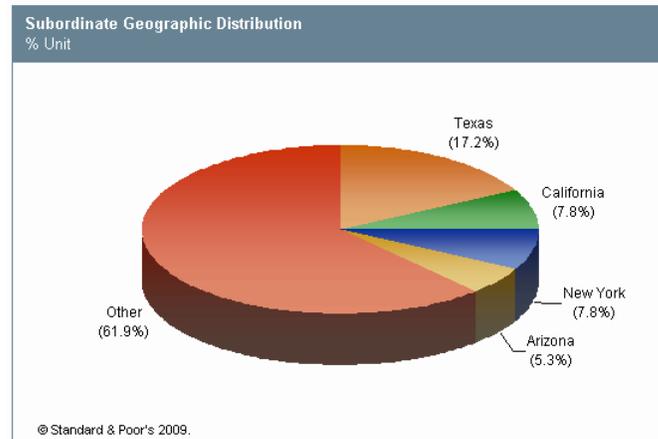


Chart 4

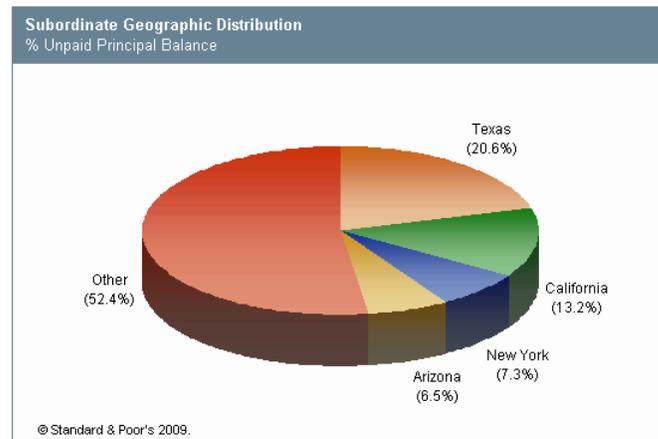


Table 2

Subordinate Mortgage Administration Key Statistics

	2008*
Loan portfolio total	
Volume (\$000)	1,354,865
Assets (No.)	51,455
Delinquency (% of loans)	
Total	2.67
30-59 day	1.11
60-89 day	0.6
90+ day	0.96
Foreclosure	0.44
Bankruptcy	2.15
Charge-off (\$000)	37,645

*June 30.

[↑ back to top](#)

Profile

Formerly known as Green Tree Mortgage Services, a then subsidiary of Green Tree Financial Corp., Conseco Inc. (Conseco) acquired the parent company in June 1998, and changed its name to Conseco Finance Servicing Corp. Conseco declared bankruptcy on Dec. 17, 2002, and later offered the mortgage company for sale. CFN Investment Holdings, a joint venture (JV) formed between Fortress Investment (Fortress), Cerberus Capital Management (Cerberus), and J.C. Flowers & Co. (Flowers) acquired Conseco's subprime, subordinate lien (mainly home improvement), manufactured housing (MH), and consumer installment (CI) servicing businesses in June 2003. The new parent then changed the company's name to its current designation. In June 2004, Fortress and Cerberus purchased Flowers' ownership interest. Fortress owned 54% of the JV, with the remaining 46% owned by Cerberus. Green Tree was subsequently sold to another consortium in June 2007, consisting of a majority ownership stake (73%) being retained by Centerbridge Partners, with the remainder held by Lehman Brothers (20%) and individual investors (7%). The transaction closed on Oct. 17, 2007.

Green Tree employs approximately 1,523 staff in its servicing operations. The main servicing sites reside in Tempe, AZ and Rapid City, S.D., although Saint Paul, MN, handles financial functions. Green Tree also uses its 29 regional offices throughout the U.S. to perform collection calls on accounts 30+ days past due, initiate loss mitigation efforts, and obtain contact with the borrower across all product types. The company is an approved FNMA/FHLMC servicer. The current business plan was developed in conjunction with the new parent, and emphasizes several opportunities for growth. Management intends to expand the portfolio through various avenues,

including: 1) subservicing arrangements with banks, hedge funds, insurers, and government agencies; 2) the purchase of mortgage servicing (MSR) through whole loans, securities, etc.; 3) acquiring companies or their respective businesses; 4) establishing an origination business that initially would focus on refinancing existing customers (into agency products) for loss mitigation purposes, as well as establish a conduit program (conducted on a flow basis) for distressed assets; and 5) continue to enlarge its current deficiency collection business (DCB), which now has four third-party clients. The DCB applies a proprietary model that scores the propensity for repayment. Management also implemented a capital markets business in January 2008 to assist with all of these plans. This department is now staffed with 14 individuals.

