

M Hanson Advisors – Real Estate & Finance

The Mortgage Pages - May 11th 2010

- **Top Resi / Non-Resi Servicer April Foreclosure Results**
- **WFC, JPM, USB Finally Addressing Pay Option ARMs**
- **Foreclosures Rise Across All Prop Types except Apartment Loans**
- **Cancelled Foreclosures Continue to Rise Across Most Property Types**
- **Avg Foreclosed Resi Property Values Dropping - a Leading Indicator**

Our mission is to provide our clients a significant edge. This is done by turning the daily, market-moving real estate and mortgage news flow and events into old news by the time it makes headlines. - Mark Hanson

The following reports are of the top residential/non-residential servicers, their **Foreclosure and Cancelled Foreclosure** activity, and key property metrics, including real-time Foreclosure house price movement (a leading existing house price indicator) through April 30th.

Because NOD's and NTS's are up to 10-days delayed and the first business day of May was Monday the 3rd, only Foreclosures are included in this report, as the prior are not done populating.

However, **Foreclosure and Cancelled Foreclosure data** (the latter indicative of successful loan mods) are real-time and have the most immediate impact to the housing market and balance sheets. And the front end of the default curve remains so heavily manipulated by the banks through mods and restructurings, perhaps later stage Default and Foreclosure activity has become more significant anyway.

Summary

1) Once again, **Bank of America** did not disappoint. They have led the pack in resi asset liquidation momentum since the new CEO took charge.

2) **BofA and US Bank** saw MoM Foreclosures surge, **Chase** was only up slightly, and **Citi and Wells** saw roughly a 10% drop.

3) Because April had one less business day than March, both **Citi and Wells** saw record Foreclosures last month and both are grinding out record mods, their declines in April are slight and are in no way indicative of a trend.

4) **Chase, Wells and US Bank**, all of which service large numbers of **Pay Option ARMs**, show they have begun to Foreclose and modify large numbers of these in recent months.

5) On a macro level, **Foreclosures rose slightly across every property type** when adjusting for one less day in April with the exception of Apartment loans. **Agricultural, Commercial and Industrial led the pack while Apartment, SFR, Condo loans lagged.**

6) With respect to **Cancelled Foreclosures** -- indicative of loan mods or restructurings and that steal from Foreclosures until the entity re-defaults -- **BofA and Wells** were the only two to see a slump indicating they could be at a mod plateau. This makes sense, as these two banks have consistently been the most aggressive at modifying loans and could be a **significant leading indicator of mods having less of an impact on "credit"**.

