

M Hanson Advisors – Real Estate & Finance

The Mortgage Pages - July 10th 2010

- Legacy CYN - Q2 NPA in Aggregate & by Property Type

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

In going through dozens of bank's default and foreclosure data looking for q2 resi or non-resi default and foreclosure weirdness to include in my final report, I compared what CYN said last quarter relative to the numbers I show.

Specifically, "potential problem loans declined 17% to \$61.4mm" (43 borrowers vs. 45).

Obviously, the term "problem loans" is highly subjective. We know that once resi borrowers at => 90-days late receive a Notice-of-Default, there is a 90%+ chance a foreclosure will occur. I do not know what the number is on unsecured C&I loans but I would imagine it has a lot to do with the flexibility of the bank with respect to restructuring.

Whatever the case, at least on the resi side 'once distressed always distressed' has been the trend for some time. **Thus, CYN claiming to have only \$61.4mm in "problem loans" when since Jan 2008 they have filed \$475mm in NOD's seems terribly light.**

In fact, **the number of their NODs that advance to the Notice-of-Trustee Sale and Foreclosure stages is lower than most banks I track** (other than CMA who wins in this category hands down).

Perhaps these banks have the special restructuring sauce that makes them that much better at 'fixing' broken loans. Or perhaps, their borrowers are of a special breed that once given a concession they value it -- and the relationship with the bank -- so much they never default again.

Or perhaps they file NODs on defaulted borrowers, as they should to get all defaulted borrowers on official record as a sign of strength and commitment, in an attempt to intimidate the mortgagor with every intention of doing whatever it takes for that NOD not to advance to the next stage.

Who knows - every bank is different in how they handle their default and foreclosure process, but most are the same in one respect - they will do anything and everything possible not to have to show a defaulted or foreclosed loan.

Onto CYN Notice-of-Default, Notice-of-Trustee Sales, Foreclosure and Cancelled Foreclosure data.

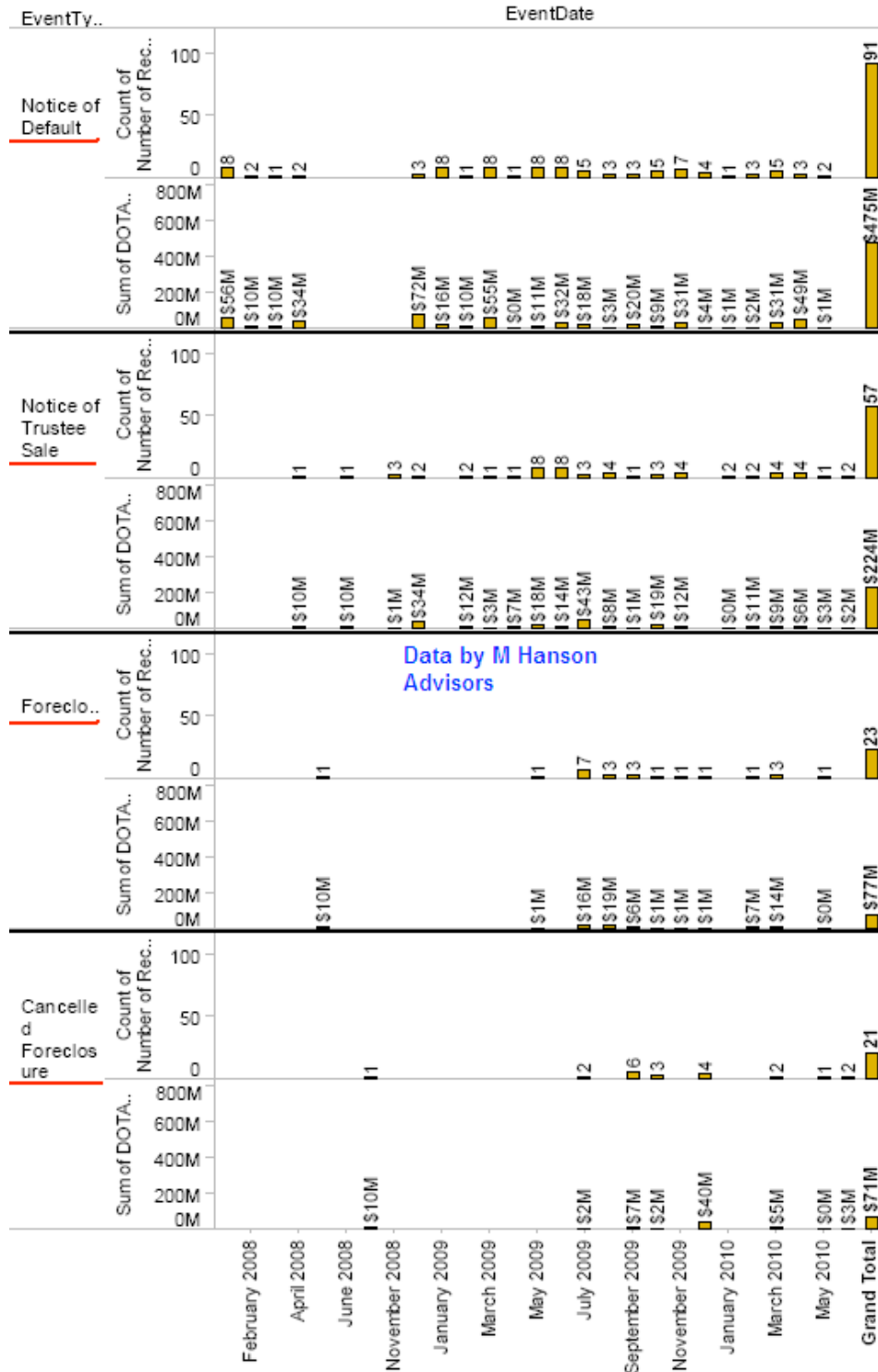
Shown following are only the legacy loans originated by CYN and Business Bank of NV, which they still service.