Management has successfully implemented certain aspects of its business plan. Over approximately the last year, Green Tree has completed 19 portfolio conversions affecting \$6.9 billion unpaid principal balance (UPB) of both residential and MH assets. The capital markets area assisted in sourcing new business via a hedge fund to establish a privately funded investment vehicle known as Ser/Vertis Fund 1 (the fund). Launched in June 2008, it had \$1.5 billion in committed capital for investing in credit-sensitive assets related to mortgages, MH, and other asset-backed products. Acquisitions would primarily encompass whole loan purchases, MSRs, and securities. Green Tree Investment Management LLC, formed in January 2008 with the assistance of the capital markets group, is the subadvisor to the fund and retains 50% of the advisory fees. Any asset purchases made through the fund must be serviced by Green Tree. There are over 100 existing investors at the present time. Management recently funded its first whole loan transaction encompassing a \$200 million UPB of Alt-A product. It also acquired a \$2.7 billion portfolio of performing/nonperforming subordinate liens from a large servicing entity to be subserviced by Green Tree. In addition, as part of its business plan to become engaged in special servicing, the company has acquired \$1.3 billion of distressed subprime assets since December 2007.

Green Tree and GE Consumer Finance have a servicing agreement in place in which the former services various subordinate lien and home improvement assets for the latter. Although GE no longer originates such products, the agreement was recently renewed for another five-year period. The average borrower FICO on the GE portfolio averages 685.

Management states there is no material litigation that would have an adverse impact on the company.

[↑ back to top](#)

Management And Organization

The ranking for management and organization is affirmed at AVERAGE as a residential subordinate mortgage servicer, residential subprime mortgage servicer, and special servicer.

Management and staff recruitment, development, and training

Green Tree has a knowledgeable and experienced management team. Staff attributes are as follows:

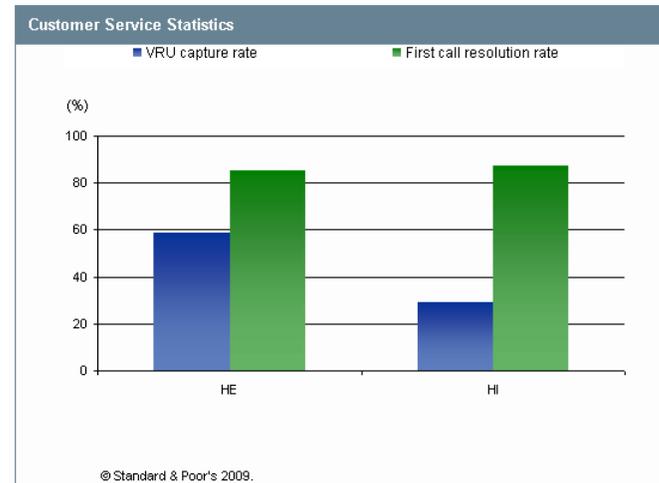
- Senior managers average an excellent 23 years' industry experience and 11 years with the company;
- Middle managers average a superior 18 years' expertise and nine years' tenure with Green Tree; and
- The turnover rate for staff is elevated, at 30%, but this represents a large improvement from the prior year (when it was over 40%). Management turnover is 8.20%.

In tandem with its business plan initiatives referenced above, management hired two senior executives from other well-established mortgage entities to oversee its capital markets and originations businesses.