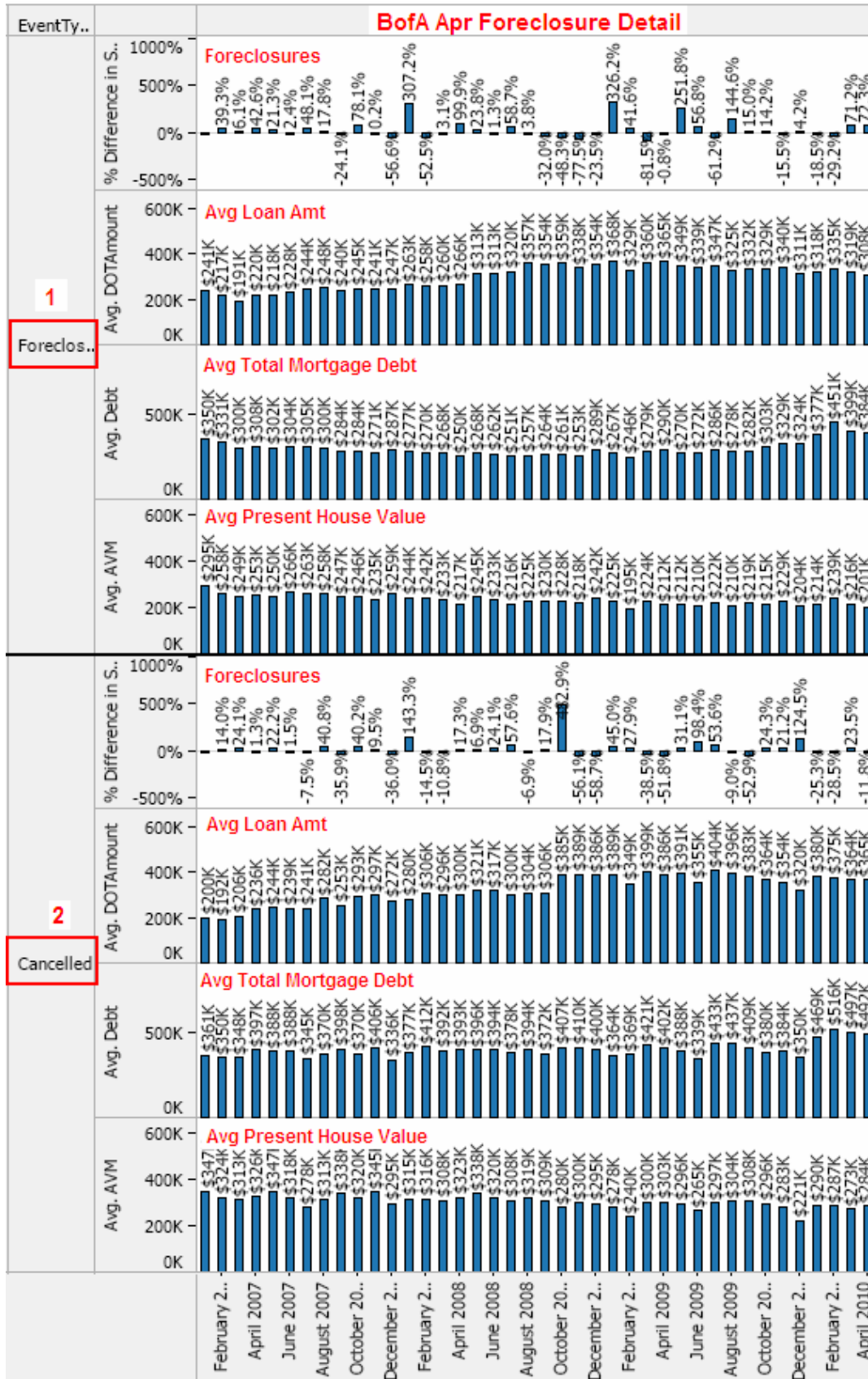
7) **Cancelled Foreclosures rose across every resi and non-resi property and loan type for a sixth straight month**, other than Apartment and Commercial, which both fell. On resi, the Avg Present Value of Cancelled Foreclosures is 25% higher than on Foreclosures showing a greater number of lower grade loan mod re-defaults are beginning to enter the mix and banks are more aggressive modifying loans on which they stand to lose the greatest amount.

8) Because Cancelled Foreclosures only began to surge so new -- only began the surge in Q309 -- **we have only felt the benefits and not the re-default effects**, of which the leading edge is upon us now. Re-defaults, -- which are a second channel of early stage defaults, late stage default and Foreclosures, is something few are modeling.

9) The **avg Foreclosure real-time resi detached and condo property value**, as determined by our in-house automated valuation model, is down notably since Jan. Because this group of properties will make up such a large percentage of resales three to six months out, they are a great leading price indicator.