CYN Monthly Notice-of-Defaults, Notice-of-Trustee Sales, Foreclosures and Cancelled Foreclosures

- 1) Legacy loan official **Notice-of-Defaults totaled \$475mm** over the past two years.
- 2) But **less than 50% of NODs have made it to the Notice-of-Trustee Sale** (foreclosure imminent) stage.
- 3) **Even more suspicious is that only \$77mm was foreclosed upon.** An NOD-to-Foreclosure rate of rate of 16.2% is extraordinarily low. At this rate, the Treasury should hire these guys to run the HAMP program.
- 4) **Cancelled Foreclosures** of \$71 million is understandable based upon the number of NODs. But when adding Cancelled and Foreclosures together -- and based upon the volume of NODs -- this bank looks to be sitting on a lot

of shadow foreclosures.

CYN RESULTS



CYN NOD, NTS, Foreclosure and Cancelled Foreclosure Activity by Property Type

For your edification, below are the same data as previously shown broken out by property type in order for you to see in what type of loans their lending stresses lie.

Bottom line - Land, Resi and C&I -- in that order -- is where they are feeling the most pain, however, total dollar volume of all three are relatively equal as shown in the following charts.

1) Agricultural, Apartment and Condo

2) Commercial & Industrial

CYN RESULTS

PTYPE (group)	EventType	EventDate	Count of Number	Sum of ..	
<u>COM</u>	Notice of Default	February 2008	0	0M	
		March 2009	2	\$34M	
	Notice of Trustee Sale	May 2009	1	\$2M	
		July 2009	2	\$16M	
	Foreclo..	September 2009	1	\$2M	
		November 2009	2	\$3M	
	Cancelle d Foreclos ure	January 2010	1	\$1M	
		March 2010	1	\$7M	
	Grand Total			9	\$74M
				4	\$41M
<u>IND</u>	Notice of Default	May 2009	1	\$11M	
		July 2009	1	\$0M	
	Notice of Trustee Sale	September 2009	1	\$11M	
		November 2009	2	\$14M	
	Foreclo..	January 2010	1	\$10M	
		March 2010	1	\$3M	
	Grand Total		5	\$38M	
			3	\$24M	
	Grand Total		2	\$14M	
			2	\$14M	

