



## **Servicer Evaluation: Litton Loan Servicing L.P.**

Publication date: 27-Jan-2010 11:00:04 EST

### **Opinion**

The rankings on Litton Loan Servicing L.P. (Litton), a subsidiary of Goldman Sachs Group Inc. (GS), are affirmed at STRONG as a residential mortgage special servicer, residential mortgage subprime servicer, residential mortgage servicer, and residential subordinate-lien mortgage servicer. At the same time, the ranking of AVERAGE is affirmed for consumer finance servicing. The outlook is stable.

Litton continues to enact improvements throughout its operation to mitigate potential servicing risk and respond to an increasingly regulated marketplace. Management has redesigned its reporting lines to better reflect distinct functionality within the organization, while also establishing a new centralized committee process to discuss company issues versus the previous practice that relied on several separate departmental meetings. This allowed for a more unified approach to informing its parent of any changes or potential concerns within the servicing division. In conjunction with its compliance area, Litton developed new training classes to enhance staff skills and enhanced other courses to include topics related to changes in the regulatory environment. Dual auditing mechanisms remain in place through both internal audit and quality control programs. Litton augmented auditing mechanisms to appropriately include testing of the various government workout initiatives introduced in 2009. A separate group was created that focuses on compliance with the numerous foreclosure laws that states were enacting, and continue to enact, during the last year. A Reg AB finding surfaced in 2008 but has since been resolved. Technology remains well developed, and the servicer implemented numerous improvements, including the development of a modification tracking system and the release of an enhanced module that allows customer service and collection staff to ascertain important borrower information without having to duplicate their efforts by accessing numerous system screens. Litton similarly introduced additional scripting tools to take into account the various statutory revisions in the past year.

The company's overall statistics, as reflected in responses to Standard & Poor's proprietary Servicer Evaluation Analytical Methodology (SEAM) questionnaire, compare favorably with relevant industry peers. Management continues to outsource certain tasks to its offshore vendor to improve productivity while allowing domestic staff to focus its efforts on more critical items. Not unexpectedly, call center metrics have worsened somewhat as a result of the tremendous increase in call volumes, but the statistics still reflect good performance, and the company hired more employees to address this matter. The monitoring program as it affects quantity is being standardized across all affected servicing areas. Customer service personnel now assist with early stage collection calls, thus alleviating the

call volume of the collection staff. Many key nondefault figures reflect fine performance and/or improvements from the prior year.

The company appropriately hired additional loss mitigation staff to address the increased workout volume resulting from the current market environment and the concurrent various government programs designed to assist distressed borrowers. The company participates in the Home Affordable Modification Program (HAMP) and also uses alternate loss mitigation strategies in those instances where borrowers are not HAMP eligible. Litton enhanced technology for initial modification processing to provide customers information on missing documentation needed to analyze their workout request and trained customer service staff to assist in the initial processing, thus allowing loss mitigation personnel to fully focus on rendering a workout decision. As expected, workout activity has increased substantially, mainly as it affects modifications and, to a lesser extent, short sales.

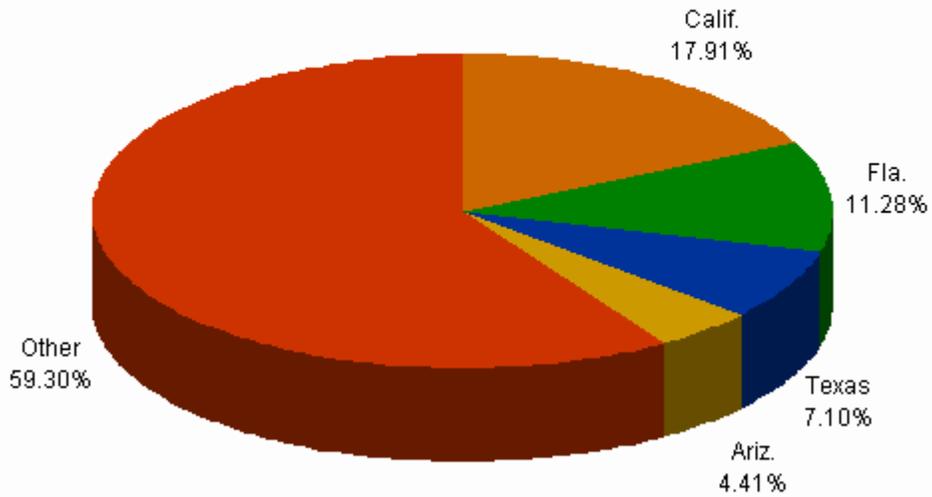
The ranking of AVERAGE is affirmed for Consumer Finance Servicing of manufactured housing (MH) assets. Due to similarities between these assets and residential mortgages, Litton relies on its existing personnel to handle many of the servicing functions. The portfolio has increased slightly in the past year, but the marketplace still lacks the opportunity to acquire significant assets.

## **Outlook**

The outlook is stable for residential loan servicing, subprime loan servicing, special loan servicing, and consumer finance servicing (MH). The outlook for subordinate-lien servicing is revised to negative. Litton's main focus in the immediate future is to continue fully utilizing the various workout programs the respective government entities introduced while concurrently managing its portfolio to minimize losses resulting from defaulted loans. The various enhancements completed in the past year should allow Litton to achieve these goals. However, due to the current market environment, Standard & Poor's is concerned about the company's ability to increase/stabilize the subordinate-lien portfolio in the future. Given its achievements, Litton should remain a proficient residential servicer of different asset types in the mortgage marketplace.

Chart 1

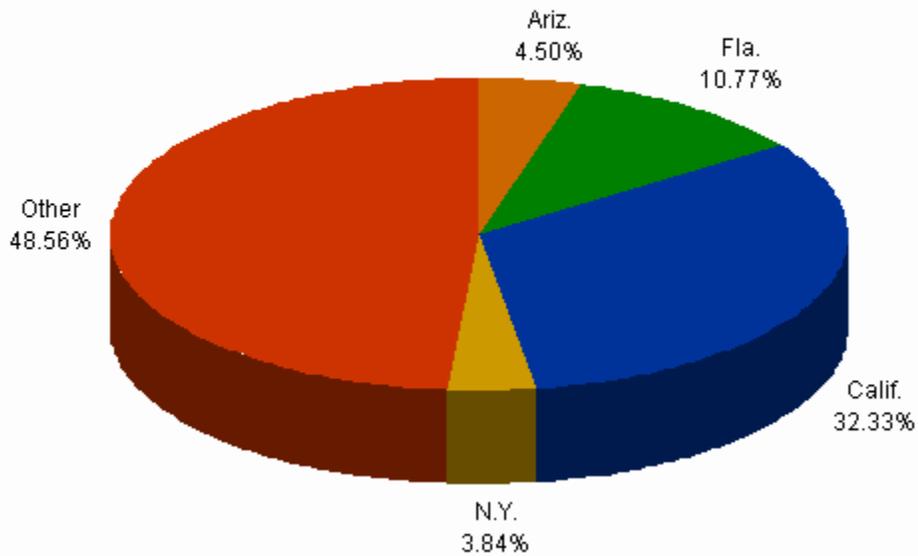
Prime Geographic Distribution By Unit



© Standard & Poor's 2010.

Chart 2

Prime Geographic Distribution By UPB



© Standard & Poor's 2010.

**Table 1**

**Residential Mortgage Administration**

**Litton Loan Servicing L.P./Key Statistics\***

**2009\*\***

**Loan portfolio total**

Volume (Mil \$) 9,706.14

Assets 46,978.00

**Delinquency (% of loans)**

Total 43.86

30-day 8.78

60-day 5.20

90+-day 29.88

Foreclosure 17.10

Bankruptcy 5.45

Real estate owned (#) 2,823.00

\*First-lien nonsubprime volume. \*\*As of June 30.

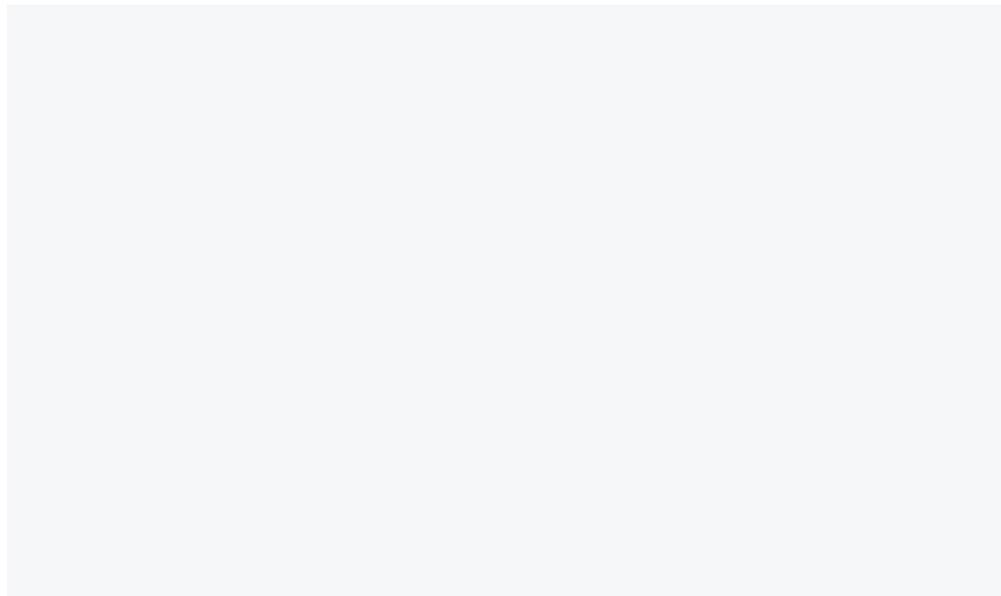
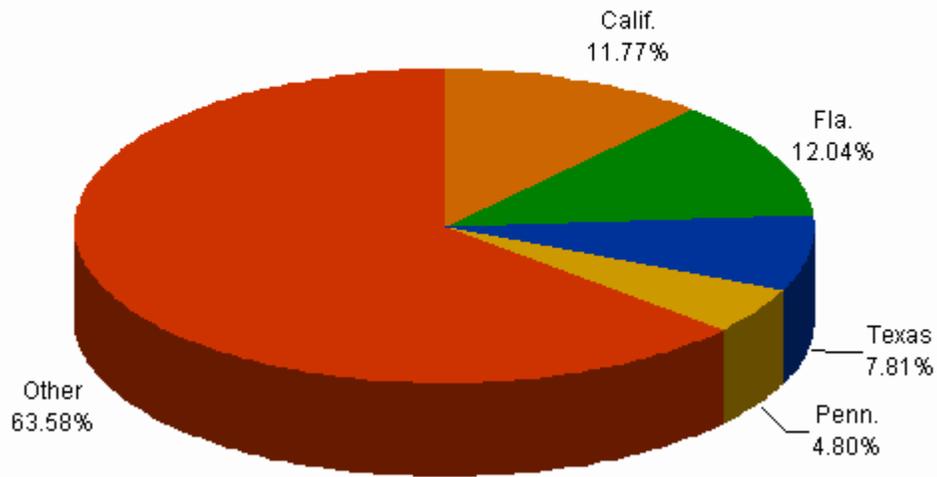


Chart 3

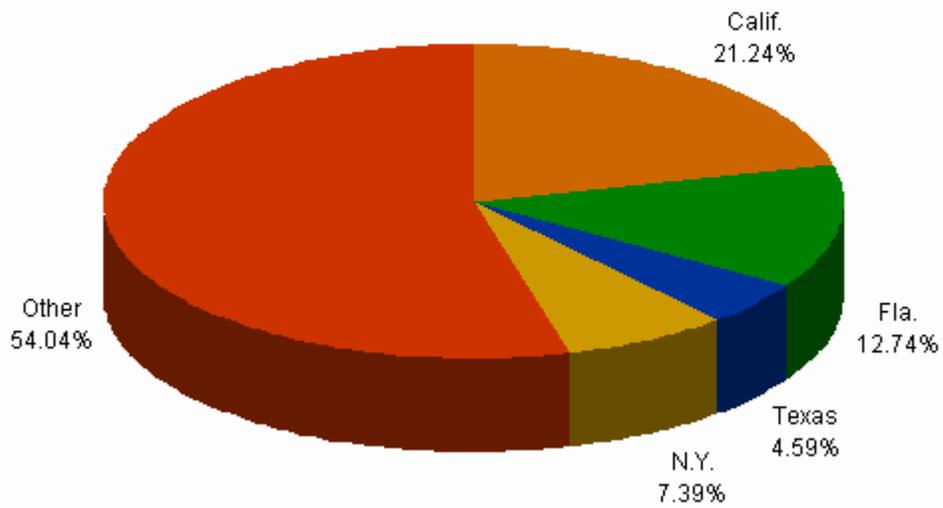
Subprime Portfolio Distribution By Unit



© Standard & Poor's 2010.