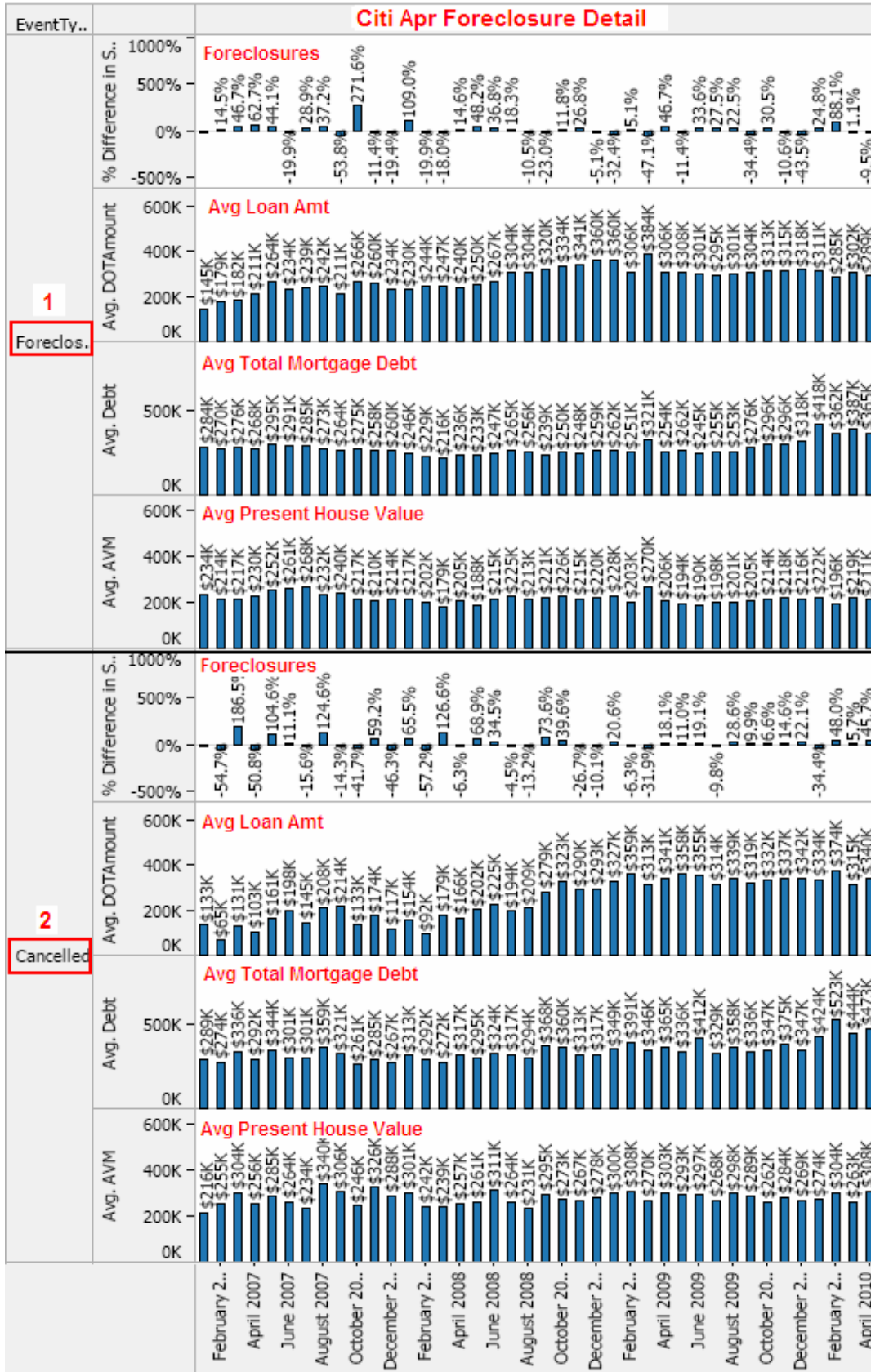
1) Bank of America April Foreclosure, Loan and House Price Detail

- **Foreclosures** jump solidly for second straight month, up over 70% each month.
- **Average Loan Amount** is dropping likely indicating more mod lower grade loan re-defaults are entering the mix
- **Total Mortgage Debt** is also falling indicating the same
- **Average Foreclosure House Values** are at a year low. As these are REO are resold they will negatively impact reported median and avg house prices in the near-term
- **Cancelled Foreclosures** dropped indicating they may have hit a plateau
- **Avg Loan Amount of Cancelled's** is much higher than Foreclosures indicating they are actively modifying a greater number of higher grade loans than lower grade.
- **Avg Total Debt of Cancelled's** is much higher than Foreclosures indicating they are focusing on loans on which they stand to lose the most or have second mortgages.