Green Tree provides a solid training regimen to its staff so they remain knowledgeable about pertinent mortgage servicing topics. There are five trainers (mainly based in Tempe or Rapid City) who average more than eight years' industry experience and six years' tenure. The training director is new to Green Tree, but averages more than 10 years' experience. Staff may access an online learning center with mandatory and ancillary courses. Management has the ability to assign courses to specific personnel for further career development and for additional training needs. A centralized database tracks employee training. Highlights of the training program include:

- A leadership development program for existing and future managers, with annual refresher courses;
- A two-week new-hire program that provides a mortgage industry overview and introduces staff to areas such as policies, procedures, and company history;
- Silent monitoring of the new hires;
- A one-hour course in both escrow and PMI functionality;
- Over 1,000 online technical courses as well as 30 soft skills courses;
- Additional sessions to practice telephone skills on borrower calls;
- A successful completion of Web-based compliance courses within 30 days of hire, depending on the job function, which includes the Fair Lending Act, Fair Debt Collections Practices Act (FDCPA), Fair Credit Reporting Act (FCRA), Truth in Lending Act (TILA), National Flood Insurance Act (NFIA), and the Gramm-Leach Bliley Act (GLBA);
- Employee competency ensured with annual recertification and testing in the relevant subject matter based on job function;
- 120 hours of formalized training for customer service representatives that addresses systems, policies and procedures, FDCPA, and GLBA, and is followed by 40 hours of on-the-job (OTJ) instruction;
- Eighty hours of classroom education for collectors, followed by 40 hours of OTJ supervision;
- Extensive instruction in FDCPA of approximately six hours in addition to three hours of annual refresher training and testing;
- A minimum score of 90% on the FDCPA exam for collectors;
- Electronic training for foreclosure, bankruptcy, loss mitigation, and REO staff;
- A collection excellence program that further addresses topics concerning loss mitigation techniques, negotiations, and adherence to state/federal laws;
- An average of 40 hours' informal training completed annually by all employees;
- Monthly online training updates and alerts to keep staff apprised of changes and issues;
- All training is tracked through a centralized database; and
- A corporate compliance (CC) group that performs ad hoc training as it pertains to policy revisions resulting from changes in servicing laws, complaint trends, and previous audit findings.

Chart 5



Dedicated subject matter experts coordinate training needs with the affected departments. Management identifies training opportunities based on quality monitoring results, with applicable courses to address any issues related to customer communication or policies. Each such course is classroom based and consists of three hours' general instruction and one hour of business unit-specific applications.

Internal controls

Green Tree's detailed policies and procedures provide its employees with a good understanding of corporate guidelines and responsibilities. There is a policy and procedure department that is dedicated to updating the manuals. Controls for disseminating and revising the guidelines include:

- Comprehensive policies and procedures, which contain sample screen prints, examples, a glossary of frequently-used terms, and state-specific information;
- Monthly staff meetings to discuss any changes as well as a quarterly release summarizing the prior and new policies;
- Manuals are available online, thus resulting in a more knowledgeable staff that uniformly apply servicing practices per company, investor, and regulatory guidelines;
- Technical writers are solely responsible for updating and posting the changes in paper format and online;
- Annual reviews by management to ensure the policies and procedures reflect current servicing practices; and
- Once approved by senior management, CC reviews the changes to ensure compliance, inclusive of forms and letters.

Green Tree's comprehensive auditing program consists of multiple levels of oversight through three departments to ensure all loan-servicing departments properly adhere to established standards. The company's legal department includes seven lawyers who average 12 years' lending experience as well as several legal assistants who address processing of complaints received from regulatory agencies on behalf of customers. The legal assistants report to a dedicated attorney, who also oversees regulatory exams. Within the legal area is a separate licensing group. The legal area also handles litigation and monitors changes in federal/state laws. A separate compliance area consists of a dedicated attorney and four compliance managers. A main task of this department is to perform audits of various servicing processes on an annual basis. The audit scope incorporates many functions such as collection call monitoring (minimum of three calls per collector), customer service, prepayment penalties, NSF/late charge fees, bankruptcy, lockbox processes, and a review of notices and letters. This area also assists with reviewing policies and procedures, issuing compliance alerts, approving forms and letters, and responding to compliance questions. CC completed 180 audits in 2007, with a similar amount completed in 2008.