Chart 4

Subprime Portfolio Distribution By UPB



© Standard & Poor's 2010.

**Table 2**

**Subprime Mortgage Administration**

**Litton Loan Servicing L.P./Key Statistics**

**2009\***

**Loan portfolio total**

Volume (Mil \$) 48,887.11

Assets 282,149.00

**Delinquency (% of loans)**

Total 44.70

30-day 10.60

60-day 6.20

90+-day 27.90

Foreclosure 15.37

Bankruptcy 4.07

Real estate owned (#) 15,045.00

\*As of June 30.

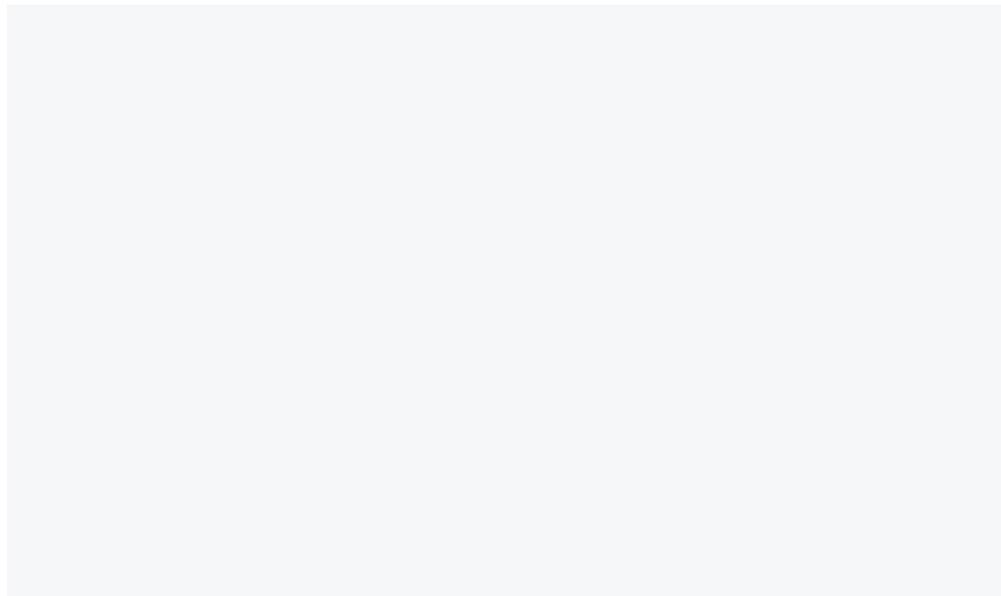
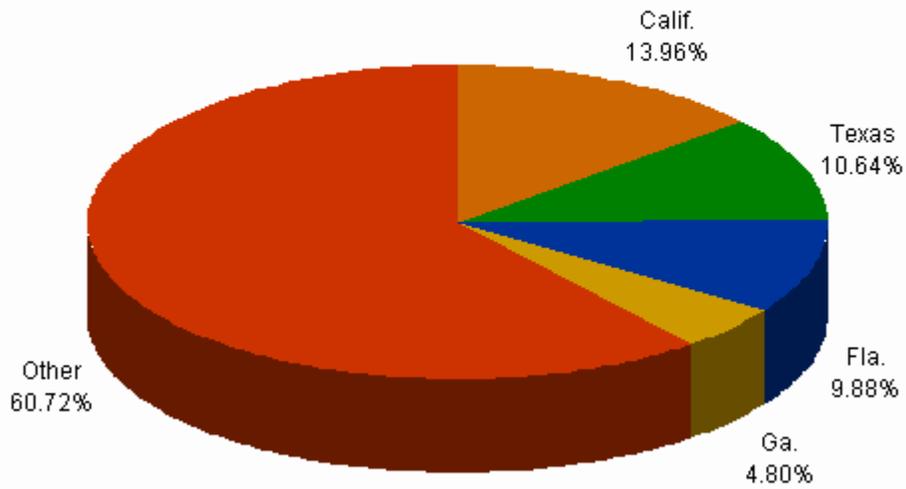


Chart 5

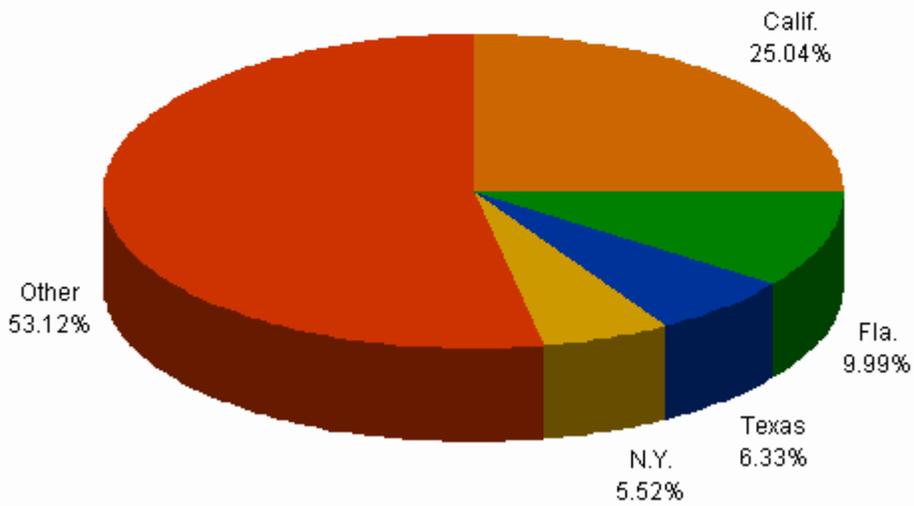
Subordinate-Lien Distribution By Units



© Standard & Poor's 2010.

Chart 6

Subordinate-Lien Distribution By UPB



© Standard & Poor's 2010.

**Table 3****Subordinate-Lien Mortgage Administration****Litton Loan Servicing L.P./Key Statistics**

2009*	
<b>Loan portfolio total</b>	
Volume (Mil \$)	2,044.43
Assets	50,518.00
<b>Delinquency (% of loans)</b>	
Total	37.23
30-day	10.99
60-day	6.19
90+-day	20.05
Foreclosure	0.01
Bankruptcy	4.22

\*As of June 30.

**Profile**

Founded in 1988 by its current director, Larry Litton Sr., the company initially serviced prime mortgage loans and eventually migrated to distressed assets for the Resolution Trust Corp. (RTC). Applying the significant amount of expertise gained through these RTC contracts, management decided to focus its future business efforts on resolving seriously delinquent mortgages. In 1996, Litton was added to a newly formed investment company, C-BASS, as part of an initial investment made by Enhance Financial Services, its owner at the time. Enhance, which later was purchased by Radian Group Inc. (Radian), co-invested in C-BASS with MGIC Investment Corp. (MGIC) in July 1996 to form C-BASS LLC. MGIC and Radian each owned a 42% interest in C-BASS LLC, with the remainder owned by C-BASS senior management. C-BASS was a large purchaser of credit-sensitive assets, which consisted primarily of subprime mortgages. As an outgrowth of this strategy, Litton began servicing subprime accounts in 1998. Due to liquidity pressures, C-BASS LLC sold Litton to Goldman Sachs Group Inc. in December 2007. Previously, Litton was a division of the parent's industrial bank chartered in Utah, but it was realigned to become a division of Goldman Sachs Bank USA (GS Bank), which is state-chartered in New York. Management reports to an operational reporting committee of the bank.

Litton operates from three servicing sites based in Houston (two buildings), Dallas, and Atlanta. The Dallas facility was formerly a GS-owned mortgage entity known as Avelo Mortgage; it was integrated into Litton in June 2008. The company maintains an outsourcing relationship for certain servicing tasks in Gurgaon, India. Although only servicing a small portfolio of distressed MH assets, which have not grown in several years and are now in runoff mode, management will continue to pursue opportunistic strategies in possibly acquiring such portfolios as they become available in the market.

The business plan remains comparable with prior years. This entails assuming the role of servicer for assets purchased by GS, who may also retain an interest in any RMBS purchases. GS has been supportive of the business and been an active bidder on portfolios, while emphasizing a cautious risk focus when analyzing and pricing potential acquisitions. The portfolio increased significantly between 2007 and 2008 as a result of the Avelo Mortgage transition, as well as due to acquiring a large amount of loans from the former Fremont Investment and Loan and Banco Popular Mortgage. There have not been any significant acquisitions in 2009, although management continues to board approximately \$300 million monthly in loans resulting from flow business. They are not seeking third-party servicing at this time; they are more focused on complying with the new government modification initiative known as the HAMP. Sadera Mortgage, owned by GS, has originated some FHA mortgages that Litton is servicing and will continue to act as servicer in the future for such originations.

According to data compiled by National Mortgage News, Litton was the fourth-largest servicer of subprime loans based on UPB (unpaid principal balance) and the ninth-largest subprime servicer based on number of loans serviced as of Sept. 30, 2009.

The company is subject to various lawsuits, but management believes none will result in any material financial impact to the company.

All statistics reflect data from SEAM as of June 30, 2009, and comparison information is year over year unless otherwise noted.

## **Management And Organization**

The ranking for management and organization is affirmed at STRONG.

### **Management and staff recruitment, development, and training**

Litton displays excellent management depth. The company has not experienced any difficulties recruiting qualified staff, given its favorable geographic locations.