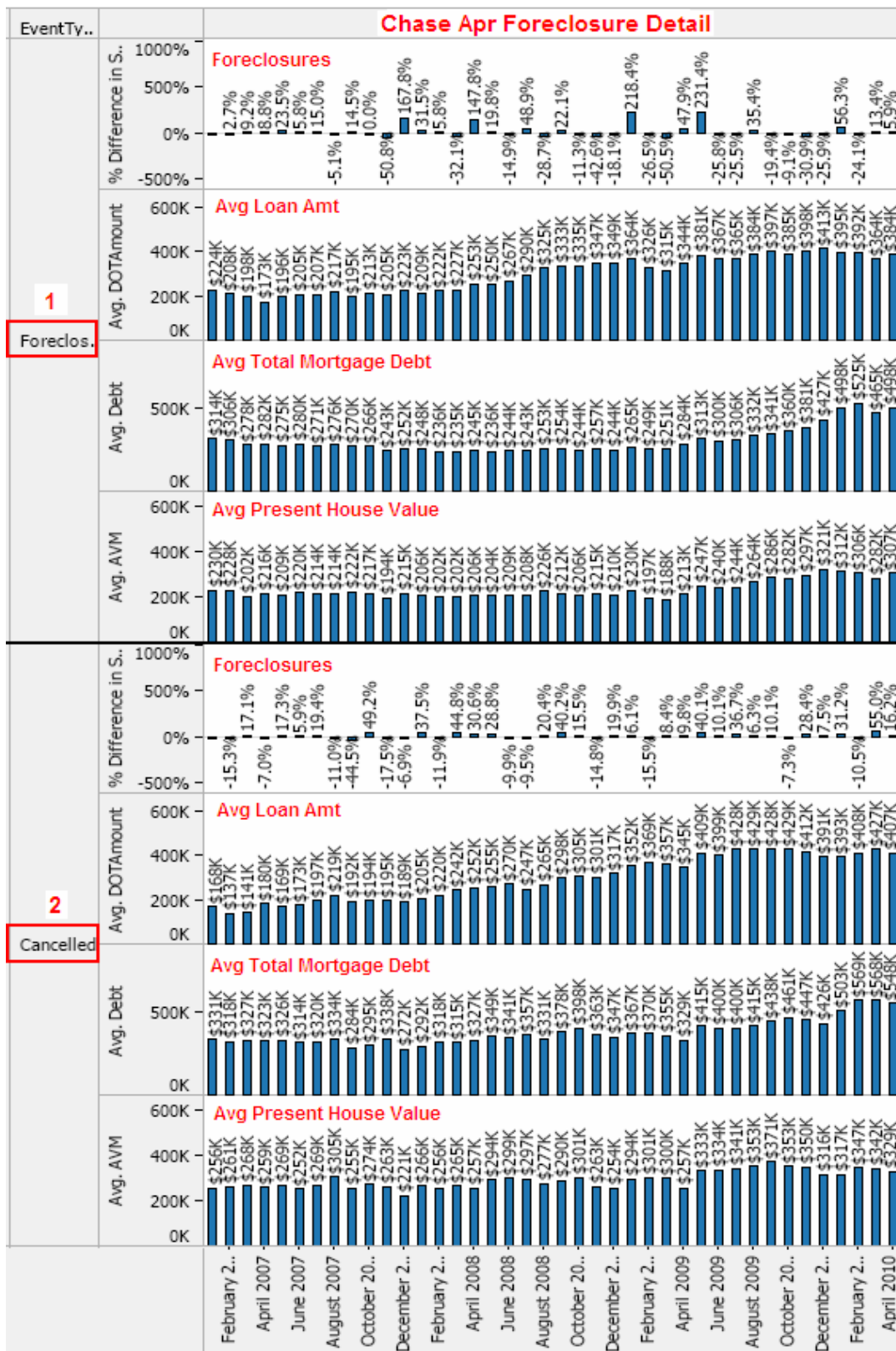
2) Citi April Foreclosure, Loan and House Price Detail

- **Foreclosures** drop by 9.5% but considering April was a shorter month than Mar and their Cancelled Foreclosures, indicative of a loan mod, soared the drop is not meaningful.
- **Average Loan Amount** is dropping likely indicating more mod lower grade loan re-defaults are entering the mix
- **Total Mortgage Debt** is also falling indicating the same
- **Average Foreclosure House Values** are also headed down following the trend.
- **Cancelled Foreclosures** soared in April, which steal from Foreclosures.
- **Avg Loan Amount of Cancelled's** is also dropping but much higher than Foreclosures indicating they are actively modifying a greater number of higher grade loans than lower grade.
- **Avg Total Debt of Cancelled's** is much higher than Foreclosures indicating they are focusing on loans on which they stand to lose the most or have second mortgages.
- Again, **Avg Present House Value** was dropping steadily until April when it spiked, which means it could be a one-month anomaly.