The internal audit (IA) department, reporting to the CFO and executive audit committee (EAC), consists of a five-person staff that reviews high-risk servicing departments and products annually. It also includes a review of the disaster recovery plan for each site. The manager and staff are relatively new, as they average only approximately two years' tenure with the company, respectively. A separate quality assurance (QA) group performs monthly, bi-monthly, and quarterly reviews mainly on default-related processes for all divisions. In 2007, QA performed over 100 such audits. Highlights of the auditing methodology indicate the following safeguards:

- IA performs a quarterly risk assessment to revise its auditing methodology and identify areas that require additional oversight during the next 12 months;
- Sampling scheme derived from a proprietary database system;
- 30-day response time details corrective action by management;
- Departments are graded "Satisfactory," "Needs Improvement," or "Unsatisfactory", with the latter two requiring a re-audit by IA within 90 days;
- Managers have a five-day response timeframe to rebut any audit findings and 30 days to issue a response detailing a resolution plan;
- Departments receiving a "Needs Improvement" or "Unsatisfactory" rating are re-examined within 30 days of final report issuance, and annually if achieving a "Satisfactory" grade;
- QA uses the same grading scale as evidenced with IA, with the exception of an additional "Superior" rating;
- QA convenes monthly telephone calls with default personnel to discuss audit results and solicit commentary on recommendations;
- Dedicated QA analysts in Tempe perform silent monitoring of customer calls;
- Database tracking of findings, with a required two-week response timeframe;
- Trending analysis performed by all auditing departments; and
- Senior management receives copies of final reports and CC forwards quarterly summaries as well.

IA receives copies of CC and QA audits and customer complaints for its own independent review. This allows the department to ascertain additional trends and opportunities to improve the operation. A review of several CC, QA, and IA audits from 2008 indicated satisfactory results and any exceptions were promptly resolved within established timeframes.

Technology

Green Tree has a sound technology platform. The company can significantly increase the portfolio without requiring additional IT enhancements. Systems architecture and business recovery features include:

- GTA, a proprietary application, is the primary system of record;
- Staff may access imaged documents from their desktops, which expedites customer inquiries;
- FORTRACS, to assist in expedited communication with legal counsel and augmented tracking of legal actions;
- Proprietary collection system UCSe;
- Vendor-provided call monitoring software;
- Backup tapes are encrypted and stored at an offsite vendor facility;
- A comprehensive disaster recovery plan is tested semiannually for critical business functions;
- Plans updated at least annually; and
- Use of other servicing sites as an alternate location in the case of a business interruption.
- Implementation of a Web portal to provide summary and detailed servicing information to investors.

There is more than enough capacity to expand the portfolio as the system can service another 250,000 accounts with only minor technology investments.

[↑ back to top](#)

Subprime/Subordinate Lien/Special Servicer Administration

The ranking for Loan Administration is affirmed at AVERAGE as a subordinate lien mortgage servicer, subprime mortgage servicer, and special servicer.

Thomas Franco, executive vice president, oversees the loan servicing operations. As of June 30, 2008, Green Tree serviced a first lien subprime portfolio amounting to 22,531 accounts representing a \$2.05 billion UPB. The subordinate portfolio consisted of 51,455 mortgages representing a \$1.3 billion UPB. This total encompassed 131 home equity lines of credit, 13,021 high loan-to-value (LTV) accounts, and 660 Title One loans, with the remainder being closed-end home improvement second mortgages. The average FICO score across both products is 606.

Green Tree uses multiple sites to conduct its loan servicing operations. The Rapid City location is responsible for customer service, bankruptcy, and collection activity. Investor reporting, compliance/legal, and cash and treasury operations are based in Saint Paul. Tempe handles other non-default servicing functions as well as performing residential collection and default activities (e.g. foreclosure, REO, etc.). The 29 regional offices and centers handle 30+ cradle to grave collection through foreclosure. The company leverages many functions across all product types such as training, new loan boarding, investor reporting, customer service, internal auditing, and IT.

In the cradle to grave back end collections, 30+ through foreclosure, each manager reports to a vice president/managing director who in turn reports to the senior vice president of operations. As indicated, the executive vice president of servicing oversees all servicing functions for the company and reports to the president of Green Tree Servicing LLC.