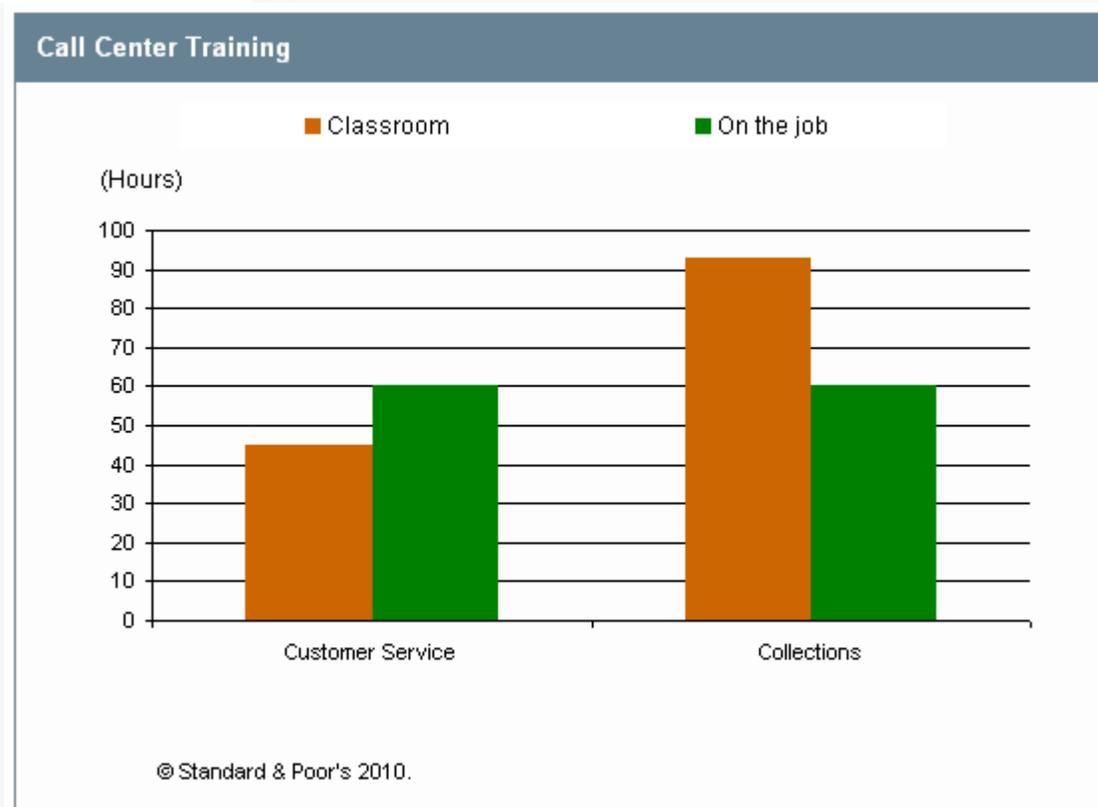
- Senior managers average an excellent 23 years industry experience and nine years with the company;
- Middle management averages 12 years expertise and five years tenure with Litton; and
- The turnover rate for the management is 5.33%, while staff averages 15.4%.

Litton's fine training, overseen by the training director, properly acquaints its personnel with their responsibilities through its Litton University program. Conducted under the auspices of five trainers, including one based in Atlanta, the curriculum includes classes on function-specific systems and soft skills, with required testing in many of the offerings. Many of the courses are mandatory. Overall, training has been enhanced in response to HAMP and now includes more state-specific themes based on the changing regulatory environment as it affects (mainly) default.

Attributes of the training program include:

- An eight-hour orientation for new hires that introduces them to the company and provides a general overview of mortgage banking;
- Extensive classroom and on-the-job mentoring for customer service representatives and collectors due to the nature of their functions;
- Collectors must receive a 100% score on the Fair Debt Collection Practices Act (FDCPA) exam and must complete an annual refresher training and recertification in this regulation;
- Personnel who do not pass the FDCPA exam receive retraining, but must achieve the desired score by the second attempt;
- The staff has access to a centralized library of pertinent mortgage reference materials for self-study;
- Career-pathing mechanisms allow staff to progressively advance within the organization by successfully completing various courses;
- Required compliance classes in areas such as Real Estate Settlement Procedures Act (RESPA), the Fair Credit Reporting Act (FCRA), and FDCPA (which was recently revised), as applicable to job function;
- With the assistance of the regulatory/compliance department, new compliance courses were introduced addressing Fair Lending in Servicing and a general Introduction to Loan Servicing Compliance;
- Business correspondence training for affected staff with required certification; and
- Staff annually receives training in four to five mortgage-related classes.

Chart 7



#### Internal controls

Litton has comprehensive policies and procedures that are available online. These result in a more knowledgeable staff that uniformly applies servicing practices per company, investor, and regulatory guidelines. The process improvement (PI) manager is responsible for disseminating and revising the guidelines, which is demonstrated by the following:

- In many instances, the policies are especially detailed, referencing state and federal statutes, as well as screen prints. These serve as an auxiliary training mechanism for the staff;
- Each department has a dedicated person to prepare/present the final draft for approval by senior management;
- Management conducts annual reviews to ensure that policies and procedures reflect current servicing practices;
- A dedicated technical writer maintains responsibility for inputting any revisions; and
- Deal matrices and purchase/sale agreements are accessible online.

The company has an outbound communication system that incorporates repetitive processes to be followed when creating new correspondence. The system reviews language, style, and legal conformance, etc., for adherence to established guidelines. Additionally, before any new letter can be input into the system, it must be approved by the

legal and business units, as well as any other affected area. A separate dedicated person monitors each department to ensure compliance with these guidelines. Management plans to include a similar process for changes to its interactive voice response (IVR) and the Web in the immediate future.

Litton established a formal control committee in 2009 that reviews risk control functions across the servicing platforms. Consisting of staff from internal audit, compliance, quality assurance (QA), quality control (QC), the executive resolution team, litigation, and GS members, the committee meets monthly to discuss issues and ultimately reports to the internal control department of GS. The establishment of this process negated the previous separate monthly meetings by each group, thus consolidating reporting under one department.

Litton's formalized internal audit (IA) program applies a multitiered approach when analyzing operational risk to ensure there are sound safeguards against risk of loss due to compliance or servicing errors. The four-person internal audit department has an autonomous reporting line from servicing to preserve its independence. This audit plan is not traditional in that it is more process- and operational-oriented; it looks at controls that eliminate risk and how they affect improvements. The focus remains on specific processes affecting operational, regulatory, and financial risks. Reports produced are patterned to focus on process problems and resolution and do not necessarily encompass all servicing departments in a 12-month period. The five-person quality control (QC) area, however, performs a standard servicing audit. The chief compliance officer of the company reviews and approves the group's testing program, as does a GS compliance officer. Controls to the overall audit methodology include the following safeguards:

- The IA staff average 13 years experience and QC staff average 15 years expertise;
- The IA department reports directly to the internal audit deputy director of GS Bank USA, who reports to the audit director, with only indirect reporting to senior management at Litton;
- Internal audits are also based on industry risk issues, management requests, prior audit or QC results, regulatory issues, and areas related to Regulation AB and Sarbanes-Oxley;
- Risk rating levels for a process are numerically assigned and reevaluated quarterly for key processes, although an annual reassessment occurs at least annually;
- Risk rankings include seven factors, of which four pertain to inherent risk and three to control risk;
- Use of GS' proprietary audit system, known as Foresight;
- All findings are tracked in OATS, a proprietary GS system, and require a corrective action response within two-week response time frame;
- Audit reports now receive grades (Satisfactory, Satisfactory with noteworthy findings, Marginal, and Unsatisfactory) to better analyze results;
- All reports are forwarded to senior management of Litton and internal audit of GS Bank USA;

- QC staff, now reporting to the legal/compliance area versus Internal Audit, conduct monthly, quarterly, semiannual, and annual reviews of most servicing processes employing the HUD methodology;
- Reviews encompass both default and performing areas of servicing regardless of product type, inclusive of FDCPA training, SCRA, and privacy notices;
- QC also reviews compliance with federal/state statutes;
- Incorporated testing of HAMP functions;
- Cogent system is used by QC to statistically track defect rates and assist in the sampling process; and
- A similar two-week response time is expected from management.

QC plans to add testing on Fair Lending statutes as they pertain to servicing processes by year-end 2009. Although not an audit function, a centralized vendor management team monitors vendors for compliance with contractual agreements.

The PI manager, reporting directly to the chief operating officer (COO), utilizes a hybrid Six Sigma approach to analyze the operations and identify root cause issues with the assistance of two dedicated project managers. Currently, there are five cross functional teams consisting of departmental personnel who complete the initial mapping process, data sampling, and trending analysis, which is presented to the business manager for resolution. Through a quality council forum, the manager meets with senior management at least quarterly (this is changing to monthly in 2010) to discuss updates, findings, recommendations, and resolution activity. The area reviews many servicing departments and processes through key performance indicator (KPI) measurements developed jointly with the departments. PI meets monthly with the affected managers to review the results, and it convenes quarterly meetings to see if the KPIs need to be revised. PI now manages the QA group, which consists of 28 staff members throughout the three sites. QA performs call monitoring of customer service, collections, loss mitigation, the executive resolution team, and customer correspondence. The scorecards evaluate four primary components affecting verification, asset management/customer service (documenting reasons for default/call), adherence to policies, and professionalism. They are reviewed for revisions on a quarterly basis, and QA meets with the respective business units monthly for call calibration purposes, which entails listening to six recorded calls and discussing feedback and possible improvements.

Litton has a regulatory/compliance manager to keep the company abreast of any changes to federal or state regulations that affect servicing practices. This individual maintains an online compliance manual, which is regularly updated and incorporates applicable information into the servicing system. Staff reporting to the manager review the laws, maintain all licensing, and perform fee reviews. They also screen borrowers against prior or known criminal activity. E-mail notifications go out to the business units with any regulatory changes, and meetings take place frequently. Compliance liaisons within loan administration and default issue compliance memos based on changes

received from the department in order to keep staff abreast of recently enacted legislation. Additionally, QC performs testing three months after such enactment to ensure the affected area is adhering to the current requirements.

The legal department maintains responsibility for tracking all contentious legal actions directed against the company. Simple lawsuits, such as those for contested foreclosures, generally remain with the affected department, although they are monitored by the legal area. A senior attorney, reporting to internal general counsel, oversees the department, which consists of seven paralegals. Both Litton and Goldman personnel make up the company's litigation risk management committee, which convenes monthly to discuss pending lawsuits, industry litigation trends, and borrower complaints. In addition to keeping apprised of litigation developments, it also provides a forum to discuss possible improvements in servicing practices.

Management has undertaken certain additional oversight efforts under HAMP. As part of these efforts to ensure satisfactory controls and procedures are in place for HAMP, management hired an accounting firm in May 2009 to perform a readiness assessment of the company for implementing the program. The summarized results reflected no major issues. They also recently retained another firm to perform some QC-type tasks at a loan level on all modifications to ensure they were processed correctly. As an additional control, Litton implemented a state law task force to assist requisite staff in understanding and implementing the various foreclosure and bankruptcy laws that are being implemented in various states.

A review of audit reports reflected that any discrepancies were resolved in a timely manner. There were no exceptions noted on the 2008 Uniform Single Attestation Program (USAP) statement. The 2008 Reg AB certification mentioned one finding, which has since been corrected. As a further control, there is a person dedicated to monitoring consumer-related Web sites to keep abreast of trends/issues in the servicing arena and communicating these results to management for possible process improvement actions.

## Technology

Litton has a highly adaptive and flexible systems infrastructure with superior automation in place. Litton's Technology and Oversight Committee, consisting of senior management of servicing as well as the CEO and CFO, maintains responsibility for initially approving staffing, projects, compliance and other matters. Final approval resides at GS Bank USA. There are 160 IT staff (including 60 contractors) that are divided into development, operations, infrastructure, controls/quality, and telecommunications teams. The development group, with 72 employees, is the largest. Department turnover is less than 5%. The company uses several in-house developed applications for its loan servicing operation. Systems architecture and business recovery features include:

- RADAR Gold (RADAR), a proprietary application that is used for loss mitigation, correspondence tracking, and invoice routing tasks;
- RADAR Advantage, which has modules for many loan servicing and call center functions;

- A valuation subsystem within RADAR that reflects variances between past and present price assessments;
- RADAR Vision, an investor portal that permits investors to view and download a multitude of reports;
- LSAMS, offered by London Bridge Group, serves as the primary system of record for many cash-related tasks;
- Mod Track, a new workflow/reporting module that assists in managing the different modification programs;
- Document imaging that assists with prompt resolution of any inquiries and includes desktop access for the staff;
- A foreclosure attorney Web site that allows counsel to update information in a real-time environment;
- Best-time-to-call software that assists with and maximizes collection contact;
- An REO Web site that significantly improves productivity in the management and disposition of REOs;
- A Web site that provides mortgage information to the borrower;
- A yearly RADAR planning session to discuss adjustments to the model based on historical results and any changes in the mortgage servicing environment;
- A separate default technology group to address simple enhancements for default areas;
- Satisfactory tape back-up procedures including data encryption and off-site storage via a third-party provider;
- Intrusion detection test conducted frequently;
- A comprehensive disaster recovery and business resumption plan that is tested annually and that uses a separate entity's services to provide a hot site in case of business interruptions;
- and
- The company's Atlanta site, which also serves as an additional backup facility.