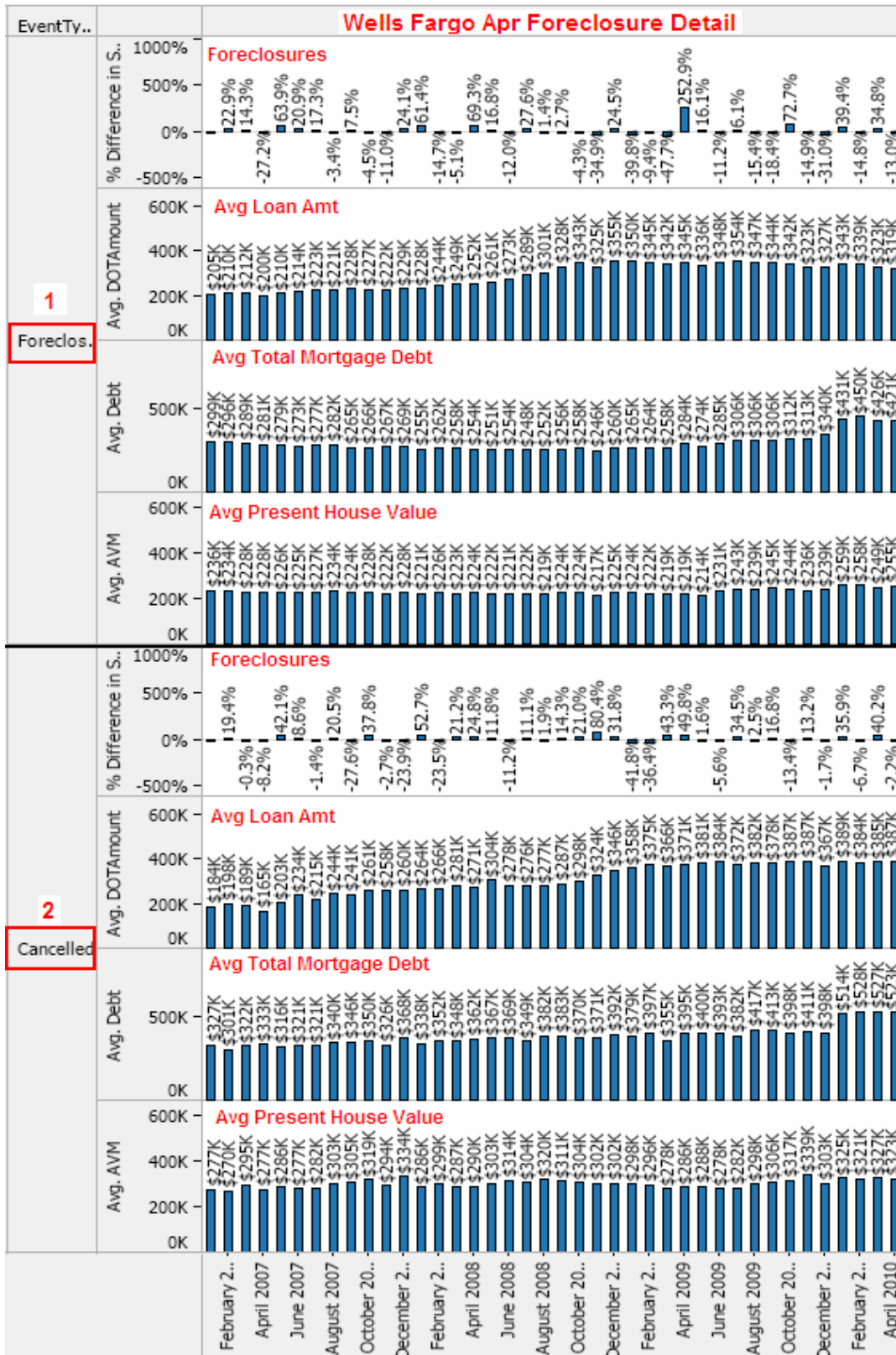
3) Chase April Foreclosure, Loan and House Price Detail