Although operating with separate staff for certain functions, the subprime and subordinate-lien functions adhere to similar policies, procedures, and controls for default and nondefault tasks, with differences mentioned as applicable in each section.

Table 3

Subprime Loan Administration – First Liens Key Statistics

	2008*	2007	2006	2005	2004
Loan portfolio total					
Volume (\$000)	2,051,917	1,331,329	1,343,358	1,980,895	2,834,408
Assets (No.)	22,531	22,027	24,472	31,507	41,618
Delinquency (% of loans)					
Total	10.01	7.95	4.87	4.08	2.22
30-59 day	2.13	3.16	3.24	2.7	1.59
60-89 day	1.36	1.74	0.88	0.76	0.44
90+ day	6.51	3.05	0.75	0.62	0.19
Foreclosure	18.66	12.92	3.65	4.74	4.86
Bankruptcy	5.79	12.51	14.6	14.98	13.16
Real estate owned (No.)	752	463	518	598	1,315

*June 30.

Table 4

Subordinate Mortgage Administration Key Statistics

	2008*	2007	2006	2005	2004
Loan portfolio total					
Volume (\$000)	1,354,865	1,448,813	1,251,610	1,214,253	1,389,225
Assets (No.)	51,455	55,203	52,618	56,095	67,041
Delinquency (% of loans)					
Total	2.67	2.23	1.89	2.59	3.02
30-59 day	1.11	1.05	0.96	1.33	1.76
60-89 day	0.6	0.61	0.38	0.42	0.49
90+ day	0.96	0.57	0.55	0.84	0.77

Foreclosure	0.44	0.29	0.5	0.73	1.59
Bankruptcy	2.15	3.91	5.52	9.04	7.93
Charge-off (\$000)	37,645	50,509	2,128	N.A.	N.A.

*June 30. N.A.--Not available.

Standard & Poor's reviewed all areas of loan servicing and found them to be satisfactory. Key areas of risk are discussed below.

Loan boarding and rate administration

Green Tree evidences sound boarding procedures. The company converted almost 20,000 loans to its servicing system in 2008, with another 40,000 subordinate lien mortgages recently boarded onto GTA.

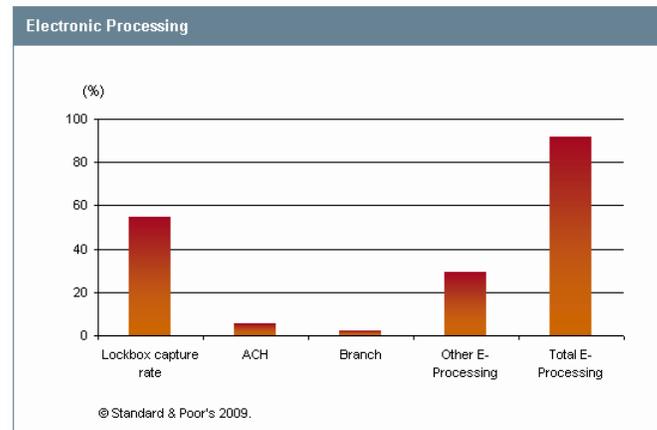
Green Tree has a staff of subject matter experts from different departments that are responsible for portfolio conversion activities. This includes performing the onsite review, examining a sample of credit/collateral/servicing files, and reporting the results to the executive committee. There are standard data mapping and electronic validations of all information downloaded into the servicing system. The loan servicing data integrity unit performs a document-to-system review based on either a statistical sample or an entire portfolio (depending on portfolio size, risk, etc.). As an additional control, the internal audit area performs and submits a report 60 days after a conversion to identify any concerns.

Cash management and investor accounting

Green Tree's funds management processes evidence a satisfactory level of controls designed to minimize potential risk of loss. Highlights of the department include the following:

- The total electronic processing rate is a solid 91.91%;
- Lockbox reject rate at 1%;
- Cashiering operates from a secure area;
- Imaging checks for historical purposes and to assist in research;
- Check 21 software;
- Payments converted to electronic funds via ARC transactions results in expedient access to funds;
- ARC conversion rate of 80%;
- Random desk checks twice monthly;
- Only copies of checks requiring research are forwarded to the affected departments with tracking via a log;
- Payment notification instructions received via the system; and
- Daily master file sent to the lockbox assists in account number identification and reduces the number of rejected payments.

