

It's all about the the Pay Option ARMs.

After going back through Chase's June Cancelled Foreclosures it turns out the entire increase to over **\$3 billion** in Cancelled's the regions I cover in this granularity came from its **WaMu Pay Option portfolio**, of which I can track at least 80% of outstanding balances. In fact, when breaking out WaMu Pay Options, Cancelled's increased 264% vs. the 106% aggregate I noted yesterday.

I then looked at the Wells Fargovia (World Savings/Wachovia) Pay Option portfolio to look for correlations. They also had an interesting June with Cancelled's only up 17% but actual foreclosures down a sharp 41% mom compared to WaMu's 3%.

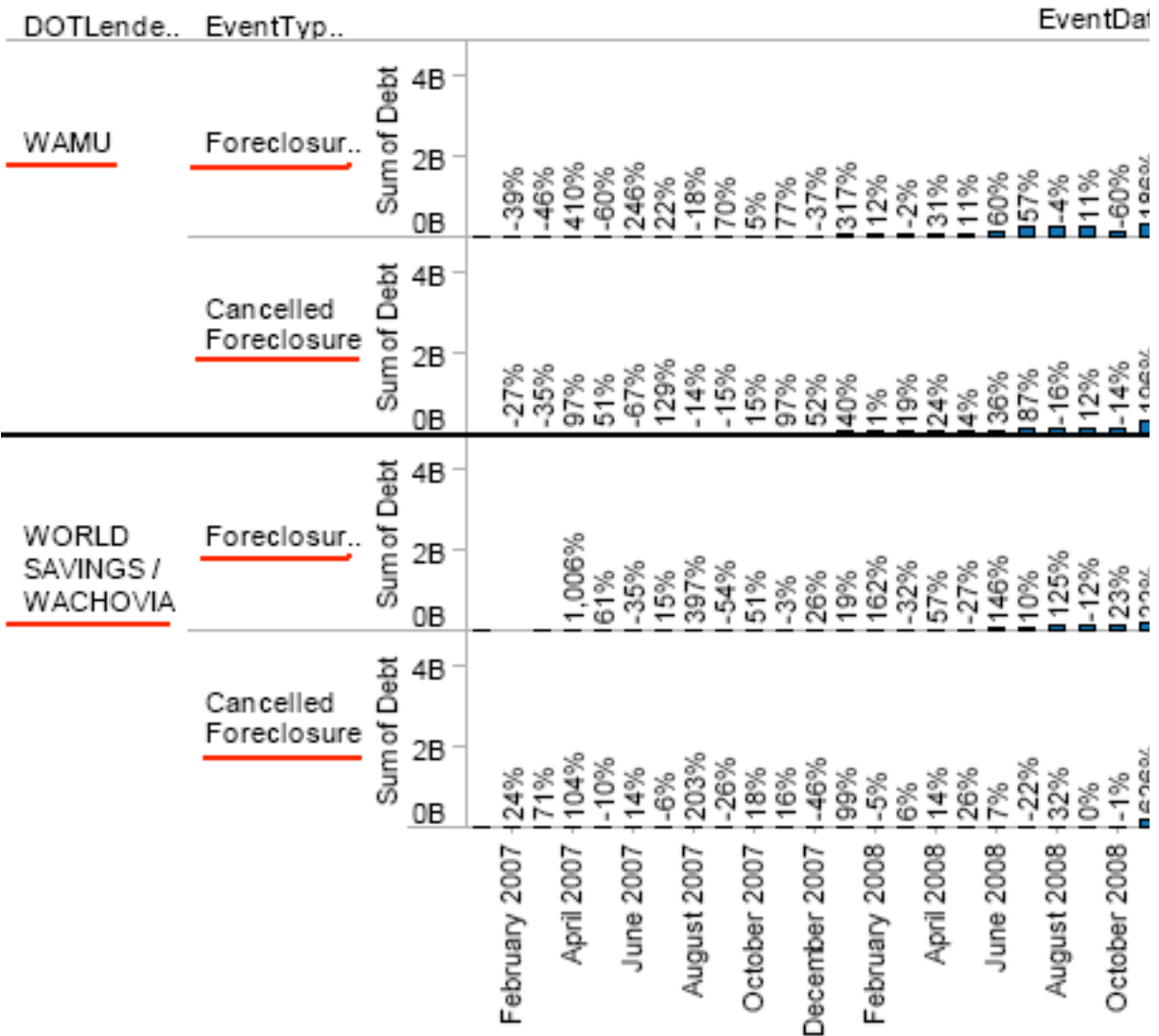
It is too early to tell for sure -- I should know by mid-July -- but it seems there is a new plan for at least the nation's portfolio-held Pay Option ARMs. Perhaps Treasury worked a deal with the banks to include these ball-and-chain portfolio's in the HAMP 2.0 principal balance reduction mod program set to debut in the fall. Since foreclosures on these two portfolio's were running at record highs in May and earnings are right around the corner, perhaps both banks needed to scale back on property seizures to make the number look better...who knows. But I am sure we will find out soon enough. It is never dull with these banks, that's for sure.

Below is the WaMu and World/Wachovia Pay Option Foreclosure and Cancelled Foreclosure performance through June 29th.

Great Day,

Mark Hanson

WaMu, World, Wachovia Pay Option ARM



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