- **Foreclosures** up by 5.9% but considering April was a shorter month than Mar and their Cancelled Foreclosures, indicative of a loan mod, jumped Foreclosure activity was stronger than the headline suggests.
- **Average Loan Amount** has been steadily dropping likely indicating more mod lower grade loan re-defaults are entering the mix. But Chase's Avg Loan Amount remains well above the pack.
- **Total Mortgage Debt** is soaring, which is a result of **WaMu Neg-Am Foreclosures** finally taking off.
- **Avg Present House Value** has been steadily dropping -- a leading indicator to future house prices and loss severities, the latter especially given total debt is rising.
- **Cancelled Foreclosures** Jumped in Apr by 16.2%, which steal from Foreclosures.
- **Avg Loan Amount of Cancelled's** has been rising steadily, as their focus has shifted from Subprime to Jumbo and WaMu Pay Option ARMs.
- **Avg Total Debt of Cancelled's** is much higher than Foreclosures indicating they are focusing on loans on which they stand to lose the most or have second mortgages.



4) Wells Fargo April Foreclosure, Loan and House Price Detail

- **Foreclosures** dropped 13% but considering April was a shorter month than Mar and their Cancelled Foreclosures, indicative of a loan mod, soared the drop is not meaningful
- **Average Loan Amount** is dropping likely indicating more mod lower grade loan re-defaults are entering the mix
- **Total Mortgage Debt** is soaring, which is a result of **Wachovia Pay Option Foreclosures** finally taking off.
- **Average Foreclosure House Values** are headed up as a result of the greater number of CA Alt-A Pay Options entering the mix.
- **Cancelled Foreclosures** dropped indicating they may have hit a plateau
- **Avg Loan Amount of Cancelled's** has been rising steadily, as their focus has shifted from Subprime to Jumbo and WaMu Pay Option ARMs.
- **Avg Total Debt of Cancelled's** is much higher than Foreclosures indicating they are focusing on loans on which they stand to lose the most such as Pay Options or have second mortgages.
- **Avg Present House Value of Cancelled's** is on the rise indicating they are also focusing loss mit efforts on higher priced houses from which larger losses would be realized if Foreclosed.