Chart 6



The reporting, remitting, and reconciliation department oversees over 145 total securitizations. The company has good controls in place to ensure timely and accurate reporting to its investor base. Highlights are as follows:

- The electronic reporting and remittance rates are both 100%;
- An internal application, known as Atlas, handles electronic downloads of information and report generation;
- A secure Web site to view/download securitization reports and pool prospectuses via www.GTServicing.com/ABS;
- Separate Web site access available for private deals;
- Online access to the bank statements facilitating daily/monthly balancing;
- Managerial signoff on all reports and reconciliations;
- No open items aged greater than 60 days; and
- No late reporting or late remittance penalties over the past six months.

A third-party vendor (Bearing Point) performs monthly reviews of the general ledger reconciliations and also validates the calculation and recovery of advances on a sampling of accounts. This represents a good dual control to ensure accuracy.

Customer relations

The 84-person department consists of several individuals exclusively dedicated to subprime/subordinate-lien calls, with the majority allocated for MH inquiries. However, staff is cross-trained to handle all products. Telephone contact resulting from residential mortgage inquiries only represents 12.7% of total calls. The department displays solid controls and oversight to minimize

customer dissatisfaction. Service indicators include the following:

- A satisfactory turnover rate of 26%, down from 34% in 2007;
- Supervisors monitor five silent and five side-by-side calls monthly per representative, while QA reviews five recorded calls monthly per staff member, all of which include feedback;
- ANI assists in possible later skiptracing efforts;
- Very good call center metrics reflect an abandonment rate of 2.40%, while the ASA averages 25 seconds;
- Scheduling software to assist with productivity;
- A bilingual voice response unit (VRU) available on an approximate 24/7 basis;
- The capture rates for the VRU averages 35.40%;
- Forwarding addresses received electronically from the postal service and uploaded into the system assist in locating borrowers for further customer service or default communications;
- Trending analysis based on the nature of the inquiry;
- Satisfactory first call resolution rate of 87.64%;
- RESPA and FCRA compliance stands at 100% for the six-month period ending June 2008;
- Imaging of letters and responses to provide a historical record in case of issues; and
- Almost 11,000 registered Web site users.

Dedicated correspondence staff address and track written borrower inquiries for RESPA compliance. Internal timelines for responses are stricter than RESPA requirements.

Escrow management

Green Tree does not escrow on its subordinate-lien portfolio, and only 1% of accounts are escrowed on the home equity (HE) portfolio. Management applies a proprietary escrow system (EAS) for its subprime loans to monitor tax and insurance items. As the vast majority of subordinate-lien loans are second liens with an average balance of under \$25,000, there is generally no tracking of tax or insurance items for this product, with exception for client requested portfolios. Standard & Poor's believes that Green Tree should consider tracking tax and insurance for second liens. Tax services are completely outsourced to ZC Sterling while insurance tracking is handled by Assurant, Inc and American Modern. Controls in place include:

- Tracking and lender-placed abilities on its entire subprime portfolio;
- Force-placed hazard insurance rate of an elevated 20%, with a high 41% cancellation rate;
- Call placed to the agent 29 days prior to expiration date, with a subsequent letter forwarded to the customer nine days before the policy expires;
- Letter cycle in place after expiration, along with a call to the agent five-fourteen days prior to policy issuance;
- Tax tracking on second liens if the original balance exceeded \$50,000;
- There were no un-reimbursed tax penalties;
- Collection department contacts the borrower prior to the company advancing funds to ascertain reasons for nonpayment;
- Escrow advances spread over a 10-36 month period depending on the circumstances;
- Quarterly calls with the vendors to discuss issues.

The company only maintains life of loan flood certifications on its first lien bank originated escrowed and client requested portfolios. Although the investor/trust assumes any losses, Standard & Poor's believes the company should have life of loan flood certifications and force-placed coverage abilities to properly protect itself and its investors against possible large losses stemming from uninsured properties. The vast majority of industry players adhere to this prudent servicing practice.