Management implemented a new version of RADAR Advantage that incorporates all of the information a customer service and collection representative might need about a borrower into fewer screens. The new version also includes additional scripting in regard to ever-changing state laws. A pop-up screen will appear with the appropriate script depending on the state and borrower circumstances.

It is the department's intent to transfer RADAR into a .Net environment within the next three to five years, which will ease reporting and training tasks and provide greater flexibility.

## Loan Administration

The rankings for Loan Administration are affirmed at STRONG for residential mortgage, residential subprime, residential special, and residential subordinate-lien servicing.

Larry B. Litton Jr., president and CEO, oversees the 1,562-person mortgage servicing division. Because of the many similarities, separate departments do not exist to handle each product type serviced by the company. As of June 30, 2009, Litton serviced more than 46,000 distressed prime accounts representing a \$9.7 billion UPB, 282,000 subprime accounts representing a \$48.8 billion UPB, and a subordinate portfolio of 50,518 accounts with a \$2 billion UPB.

Litton relies on its existing staff and similar tailored policies for default administration functions. Subordinate-lien mortgages consist of high LTV and closed-end second liens. Approximately 50% of subordinate liens are standalone subordinate liens. Of the total portfolio, Litton services approximately \$30 billion of C-Bass securitizations and another \$1 billion of whole loans.

The Atlanta servicing facility is staffed by 200 personnel, Dallas retains 250, and the remainder is based in Houston. Each location has a site manager, and Atlanta and Dallas have room for growth for another 300 and 200 staff, respectively.

Litton outsources certain tasks to WNS Global Services (WNS). Using the services of 71 dedicated employees (an increase from the prior 17), they have outsourced certain additional back-office functions to take advantage of skill sets and cost savings. These include the following five processes:

- Insurance processes affecting system rejects;
- Calling tax offices to follow up on property tax arrears on nonescrow accounts;
- Basic data capture on the system;
- Prequalifying borrowers for modifications as it affects documentation requirements and certain data entry; and
- Reconciling claim information.

Dedicated personnel for these activities still reside domestically as a backup to offshore staff and also in case there is a continuing trend of issues that compel management to cancel the relationship. In conjunction with this decision, dedicated relationship managers in Houston closely monitor the vendor and perform quarterly on-site visits in India as well as conducting weekly telephone calls. Management is evaluating the possibility of outsourcing other tasks, such as some reconciliation processing and new loan boarding quality control functions, sometime in 2010.

The six main operational areas perform the following tasks:

- Accounting addresses investor reporting and cash processing;

- Loan transfer and document management is responsible for new loan boarding, documents, contract management, and other matters;
- Loan administration oversees escrow, payoffs, assumptions and other nondefault matters;
- The default group oversees collections, loss mitigation, and customer service;
- The foreclosure/bankruptcy area also handles valuations; and
- REO is responsible for owned properties.

Each of the respective senior vice presidents reports to the COO. The COO and CFO of accounting report to the president of the company. The president ultimately reports to an executive at GS.

Standard & Poor's reviewed all areas of loan servicing, including new loan boarding, escrow analysis, adjustable-rate loan analysis, partial releases, and assumptions. Overall, these areas were found to be satisfactory. Key areas of risk will be discussed below in more detail.

**Table 4**

### Key Statistics

#### Residential Mortgage Administration

##### Loan portfolio total

Volume (Thousands \$) 9,706,135 10,878,829 3,220,363 2,584,835 1,328,640

Assets	46,978	52,100	25,585	24,203	15,495
--------	--------	--------	--------	--------	--------

##### Delinquency (% of loans)

Total	43.86	40.46	51.76	48.18	47.11
-------	-------	-------	-------	-------	-------

30-day	8.78	8.86	11.64	12.70	13.80
--------	------	------	-------	-------	-------

60-day	5.20	5.49	7.50	6.83	7.00
--------	------	------	------	------	------

90+-day	29.88	26.11	32.62	28.65	26.31
---------	-------	-------	-------	-------	-------

Foreclosure	17.10	13.87	13.78	11.54	7.90
-------------	-------	-------	-------	-------	------

Bankruptcy	5.45	5.53	11.58	13.23	15.19
------------	------	------	-------	-------	-------

Real estate owned (#)	2,823.00	3,451.00	1,911.00	1,675.00	696.00
-----------------------	----------	----------	----------	----------	--------

\*As of June 30.

**Table 5****Key Statistics****Subprime Mortgage Administration****Loan portfolio total**

Volume (Thousands \$)	48,887,106	52,431,220	40,447,436	49,027,081	39,271,032
-----------------------	------------	------------	------------	------------	------------

Assets	282,149	295,464	225,738	276,593	243,571
--------	---------	---------	---------	---------	---------

**Delinquency (% of loans)**

Total	44.70	39.99	32.05	25.17	23.98
-------	-------	-------	-------	-------	-------

30-day	10.60	11.58	10.78	10.07	9.96
--------	-------	-------	-------	-------	------

60-day	6.20	7.37	6.14	4.67	4.18
--------	------	------	------	------	------

90+-day	27.90	21.04	15.13	10.43	9.84
---------	-------	-------	-------	-------	------

Foreclosure	15.37	12.25	9.31	4.33	3.29
-------------	-------	-------	------	------	------

Bankruptcy	4.07	4.20	4.45	3.61	4.95
------------	------	------	------	------	------

Real estate owned (#)	15,045.00	21,546.00	12,767.00	6,712.00	3,993.00
-----------------------	-----------	-----------	-----------	----------	----------

\*As of June 30.

**Table 6****Key Statistics****Subordinate-Lien Mortgage Administration****Loan portfolio total**

Volume (Thousands \$)	2,044,434	2,491,728	3,162,299	4,625,137	2,448,334
-----------------------	-----------	-----------	-----------	-----------	-----------

Assets	50,518	56,889	68,641	94,155	54,771
--------	--------	--------	--------	--------	--------

**Delinquency (% of loans)**

Total	37.23	32.64	37.07	18.98	14.52
-------	-------	-------	-------	-------	-------

30-day	10.99	11.73	9.33	8.38	6.90
--------	-------	-------	------	------	------

60-day	6.19	7.24	5.85	3.46	2.51
90+-day	20.05	21.57	21.89	7.14	5.11
Foreclosure	0.01	0.01	0.11	0.09	0.28
Bankruptcy	4.22	0.00	2.69	1.63	3.01

\*As of June 30.

### New loan boarding and rate administration

Litton relies on sound due diligence controls to ensure it encounters minimal issues with newly acquired distressed portfolios. Processes remain the same as in prior years despite a significant decline in volume due to market conditions. Based on the acquisition in question, management decides whether to perform a 100% credit and compliance review or a partial review, which also incorporates a servicing review of any loans more than 60 days delinquent. The due diligence teams consist of both Litton and GS personnel. Characteristics of the due diligence and boarding process include:

- Contract underwriters employed to review origination documents;
- Re-underwriting and compliance reviews of any loan less than three years old;
- Requiring the seller to complete an extensive questionnaire prior to the site visit with specific details on selling, underwriting, and other banking practices;
- Ordering a Broker Price Opinion (BPO) or Automated Value Model (AVM) on all assets to discern current property value;
- A review of valuations for fraud or inexplicable changes in price; and
- Receiving updated FICO scores every six to 12 months, depending on the asset.

The company uses the proprietary MARLIN system when conducting a seller due diligence review. MARLIN is a flexible application programmed to disallow the purchase of loans considered predatory based on a strict interpretation of the rule. It provides complete tracking of loan characteristics and reviewer commentary with data downloads to the ultimate host application. Management performs an automated reconciliation that compares original balances, balances downloaded onto the system, and any interim activity.

Management has a dedicated contract management unit to assist with servicing agreements and ensure they are compatible with the company's business model. All agreements are imaged and reside in a contract management deposit repository (CMDR). There is a separate person who inputs specific servicing information into a special area of the repository so staff can readily access the data regarding the specifics of a transaction. Individuals can access CMDR and see the document to verify servicing requirements. There are also three levels of audit to ensure data input into CMDR is correct and current. Another tool, Radar Operational Interface (ROI), is a rules-based engine

using data in CMDR that allow or prohibit certain servicing procedures for each affected department. It assists in reducing errors that could violate the servicing agreement and result in a loss. ROI is based both on the servicing agreement, and when applicable, on loan level compliance. When querying ROI, it provides either an informational, warning, or critical message depending on the servicing task (e.g. when performing a modification, it might give a warning that approval is needed or give critical information indicating modifications are not allowed). An added feature prevents the employee from performing actions that are not permissible. There is a formal training program for ROI and a separate rules administrator who serves as a liaison for the departments. Any rules input into the system undergo a series of tests before being released.

The loan transfer group handles the transfer process from the seller/servicers, the concurrent system input of data, and servicer-released transactions. A separate QC group within this area performs either a 10% or random sampling, depending on deal size, on all accounts. On larger portfolios affecting at least 1,000 accounts, borrowers have limited access to the Web and IVR to obtain preliminary account data prior to the actual transfer. A separate records management group oversees all paper or electronic documents. The company has been imaging all acquired files since December 2006; although there is no imaging by prior years, any loan subject to legal action is imaged in its entirety.

Approximately 46% of the portfolio consists of ARMs. Through historical analysis, management understands that based on certain targeted debt-to-income ratios and/or loan-to-value ratios, a certain percentage of borrowers will imminently default once the ARM is reset. Borrowers expected to or currently experiencing a hardship are handled through the collections/loss mitigation groups, who try to implement a workout based on new government programs designed to modify such loans. Management generally reviews these loans six months in advance to determine whether the borrower might experience payment difficulties. There are a series of attempted telephone and written communications with the borrower prior to any payment increase.