5) US Bank April Foreclosure, Loan and House Price Detail

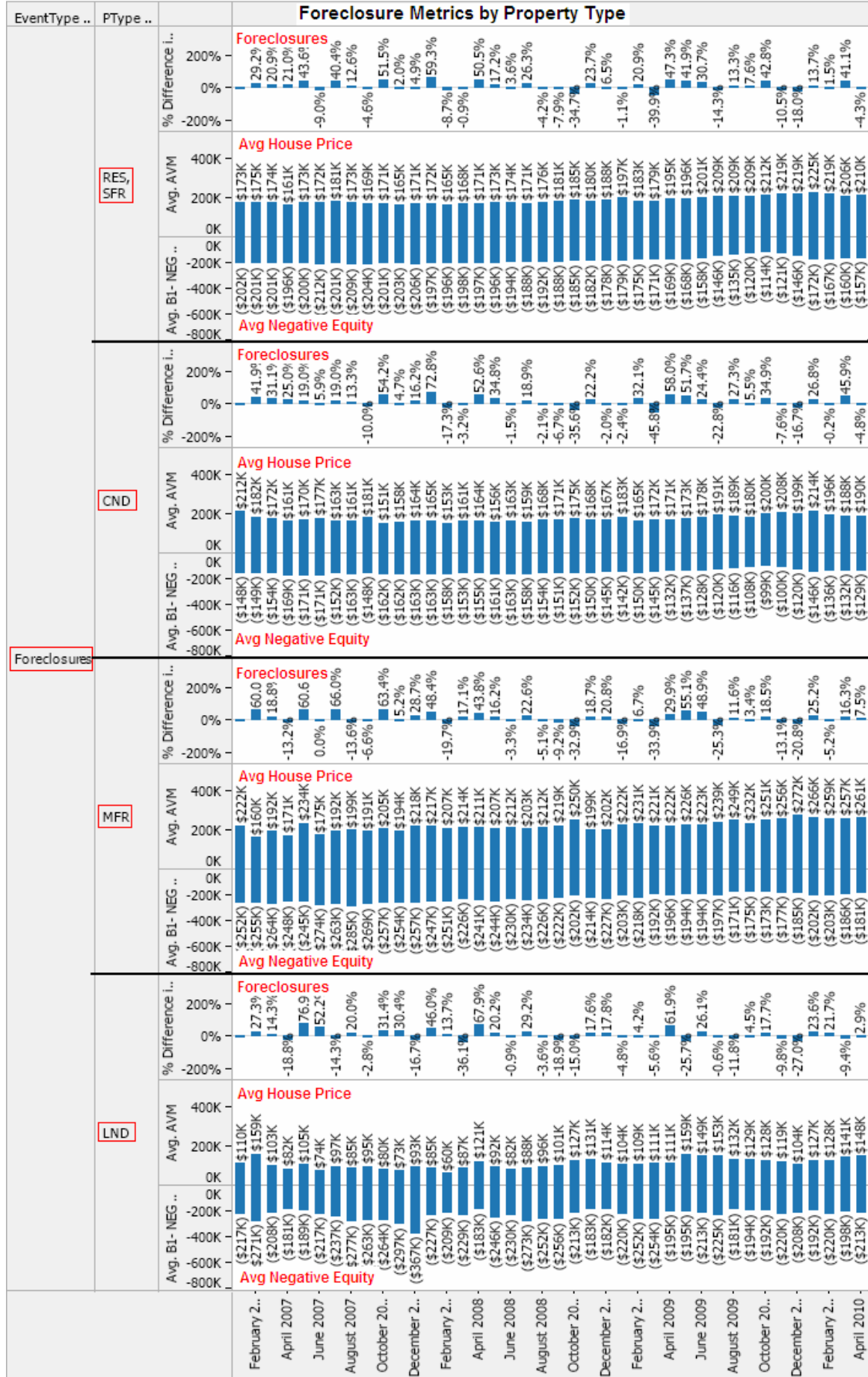
- **Foreclosures** soar 53% in April and considering it was a shorter month than Mar and their Cancelled Foreclosures, indicative of a loan mod, soared the rise is even more meaningful
- **Average Loan Amount** is dropping likely indicating more mod lower grade loan re-defaults are entering the mix
- **Total Mortgage Debt** is soaring, which is a result of **Downey Savings' Pay Option ARMs Foreclosures** finally taking off.
- **Average Foreclosure House Values** are holding well as a result of the greater number of CA Alt-A props entering the mix.
- **Cancelled Foreclosures** jumped sharply in April by 33.8%, which steal from Foreclosures.
- **Avg Loan Amount of Cancelled's** has headed by up recently, as more Downey Savings Pay Options entered the mix.
- **Avg Total Debt of Cancelled's** is much higher than Foreclosures indicating they are focusing on loans on which they stand to lose the most such as Pay Options or have second mortgages.
- **Avg Present House Value of Cancelled's** is on the rise indicating they are also focusing loss mit efforts on higher priced houses from which larger losses would be realized if Foreclosed.



6) April Resi Foreclosures & Cancelled & Key Metrics by Prop Type

- **Detached SFR and Condos** are both down in line with the aggregate but with April having one fewer day than March and Cancelled Foreclosures rising, the drop is more than offset.
- **House and Condo Values** are dropping sharply in recent months, a leading indicator to future resale prices.
- **Manufactured Houses** saw an up-tick in Foreclosures and steady values
- **Land is a mess.** Although total Foreclosures are dropping slowly and values climbing, both unlike the other cohorts, the Average Negative Equity of \$213k on an Average Value of \$148k is the largest hit of all property types.