Less than 1% of mortgages have prepayment penalties, which are system and manually calculated and confirmed. Mortgage reconveyance processing is outsourced to a third party. Internally, three staff prepare releases on rejected items or in special circumstances. The vast majority of payoff checks are received by the lockbox, who electronically send the check and pertinent information to Green Tree nightly for posting. There have been no penalties for issuance of late releases over the last year.

Default management

Green Tree applies an appropriately assertive collection philosophy on its residential portfolios. The 685-person collection department consists of collectors who are cross-trained to handle the differences in collection philosophy among its varied portfolios, of which MH represents the vast majority of assets. A front-end team handles one-29 day delinquent accounts. Remaining latter-stage staff manages accounts greater than 30 days in arrears and retains the account in an ownership strategy until the account is resolved via a workout or through legal means (Green Tree shifted to this approach in October 2007). Management uses four proprietary credit-scoring models designed to identify the highest risk loans beginning at three days past due in order to implement its call strategy. There are subtle differences incorporated into each product and accounts are graded on an "A" through "F" scale to determine initial contact dates and frequency. In addition, a separate modeling tool predicts the likelihood of an account reverting to either bankruptcy or foreclosure within the next nine to 12 months, which further assists in directing contact and workout efforts. All scoring mechanisms have been frequently updated. Controls and metrics of the collection process are as follows:

- A satisfactory turnover rate of 29.7%;
- Experience levels are good. Management averages 16 years' experience and seven years with Green Tree, while staff average nine years' expertise and three years with the company;
- Letters and the dialer utilized for accounts scored low or high risk, which are less than 30 days delinquent;
- Accounts 31-90 days past due contacted manually, with field visits beginning on approximately the 60th day of default;
- Screen pop-ups occur for states in which there are specific scripted disclosure requirements;
- Bilingual staff manage non-English-speaking borrowers;
- Monthly refreshing of credit bureau and behavior scores ensures the model is using up-to-date information;
- ANI capture assists in borrower contact and skip tracing;
- On HE loans collection contact begins as early as the third day of default but no later than the 25th day;
- NOD is sent by the 43rd day of default on HE and home improvement (HI) mortgages;
- For subprime second liens, high LTV accounts, and HI loans, collectors contact the first-lien holder between the 10th and 29th day of default to determine status;
- Monthly contact with first lien-holder is made once the account is 60 days delinquent;

- Pursuit of civil judgments occurs on second-lien accounts;
- Silent monitoring of eight calls per collector is made monthly;
- Abandonment rate of 0.49% and ASA of 2.2 seconds, both of which are excellent rates;
- Combined promise-to-pay success rates in 30- and 60-day buckets of 88.30% for subprime and 92.23% for subordinate-liens; and
- Automatic routing of borrower calls from the VRU to collections occurs once the account is greater than 10 days past due.

Staff performs an equity analysis on subordinate-lien loans once the account is 90 days past due, or as dictated by client-specific servicing protocols, to determine whether to continue collection efforts or foreclose on the borrower. Depending on the results of the equity analysis, management charges-off second-lien accounts by the 270th day of default and between 180 and 270 days delinquent for HE accounts.

Green Tree has acquired three portfolios of highly distressed assets, two of which were boarded in November 2007, and the remainder in April 2008. Preliminary results indicate that the company has successfully reduced delinquencies of 30 days or more in aggregate across each pool from 16%-27%.