### **Cash management and investor accounting**

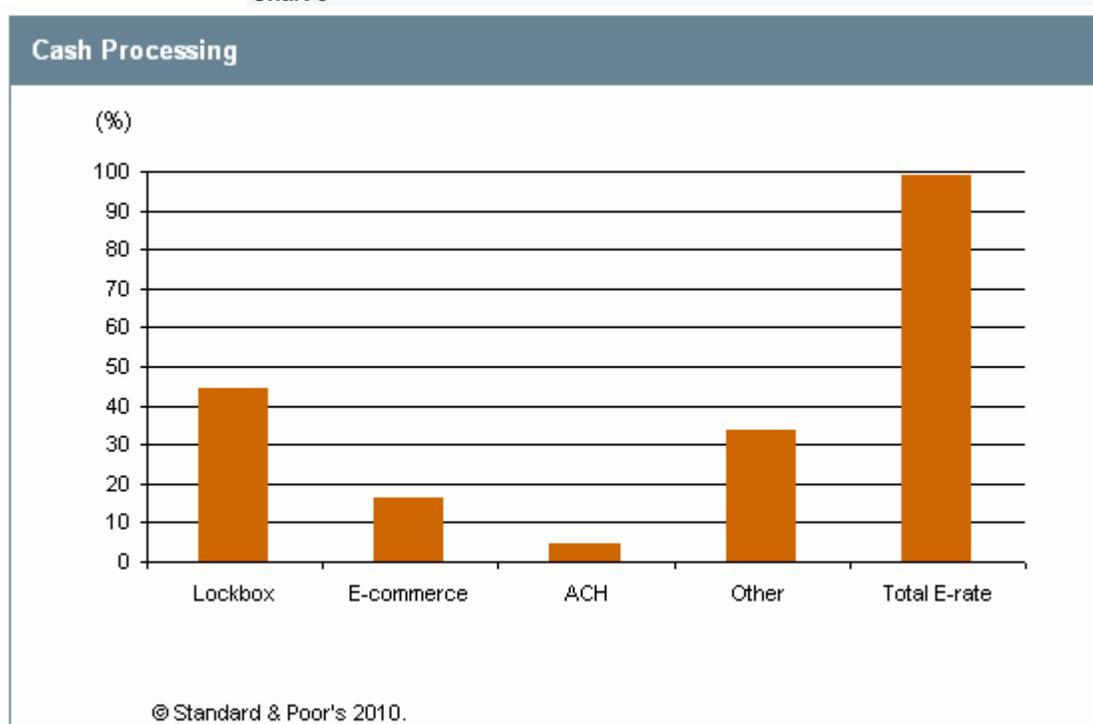
Litton's payment processing function provides a suitable level of controls to safeguard both the company and its investors from risk of loss. The company uses its own internally developed lockbox. Posting attributes include:

- A highly effective electronic processing rate of more than 98%;
- Implementation of a teller window for payments;
- ARC (accounts receivable conversion) drafts for quicker access to the funds;
- Check 21 for funds conversion;
- Daily review of payments on borrowers with multiple loans to ensure correct payment application;
- A lockbox reject rate of 7.85%, which is not uncommon given the distressed nature of the portfolio;

- Use of information from the National Data Center (NDC) software in the bankruptcy module to process accounts in bankruptcy via the lockbox instead of manually;
- One dedicated cashier to handle all bankruptcy payments;
- Cashiering that operates from a secure area requiring card key access;
- No turnover in the department;
- Cash application request (CAR) module that transmits check images to the appropriate department when further posting instructions are required; and
- E-bill presentment and payment technologies.

Management is creating a wire tracking system that will allow for expedited processing of these remittances through electronic notification to the appropriate processor.

Chart 8



The 45-person investor reporting department has an appropriate segregation of duties between reporting, remitting, and reconciliation. The staff manages more than 800 bank accounts affecting 400 investors. Management uses SBO 2000, a master servicing system offered by Alan King and Co., to create REMIC and trust reports, and it also shadow services all LSAMS transactions, thus serving as a dual control. Approximately 94% and 84% of both prime and subprime loans, respectively, are in MBS transactions. The company has reasonable controls in place to ensure timely and accurate reporting to its investor base. Highlights are as follows:

- There is an efficient 99% electronic reporting and remittance rate;

- Senior management reviews and approves all reports, reconciliations, and remittances;
- A FHLMC Tier 2 performance ranking;
- There is online access to the bank statements thus facilitating daily/monthly balancing;
- A dedicated analyst handles Reg AB requirements;
- Investors can access reports through RADAR Viewer module; and
- There has been no late reporting or remittance penalties during the past six months.

There are many aged items more than 60 days old that management indicated will be Reg AB exceptions for 2009. However, management primarily attributed this to issues resulting from prior acquisitions in which the former servicers had a substantial amount of unreconciled items that Litton is now in the process of resolving. Standard & Poor's encourages the company to correct this issue expediently so it does not become a further concern in 2010.

Through RADAR Viewer, both management and its clientele can perform extensive analysis on structured transactions reflecting both pool and loan level details. Its many user-friendly features include the ability to:

- Show projected losses by delinquency bucket and percentage. The loss calculations always assume a worst-case scenario and are revised accordingly based on status changes;
- Input specific loan assumptions to gauge a loss analysis based on individual expectations,
- Perform static pool analysis comparing monthly trends;
- Generate reports identifying a particular delinquency category and see loan level detail, such as projected liquidation proceeds and resolution dates, in a summarized format; and
- Create ad hoc reports based on different data downloads.

## Customer relations

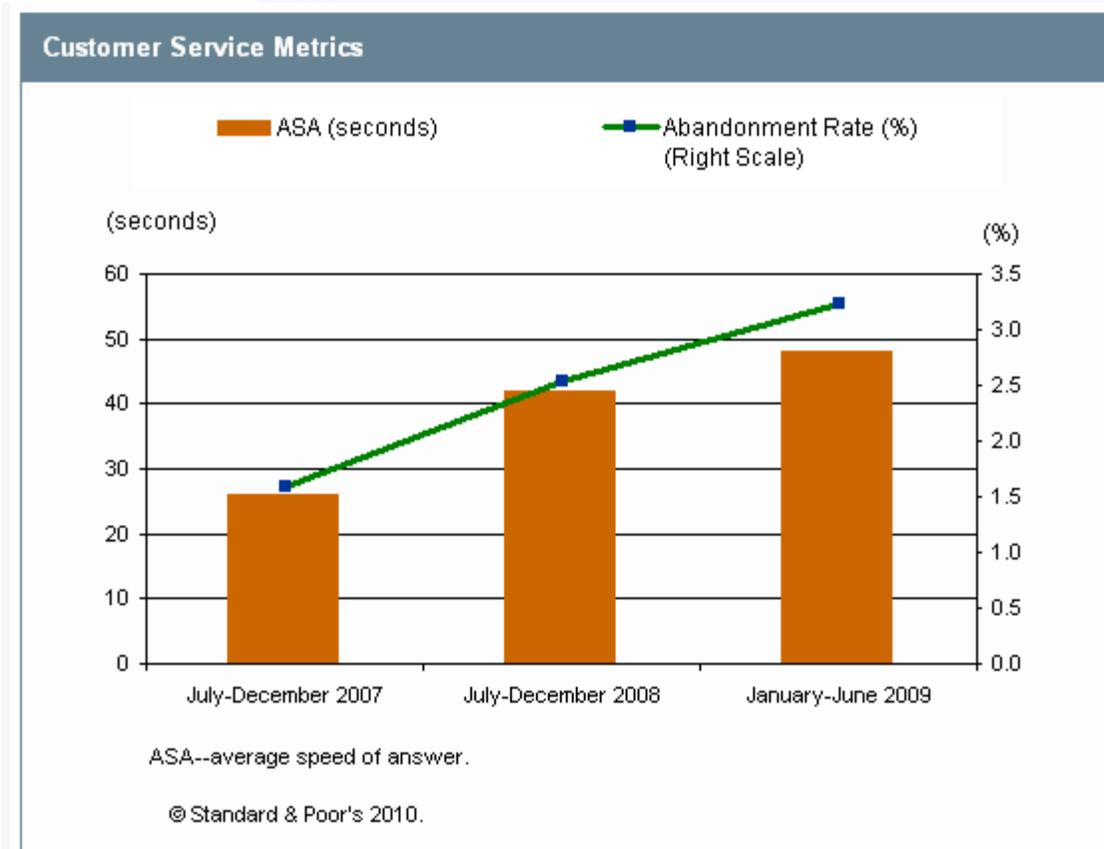
Litton's 91 customer service representatives are based at both sites, with an almost equal split in work among personnel. Staff works satisfactory shifts to accommodate its geographically diverse portfolio. Approximately 20% to 25% of the staff is bilingual, and all calls are recorded. Along with collection staff, representatives now also handle modification-related calls by inputting basic information into the ModTrak system for preliminary prequalification purposes. Service indicators are as follows:

- A 27% turnover rate, which has remained fairly stable;
- Staff now assist with outbound contact as needed for customers up to 29 days delinquent;
- A 3.24% abandonment rate and 48-second average speed of answer, which aligns with peers;
- A 24/7 IVR with an 69% capture rate, a large increase from the prior 58% capture rate;
- All borrower telephone numbers automatically stored in the IVR, which assist with any future customer contact;

- First call resolution rate of an admirable 95%, an improvement from the prior 87%;
- The ability to assign inquiries to different departments if there are multiple issues. A dedicated research group accumulates responses into one letter;
- Trending analysis based on the nature of the inquiry;
- Silent monitoring of an average of nine calls (from eight) per representative monthly by QA, providing both verbal and written feedback via a scorecard;
- Front-end collectors trained to handle customer service questions, with calls directed to this area during heavy volume periods;
- Customer service survey through the IVR on 10% of borrowers to gauge satisfaction;
- All qualified written requests scanned, sorted by an experienced representative, and forwarded to the applicable department based on the inquiry;
- A dedicated customer assistance response team (CART) to handle correspondence, with all letters imaged and tracked for RESPA compliance;
- If multiple issues are involved, CART also compiles all answers received from the various departments into a single response;
- Timeline tracking for referral and completion of correspondence tasks including an automatic acknowledgment letter generated two days after receipt;
- Review of 5% of letters per representative monthly by QA to ensure quality;
- A system maintaining a 24-month history of all letters and responses;
- No RESPA or FCRA compliance issues; and
- A dedicated 13-person executive resolution team, reporting directly to the legal department, handles elevated complaints and disputes referred to senior management as well as inquiries from media or consumer groups.

QA is increasing its monitoring program across all affected areas to standardize the number of monitoring sessions to 10.

Chart 9



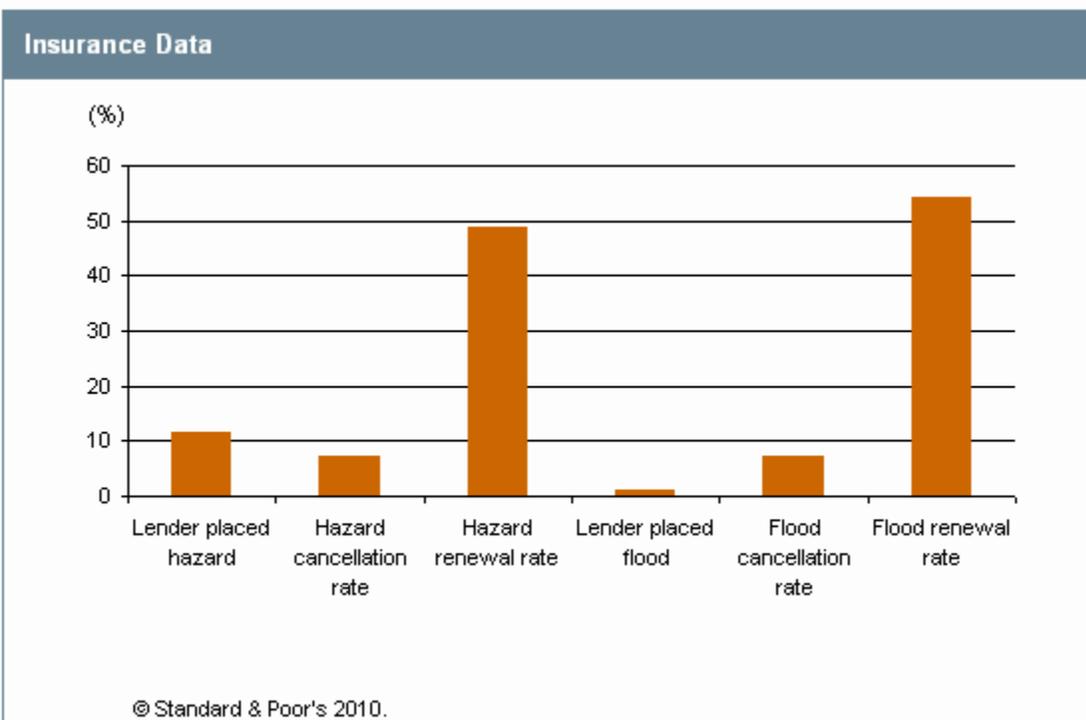
### Escrow management

Litton escrows on approximately 54% of the portfolio, which has remained stable. Approximately 25% of the portfolio is outsourced to a tax vendor because of the acquisitions of Avelo and Banco Popular, which previously used this entity. This particular outsourcing relationship entails tracking and disbursing tax payments, addressing written inquiries, and handling second-tier customer calls (those not able to be resolved by customer service, who transfers the call). The remaining portfolio uses other tax vendors for basic tax functions. A separate insurance vendor performs insurance tracking and lender placement tasks. Controls in place to manage escrow administration tasks include:

- A proprietary tax advance decision (TAD) model, which helps ascertain whether to pay future taxes on distressed assets based on various data;
- Tax penalties at \$0.05 per loan, continuing to reflect fine performance;
- Use of a subsection of RADAR known as "NETS" (nonescrow tax system) to monitor tax arrears;
- NETS being workflow driven, creating letters, requesting checks, interacting with TAD, and performing other functions to assist with resolving the delinquency;

- All calls recorded by the vendor and sampled weekly by department staff to review the call quality;
- Lender-placed insurance (LPI) rates for hazard and flood are minimal;
- Recorded call to the borrower 15 days prior to expiration to verify coverage;
- A phone call and letter to the borrower at expiration in addition to attempted agent contact;
- Forwarding of two letters during a 60-day period before issuance of a final force-placed policy;
- Paying/processing 39% of insurance policies electronically through LPS' MaxMilion insurance workstation;
- Web site link allowing borrowers to access/update insurance information directly with the vendor who verifies policy data for accuracy;
- IVR, though speech recognition, allowing borrowers to provide insurance information on the account, which is then forwarded to the vendor; and
- Regular vendor site visits to discuss performance and areas for improvement, in addition to the use of performance scorecards.

Chart 10



TAD's decision-modeling projects current expenses versus future disbursements and compares this data against an asset's value as determined by the valuation department. The final analysis determined by TAD may also indicate a referral to another department for a final decision on tax payments.

On accounts in which the company's nonescrow borrowers are subject to significant escrow advances, the department forwards a proactive letter along with an invoice in an attempt to obtain the funds post haste. Subsequent billing statements also encourage the customer to establish an escrow account. Customer service representatives, when speaking with the borrower, also discuss the situation and try to arrange for payment if necessary through an informal payment plan.

For subordinate liens, the company adopts a reactive approach to monitoring tax and insurance payments. However, Litton has a blanket policy in place that helps protect the company against uninsured losses. Any account that becomes delinquent results in a call to the first-lien holder to ascertain the status of the tax and insurance payments. Assuming the company becomes aware that the loan is now a first lien, they then begin to actively monitor the payments. Standard & Poor's believes that tracking tax and insurance items is a prudent servicing practice and encourages the company to adopt this approach.

Prepayment penalties affect 29% of the portfolio. The system calculates the requisite penalty amount, which can be mailed, faxed, or e-mailed to the appropriate source. Customers can also obtain instantaneous quotes from the IVR or Web. Reconveyance preparation is currently outsourced to two external vendors. No penalties have been assessed against Litton for failure to release a lien within statutory timeframes. E-recording is now utilized on approximately 25% to 30% of the portfolio.

#### **Default management**

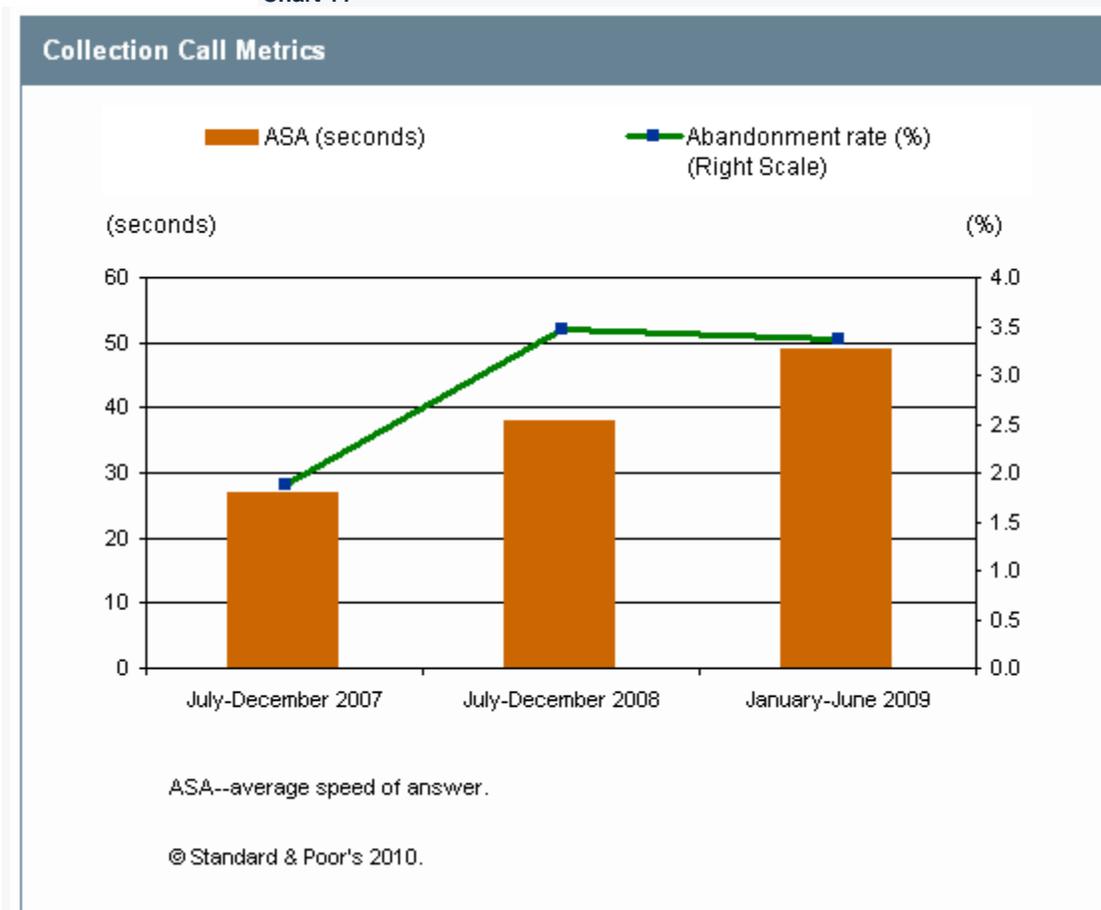
Management has responded to the continued increased in delinquencies by hiring more staff throughout the past year and implementing the various government initiatives, specifically HAMP. There are now almost 800 total default personnel, a large increase from 500 approximately 12 months ago. Because of their expertise in analyzing borrower income and documentation, the company hired many former underwriters for the loss mitigation area. Litton adopted HAMP guidelines in March 2009 and began modifying loans under this process the following month. They also signed the HAMP Servicer Participation Agreement with Fannie Mae in early August.

Litton's 367-person collection team works satisfactory day/evening shifts, inclusive of Saturday, to adequately canvass its diverse portfolio. Contact is segmented between early stage (0 to 59 days past due) and later stage collectors (60+ days due). Given the distressed nature of the portfolio, the department applies highly proactive collection techniques to maximize borrower contact. Facets of the collection process and controls are as follows:

- Managers average 13 years industry experience and four years with Litton, while staff average almost five years expertise and one year company tenure;
- Turnover remains low, at 22.18%;
- There is an appropriately insistent collection methodology, with subprime/alternative loans becoming eligible for contact attempts on the fourth day of delinquency and prime accounts on the 16th day of delinquency;

- If fewer than 30 days delinquent, loan holders have the ability to make a promise to pay through the IVR;
- IVR retains the telephone numbers and forwards them to RADAR to assist with contact efforts;
- Optimizer software is used to target the best time to call the borrower and increase penetration rates;
- The average speed of answer is 49 seconds, with a 3.36% abandonment rate, both of which align with industry peers;
- Borrower payments are tracked through the mail via barcoding technology, which allows collectors to cease communication with the borrower for four days after mailing;
- Dedicated teams attempt to collect on loans in foreclosure;
- Relationships with two credit counseling agencies are maintained to possibly assist the borrower in resolving the delinquency;
- The QA department monitors an average of eight calls per collector monthly, with verbal/written feedback provided;
- Customers have the ability to make payment arrangements online;
- Confirmation letters are forwarded through RADAR on all payment plans, with a cascading maximum plan of six to 12 months;
- Promise to pay success rate is 83.64% in the 30-day category, and 76.24% in the 60-day category;
- High LTV accounts remain with the department for six months after charge-off and are then outsourced to one of two collection agencies for further efforts;
- Preset system parameters define payment plan approval or rejection;
- A dedicated staff handles research-related issues;
- The ability to order and receive valuations online, all of which are imaged; and
- A dedicated valuation group reviews BPOs for accuracy and uses this data along with online information to determine a current market value, which is used for possible loss mitigation strategies.

Chart 11



Litton's default analytics group assists in targeting collection and loss mitigation efforts for the department(s). For example, if there is a government-declared disaster or announced factory closing, this group notifies the appropriate default staff so they can coordinate targeted calling campaigns in an attempt to forestall possible future default issues. They also analyze performance and loss severity data by state and county, which company management uses when forecasting performance expectations related to possible acquisitions.

Litton's 165-person workout staff (an increase from 60) applies advanced technology and solid workout philosophies to minimize loss exposure for itself and its investors. A key component in the workout process is the use of RADAR. This system is capable of generating numerous loss mitigation scenarios using a net present value analysis to gauge the most effective workout option for the affected account. By changing any of the preprogrammed assumptions, RADAR automatically recalculates the new loss severity figure. It also tracks the cash value of the asset on a monthly basis. Modifications may involve adjustments to the rate, term, both, or even capitalizing the delinquent amount. As part of its efforts to prepare for and implement HAMP, the department used the services of Seder Mortgage for basic underwriting training of its staff. Those personnel who achieved superior performance results were segregated into a dedicated group as HAMP income verifiers. Other highlights of the loss mitigation process include:

- Management averages a high 14 years of experience and four years with Litton, while staff average seven years expertise and three years company tenure;
- The IVR is able to inform the customer if any HAMP-related documents are outstanding, and the Web site performs a similar function;
- Automated calls now made to obtain any missing documentation;
- Mass mailing of workout solicitations occurs once the account is 45 days past due;
- Payment plans greater than a three-month term require an executed agreement;
- Loss mitigation videos are used in certain circumstances to encourage borrower contact;
- The Web site has a "foreclosure alternatives" section that allows for electronic submission of financial information and a description of available workout alternatives;
- Web site data is automatically inputted into RADAR;
- A survey via Litton's IVR on approximately 10% of accounts gauges borrower satisfaction with the loss mitigation staff and completed workout plan;
- There is online approval of all loss mitigation plans, with system generation of the requisite documents;
- More than 11,000 workouts are closed per month, a significant increase from the prior 4,600;
- A dedicated team to handle short sales;
- Approval of most short sale offers within 35 days after offer acceptance;
- A 12-person group contacts borrowers who become delinquent on their modification plans and repayment plans;
- External sources are used to assist with loss mitigation, such as field representatives in certain highly depressed areas, and external community organizations;
- There is a forbearance cure rate of 65%; and
- There is a recidivism rate of 30.2% for workouts that cure and redefault within six months.

Litton has received more than 129,000 modification requests since April 2009, of which approximately 58,000 were denied because they did not meet the HAMP housing debt to income (>31%) ratios. Alternative modification and/or other loss mitigation options were subsequently pursued on these accounts. Short sale activity has also increased dramatically. Results for January through June 2008 reflected an average of fewer than 200 short sales monthly, as compared against a similar period in 2009 in which the average was more than 800 monthly. Based on October data, management estimated that modification approvals are granted within 12 days of receipt of the full documentation, assuming the borrower qualifies for the plan.