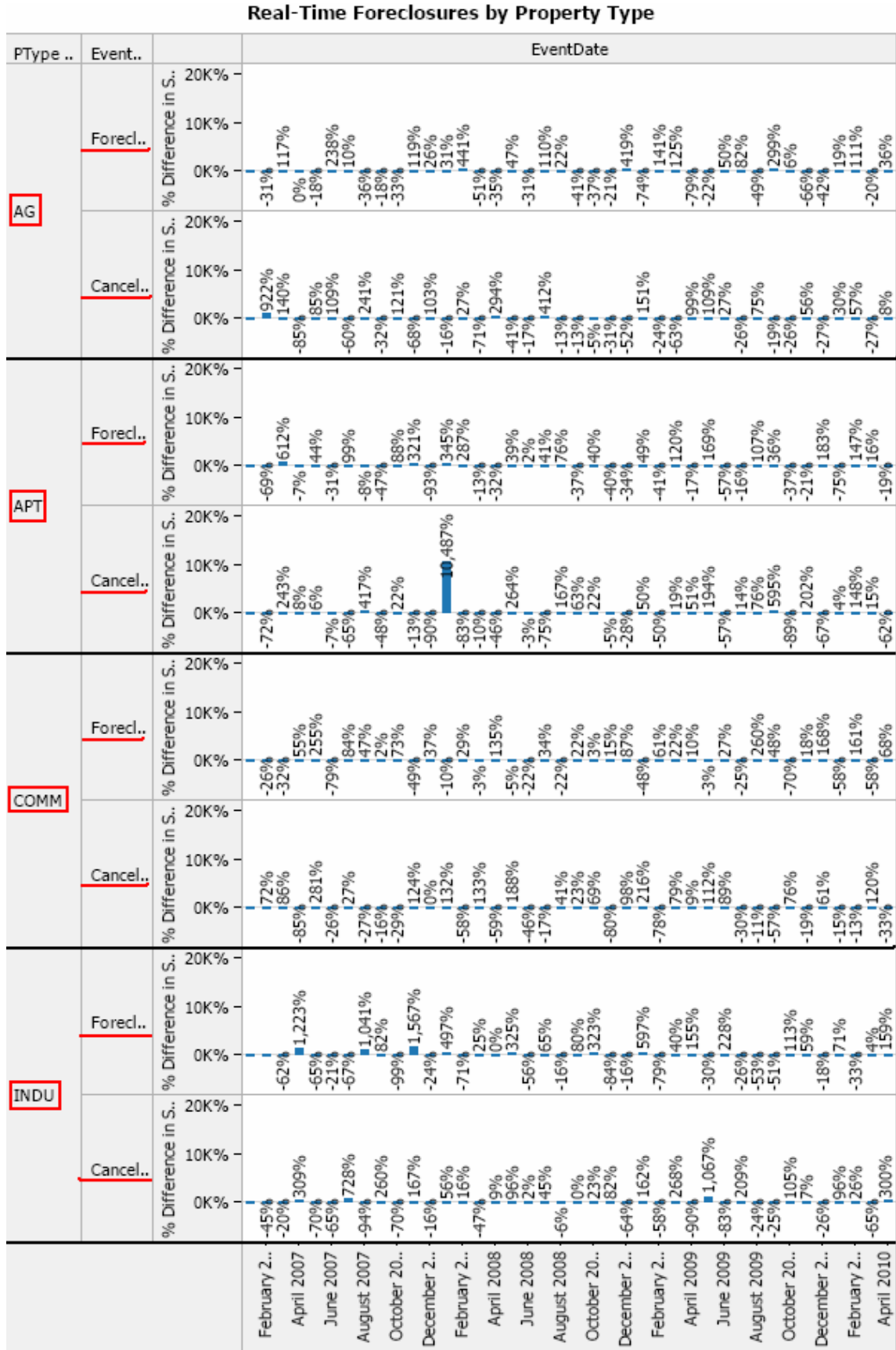
April Foreclosures and Key Metrics



7) Non-Resi Foreclosures & Cancelled Foreclosures by Property through April

The chart below is of monthly **Foreclosures and Cancelled Foreclosures** across **Agricultural, Apartment, Commercial and Industrial loans** and is self-explanatory.

In April all loan types saw a Foreclosure jump other than Apartment loans, which dropped slightly from their record high in March, but not outside of what is to be expected given typical MoM volatility. At the same time, Cancelled Foreclosures, indicative of a mod, were mixed. Note that the non-resi data are thin relative to resi so larger MoM swings are common.



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