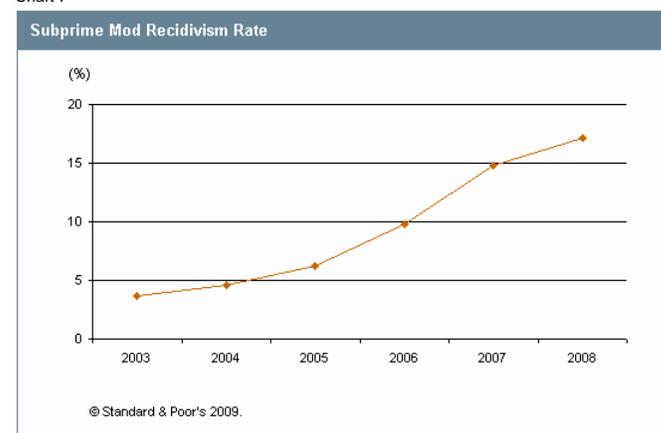
Green Tree's residential workout department consists of 12 staff. Due to the nature of the product, loss mitigation opportunities are few for subordinate liens. The department reflects extensive expertise with management averaging 22 years' industry experience and eight years' company tenure, while staff has 11 years' expertise and four years' company tenure. Highlights of the loss mitigation process include:

- Proactive mailing of workout solicitations once the account is 43 days past due for both products;
- Separate solicitation from the workout department when the account is 60 days past due;
- Delegated authority levels for collectors and loss mitigation staff based on workout plan under review;
- Electronic calculation of the net present value analysis;
- Separate toll-free telephone number for the loss mitigation department, which includes the ability to leave a voicemail message;
- Call monitoring of staff consists of side-by-side and silent monitoring of 10 calls monthly; and
- Borrowers may submit a financial package in a timely manner via the Web site; and
- The vast majority of modifications completed in 2007 (81%) and 2008 (95%) affected capitalization of arrearages.

Table 5

Loss Mitigation		
(%)	Subprime workouts	Subordinate workouts
Modifications	96.61	92.65
Paid in full	0.46	1.31
Short sale	1.86	3.52
Deed in lieu	0.35	-
Paid current	0.69	2.52

Chart 7



Green Tree's prudent oversight of its foreclosure and bankruptcy staff allows it to optimize timeline management during the legal process. The 10-person foreclosure department averages 12 years' experience and five years' company tenure. A 29-employee bankruptcy group reflects eight years' industry experience and seven years with Green Tree. The solid controls and processes in place include:

- Foreclosure referral at 90 days past due provided there is equity in the property;
- Dual-track approach of continued loss mitigation efforts while the account is in legal action in an attempt to resolve the delinquency, including a series of monthly calls and quarterly letters;
- Use of FORTRACS results in expedient electronic referral and communication to the attorney;
- An outsource vendor (CBC Cos.) performs administrative duties related to the legal action through seven onsite personnel, allowing the staff to focus on timeline compliance;
- Approved list of counsel available online for easier selection;
- Scorecards used to rate attorney performance;
- Ability to view broker price opinions and inspection results via the vendor's Web site;
- Monitoring of 10 calls monthly for foreclosure staff;
- Foreclosure timeline compliance rate of 91%;

- Fine foreclosure cure rates of 8.6% for subprime and 21.69% for subordinate;
- Vendor employed for certain bankruptcy tasks, who is graded for performance;
- Use of proprietary bankruptcy system, known as BLART, to monitor and track such actions; and
- PACER and Banko to ascertain bankruptcy filings and statuses.

REO staff averages 18 years' experience and eight years' company tenure. Management uses the services of three asset management companies for REO marketing, which includes referral to the broker. The REO department has effective controls designed to maximize marketing efforts as reflected by the following:

- Brokers have delegated authority to offer limited financial incentives to encourage recalcitrant borrowers to vacate the premises. This reduces the likelihood of having to commence a costly and time-consuming eviction action;
- Vendor performance is monitored/graded;
- Two evaluations are obtained for each property;
- Scorecards are used on the vendor to assess performance;
- Brokers must submit monthly status reports detailing marketing activity;
- Average marketing time for subprime is 127 days and 159 days for subordinate liens; and
- Subprime gross and net proceeds to market value averages 97.89% and 84.68%, respectively, which are good rates.

The company has a recovery department in Tempe whose responsibility is to obtain funds on charged-off accounts. It also uses the services of three collection agencies as needed. Recovery data is tracked using the RMS system offered by London Bridge Group.

[↑ back to top](#)

Financial Position

The Financial Position is considered Sufficient.

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

[↑ back to top](#)

Contact Information

Green Tree Investment Holdings II LLC servicing facilities are based in Tempe, Rapid City, and Saint Paul.

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[↑ back to top](#)

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