Subordinate-lien servicing mostly resides in the respective business units. There is, however, an eight-person high risk asset (HRA) team who performs certain functions. This group is also responsible for the manufactured housing

portfolio. The primary function of this group is to analyze the loan as it proceeds into delinquency and legal action. Some attributes of subordinate-lien servicing are:

- Monitoring begins when the account is 45 days in arrears, with possible intervention by the loss mitigation unit;
- A demand letter is sent at 45 days delinquent;
- Ordering a BPO once the asset is 90 days in arrears, with values imaged into RADAR;
- BPOs are analyzed using a different internally developed valuation system to judge accuracy;
- At 180 days delinquent, the loan is again reviewed for possible charge-off or foreclosure action;
- Foreclosure commencement must be approved by HRA after a review of default actions;
- The account is reviewed every 30 days thereafter if in foreclosure or charged-off;
- A separate collections group addresses charged-off accounts for possible recovery of funds;
- HRA continues to review the asset monthly to ascertain any changes in status;
- Management uses proactive loss mitigation efforts while in the recovery process designed to get cash flowing again (e.g., an agreement might be completed to collect \$50.00 monthly for a period of time and then they will try to complete a partial settlement); and
- Two outsource vendors handle any attempted recoveries through wage garnishments, deficiency judgments, etc.

Litton has judicious controls over foreclosure and bankruptcy management. The 25-person foreclosure staff average 13 years experience, while the 38-person bankruptcy department averages nine years expertise. The department maintains a relationship with two vendors to prepare bankruptcy referrals. Management now uses one outsource vendor for its foreclosures. Claims are under the domain of the investor reporting department. Controls and timeline management characteristics include:

- A dual track approach of continued loss mitigation efforts while an account is in legal action in an attempt to resolve the delinquency;
- Foreclosure attorneys to also assist with loss mitigation;
- Delay of initiation of foreclosure action for approximately two weeks in a final attempt to assist the borrower before commencing legal proceedings, which incur additional costs;
- Electronic referral of collateral documents to the attorney via imaging;
- Vendor invoices reviewed and approved online;
- Foreclosure status communicated through the Litton Web site;
- Two firms per state used to encourage competition and to compare performance results;
- Fee and timeline expectations specifically indicated in attorney referral letter;

- Five dedicated business relationship managers to monitor the vendor, attorneys, and aged inventory;
- Reminder messages forwarded to counsel seven days before an expected completed legal action date;
- A dedicated group to handle missing assignments and other issues that may delay the process;
- Annual attorney and broker summits held to discuss issues and provide additional training;
- Property inspections ordered and received electronically, with results and photos uploaded into RADAR;
- Attorney performance graded via a scorecard;
- Foreclosure timeline compliance of 92%, which is much better than the prior 82% rate;
- Foreclosure cure rate of 4.73%;
- Use of a third party vendor, National Data Center, to obtain daily a list of checks scheduled for receipt and payment;
- A vendor liaison to oversee the bankruptcy vendors and track for adherence to established KPIs;
- Bankruptcy vendors actively pursue loss mitigation options, with approximately 1,800 such cases now in process;
- On nonperforming bankruptcies, attorneys offered incentives to complete workout alternatives;
- All proofs of claim are reviewed by in-house counsel for accuracy; and
- Claims are prepared using the system, which distributes the accounts based on processor and investor, and obtains the requisite imaged documents.

Chart 12

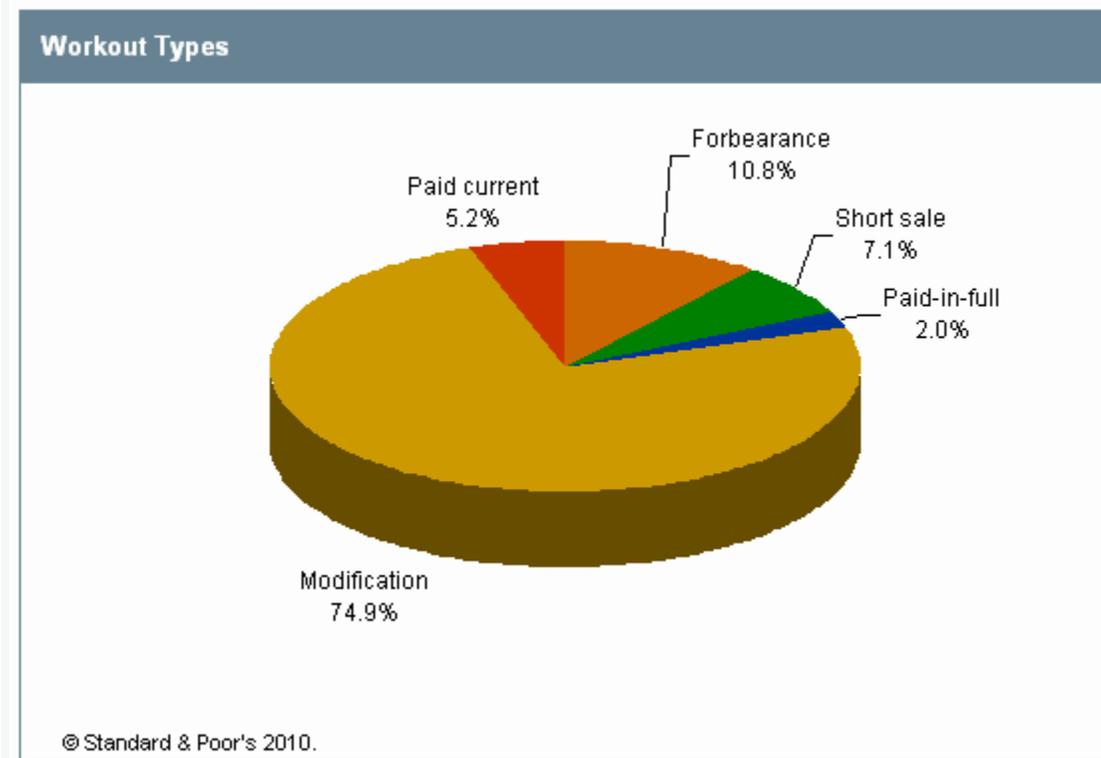
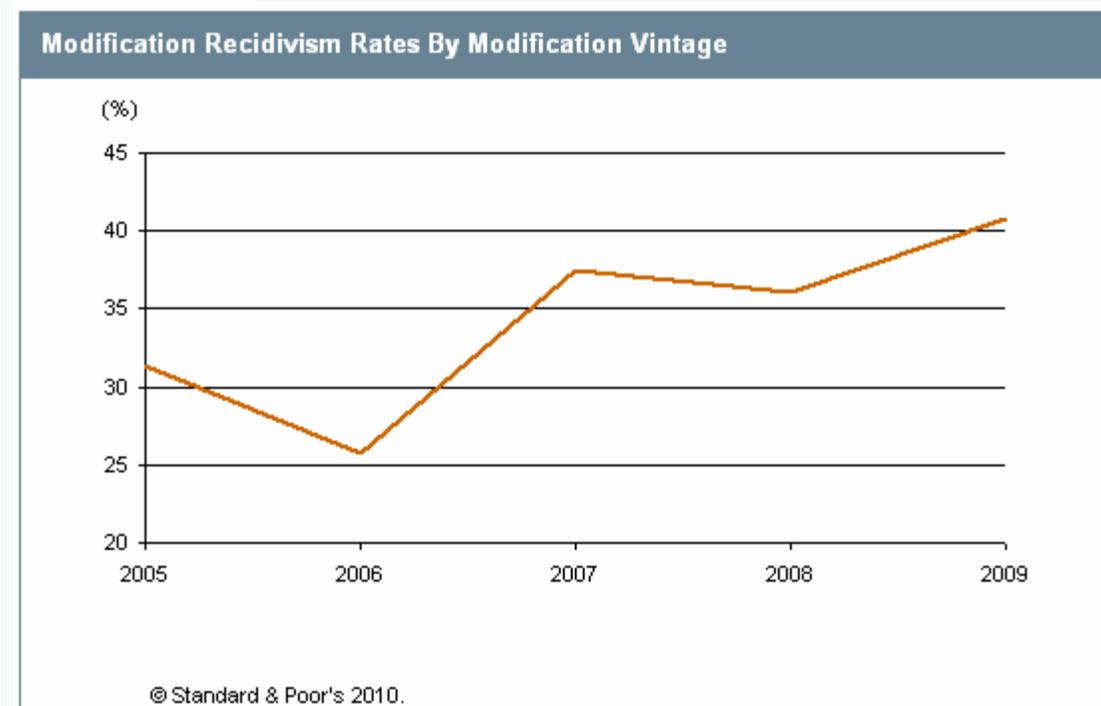


Chart 13



There were a high amount of declined or curtailed mortgage insurance (MI) claims. Management indicated that these were due to origination issues with the mortgages, as well as substandard servicing practices initiated by a prior servicer, such as allowing the MI to lapse or not correctly coding the loan on the system.

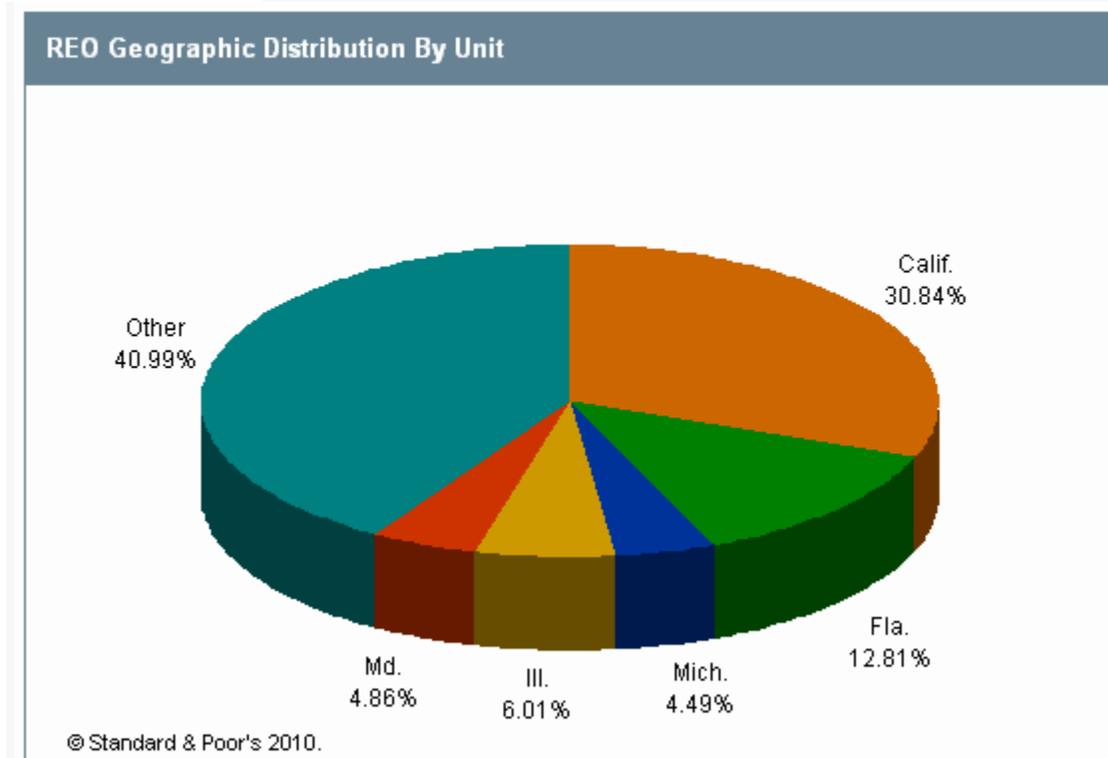
The 94-person (an increase from 63) REO team averages nine years experience and three years company tenure. Management uses the services of eight vendors (an increase from the prior five) to assist in marketing properties. The REO Web site allows for tracking of expected and actual completion dates, with recalculation of timeframes based on changes to the data. Brokers may also view any exceptions that require timely resolution and obtain the company's policies regarding REO marketing, inclusive of frequently used forms. When adjusting for price reductions, management now employs a more state/county specific analysis to account for current market conditions. With the introduction of the federal Protecting Tenants at Foreclosure Act, Litton hired an individual as its property manager for those assets affected under the Act. Only 30 such properties are now affected, but there is a toll-free line for tenants to contact the company about their habitation statuses. Any rental income is applied through the LSAMS system. The sound REO methodology and controls are as follows:

- Brokers have delegated authority to offer limited financial incentives to encourage borrowers to vacate premises. This reduces the likelihood of commencing a costly and time-consuming eviction action;
- Two BPOs are ordered on owned properties, with appraisals received if the value is more than \$200,000;
- Approximately 45% of REOs require evictions;
- Cash for keys program resulted in vacancies on 50% of formerly occupied REOs;
- A database of approved realtors exists for easier selection;
- There is an additional marketing mechanism of listing properties online through a separate vendor;
- All valuations (inclusive of inspections) are received online via the proprietary PEARL system, which has numerous reporting capabilities and an online risk grading and quality score system to judge properties and brokers' value assessments;
- Repairs are generally authorized when calculations reflect at least a 125% return on the investment or to enhance the marketability;
- List price is generally established at 108% of market value;
- Delegated price reductions occur after 45 days and 75 days on the market;
- Brokers must submit monthly status reports detailing marketing activity;
- Using in-house personnel for high-risk properties and an external vendor for ad hoc inspections on other assets to ensure brokers are properly marketing and maintaining the premises;
- A separate group files insurance claims on damaged properties;
- Agreements are listed, offers submitted, and counter offers completed online to help expedite marketing activity; and

- Average marketing time is excellent, at 146 days, with a 104.65% gross sales proceeds and a commendable 93.25% net proceeds to market value.

The department performs a post-sale review on all REOs to ascertain how quickly thereafter the property is sold again and to identify flipping schemes. Management is planning to introduce a new analysis tool known as LEAP, which will produce a target market value on a property. Because of a lack of success, auctions and bulk sales are not frequently used for sale purposes.

Chart 14



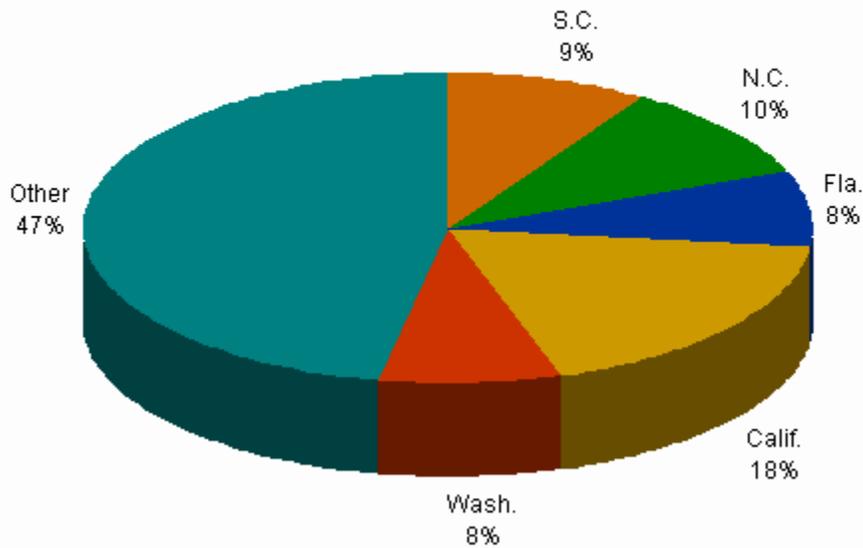
#### Consumer Finance Servicer ? Manufactured Housing Administration

The ranking of AVERAGE is affirmed for consumer finance servicing of manufactured housing assets.

Matthew Martin, vice president, reporting to the SVP of account management, is responsible for MH administration. As of Oct. 30, 2009, the portfolio had included 6,316 accounts representing \$474 million unpaid principal balance. Approximately 99% of these assets are land/home accounts of poor credit quality. The average loan size is approximately \$50,000. It is not the company's intent to acquire chattel product unless it is part of a larger land/home transaction. There is a good geographic dispersion as evidenced by the charts below.

Chart 15

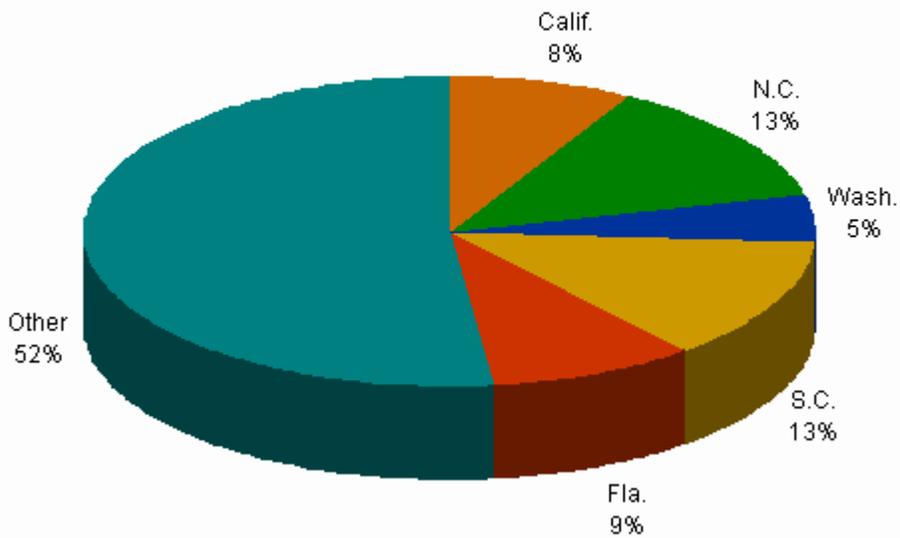
Geographic Distribution By Unit



© Standard & Poor's 2010.

Chart 16

Geographic Distribution By UPB



© Standard & Poor's 2010.

Management currently relies on the company's existing residential mortgage systems and similar policies as applied to its distressed mortgage portfolio. Because business opportunities to grow the portfolio remain limited and the

portfolio is declining, there is no longer any dedicated MH staff. The HRA group handles MH assets once they become 60 days in arrears.

**Table 7**

**Manufactured Housing Administration**

**Key Statistics**

	2009*	2008	2007	2006	2005
--	-------	------	------	------	------

**Loan portfolio total**

Volume (Thousands \$)	474,182	465,903	539,187	655,632	377,604
-----------------------	---------	---------	---------	---------	---------

Assets	6,316	5,897	6,736	7,978	5,634
--------	-------	-------	-------	-------	-------

**Delinquency (% of loans)**

Total	31.00	29.00	26.23	25.92	32.71
-------	-------	-------	-------	-------	-------

30-day	12.00	13.00	11.58	12.78	14.32
--------	-------	-------	-------	-------	-------

60-day	7.00	7.00	5.79	5.71	6.99
--------	------	------	------	------	------

90+-day	12.00	9.00	8.86	7.43	11.40
---------	-------	------	------	------	-------

Foreclosure	7.00	6.00	4.03	3.67	4.65
-------------	------	------	------	------	------

Bankruptcy	4.00	5.00	1.97	1.44	8.15
------------	------	------	------	------	------

Real estate owned (#)	126	117	149	167	170
-----------------------	-----	-----	-----	-----	-----

\*As of Oct. 30.

Collection efforts are appropriately proactive. Collectors' contact begins once an account is three days past due. This is followed by a late charge notice at day 17 and further delinquency letters when the account is 22 and 35 days in arrears, respectively. Other aspects of the default process include:

- Initial inspections at the 35th day of default and every 30 days thereafter;
- Demand letter at day 45, followed by a loss mitigation video/letter on the 50th day of delinquency;
- Continued loss mitigation solicitations at day 65, 70, 85, 100, and 110;
- Use of the same loss mitigation vendor as with its residential loans for accounts 60+ days delinquent;

- Equity analysis on the 117th day of default followed by referral to an attorney by the 125th day on land/home accounts;
- Utilization of Fannie Mae timeframes for foreclosure tracking;
- Via system reminders, processors notified of next expected legal action three days prior to the scheduled completion date;
- Remarketing plan developed at 200th day of delinquency;
- Initiation of replevin action on chattel accounts per state requirements; and
- Use of a network of outside wholesale channels to remarket the MH.

The loss mitigation vendor makes three attempts to contact the borrower and subsequently has them complete a financial statement for workout consideration.

The REO Department is responsible for marketing MH assets, although the vice president maintains responsibility for marketing any chattel assets.

## Financial Position

The Financial Position is considered sufficient based on the 'A' credit rating of The Goldman Sachs Group Inc.

For more information, please refer to RatingsDirect, Standard & Poor's Web-based credit analysis system at [www.ratingsdirect.com](http://www.ratingsdirect.com).

## Contact Information

Litton Loan Servicing L.P. is headquartered in Houston, Texas.

Litton Loan Servicing L.P.

Larry B. Litton Jr.

President and CEO, Litton Loan Servicing LP

4828 Loop Central Drive

Houston, TX 77081-2226

713-966-8803

[www.littonloan.com](http://www.littonloan.com)

## Related Research

- "[Litton Loan Servicing L.P. Residential And Consumer Finance Servicer Rankings Affirmed](#)," published Jan. 4, 2010.

- **"Servicer Evaluation Ranking Criteria: U.S.,"** published Sept. 21, 2004.
- **"Revised Criteria For Including RMBS, CMBS, And ABS Servicers On Standard & Poor's Select Servicer List,"** published April 16, 2009.
- **"Select Servicer List"** (standing file).

**Servicer Analyst:** Steven Frie, New York (1) 212-438-2458;  
[steven\\_frie@standardandpoors.com](mailto:steven_frie@standardandpoors.com)

**Financial Analyst:** Robert Mackey, New York (1) 212-438-1268;  
[robert\\_mackey@standardandpoors.com](mailto:robert_mackey@standardandpoors.com)

Copyright © 2010 by Standard & Poor's Financial Services LLC (S&P). All rights reserved. No part of this information may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P. S&P, its affiliates, and/or their third party providers have exclusive proprietary rights in the information, including ratings, credit related analyses and data, provided herein. This information shall not be used for any unlawful or unauthorized purposes. Neither S&P, nor its affiliates, nor their third party providers guarantee the accuracy, completeness, timeliness or availability of any information. S&P, its affiliates or their third party providers and their directors, officers, shareholders, employees or agents are not responsible for any errors or omissions, regardless of the cause, or for the results obtained from the use of such information. S&P, ITS AFFILIATES AND THEIR THIRD PARTY PROVIDERS DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates or their third party providers and their directors, officers, shareholders, employees or agents be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained herein even if advised of the possibility of such damages.

The ratings and credit related analyses of S&P and its affiliates and the observations contained herein are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or make any investment decisions. S&P assumes no obligation to update any information following publication. Users of the information contained herein should not rely on any of it in making any investment decision. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of each of these activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P's Ratings Services business may receive compensation for its ratings and credit related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge) and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).