Data by M Hanson Advisors

3) Land and Manufactured Housing

CYN RESULTS

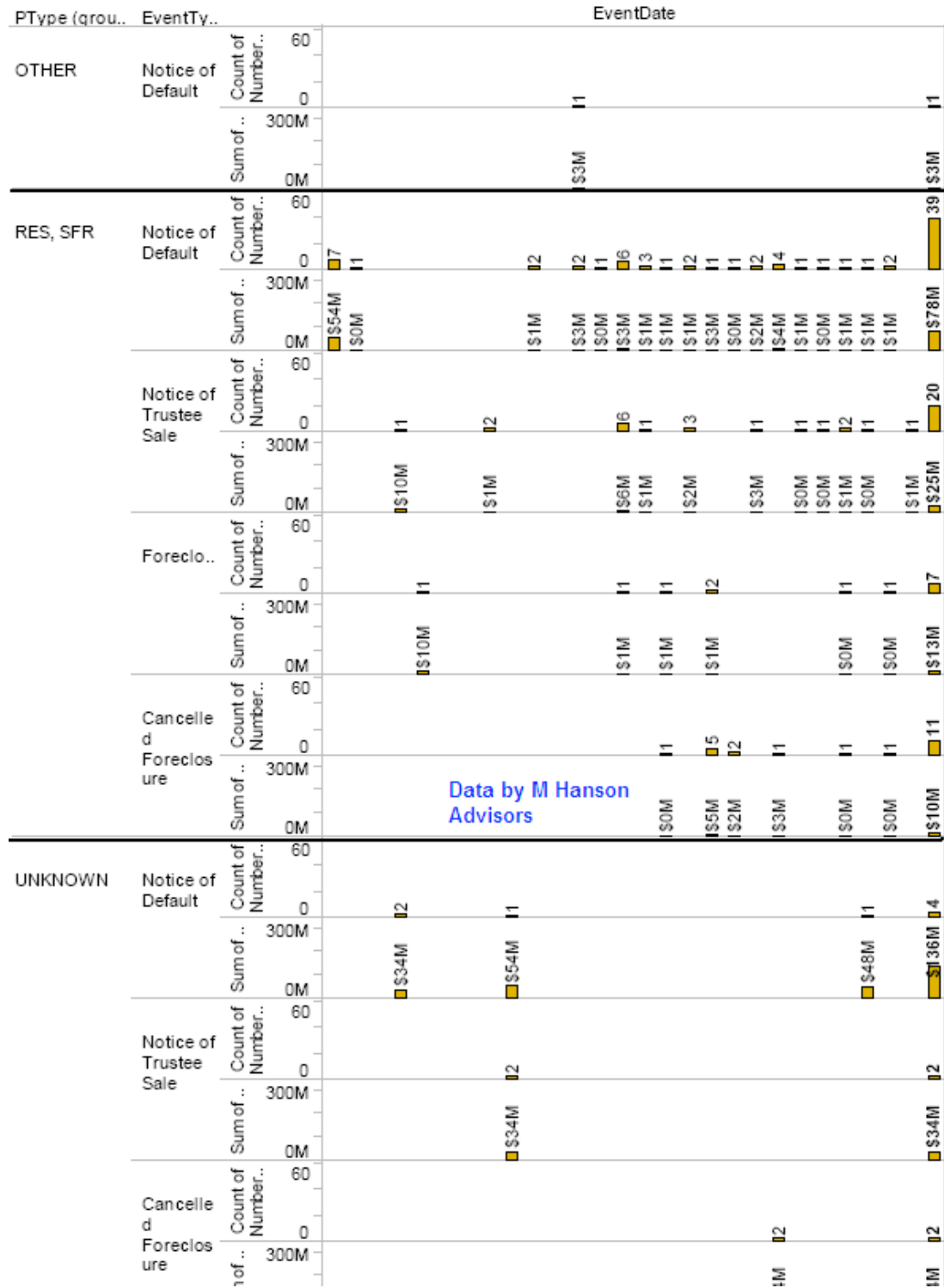
PTYPE (grou..	EventTy..	EventDate	Count of Number..	Sum of ..		
<u>LND</u>	Notice of Default		60			
			0			
			February 2008	1	\$2M	
			April 2008	1	\$9M	
			June 2008	1	\$10M	
			November 2008	1	\$7M	
			January 2009	6	\$14M	
			March 2009	1	\$10M	
			May 2009	3	\$15M	
			July 2009	1	\$5M	
			September 2009	2	\$5M	
			November 2009	1	\$3M	
			January 2010			
			March 2010	3	\$16M	
			May 2010	1	\$1M	
		Grand Total	22	\$98M		
	Notice of Trustee Sale		60			
			0			
			June 2008	1	\$10M	
			November 2008	1	\$0M	
			January 2009	1	\$9M	
			March 2009	1	\$3M	
			May 2009	1	\$7M	
			July 2009	2	\$12M	
			September 2009	6	\$11M	
			November 2009	2	\$13M	
			January 2010	1	\$5M	
			March 2010	1	\$1M	
			May 2010	1	\$3M	
			Grand Total	19	\$79M	
		Foreclo..		60		
			0			
			July 2009	6	\$15M	
			September 2009	3	\$19M	
			November 2009	1	\$5M	
			January 2010	1	\$1M	
			March 2010			
			May 2010			
			Grand Total	11	\$40M	
		Cancelle Foreclosure		60		
				0		
				June 2008	1	\$10M
				September 2009	1	\$2M
				November 2009	1	\$0M
				January 2010	1	\$3M
			March 2010			
			May 2010	1	\$3M	
			Grand Total	5	\$19M	
	<u>MFR</u>	Notice of Default		60		
				0		
				September 2009	1	\$0M
				November 2009	1	\$0M
				January 2010	1	\$0M
				March 2010	1	\$1M
			May 2010	2	\$1M	
			Grand Total	2	\$1M	
		Notice of Trustee Sale		60		
				0		
				January 2010	1	\$0M
				March 2010	1	\$0M
				May 2010	2	\$1M
				Grand Total	2	\$1M
			Cancelle Foreclosure		60	
				0		
				May 2010	1	\$0M
				Grand Total	1	\$0M

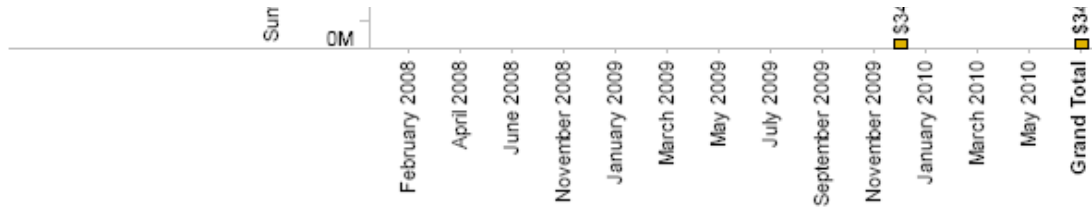
Data by M Hanson Advisors

4) Other, Resi SFR, Unknown

Judging by the size of the loans and locations of properties the 'Other' category looks to be either land or CRE.

CYN RESULTS





Best Regards,
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