

What is Chase up to?!

In going through volumes of proprietary q2 resi and non-resi bank default and foreclosure data this weekend preparing to release much easier to understand and quantify QoQ and yoy npa reporting for q2 earnings, there are many notables like Chase's sudden, unilateral move in June to cancel a massive quantity of WaMu Pay Option ARM foreclosures that I pointed out last week.

This weekend I noticed that the Chase plot thickened. Not only did Chase suddenly cancel most WaMu June Pay Option Foreclosures making for the single largest MoM change ever in this dataset in my database, but **they also cancelled a massive amount of June Long Beach Mortgage (subsidiary of WaMu) Subprime foreclosures.**

As a sidebar, this move involved such a large quantity of loans that **Chase singularly altered the "credit" outlook** for Pay Option and Subprime whole loans and MBS when everybody studies their June LoanPerformance data they get later this month, more so on the Pay Option side because of the larger quantity of cancellations and fewer loans outstanding.

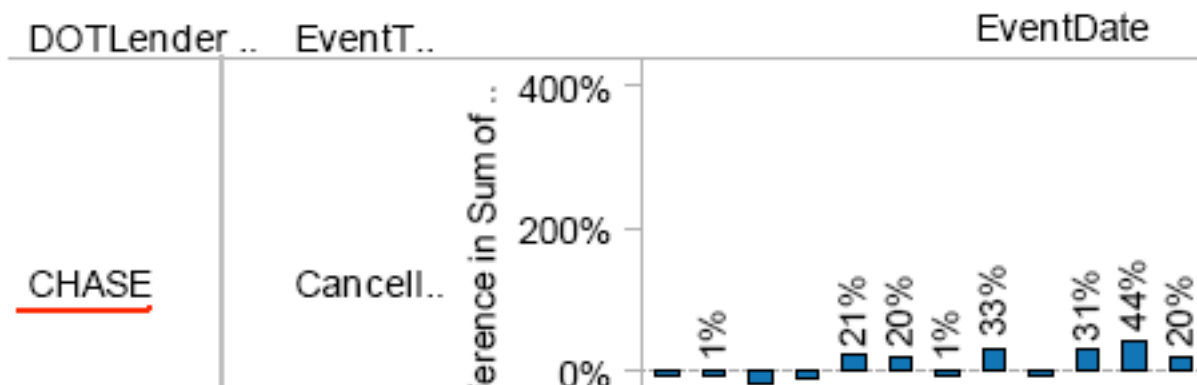
The chart directly below shows Chase's sequential cancelled foreclosure action for originations by each lender involved. Also included are Chase originations in order to show this move was WaMu specific.

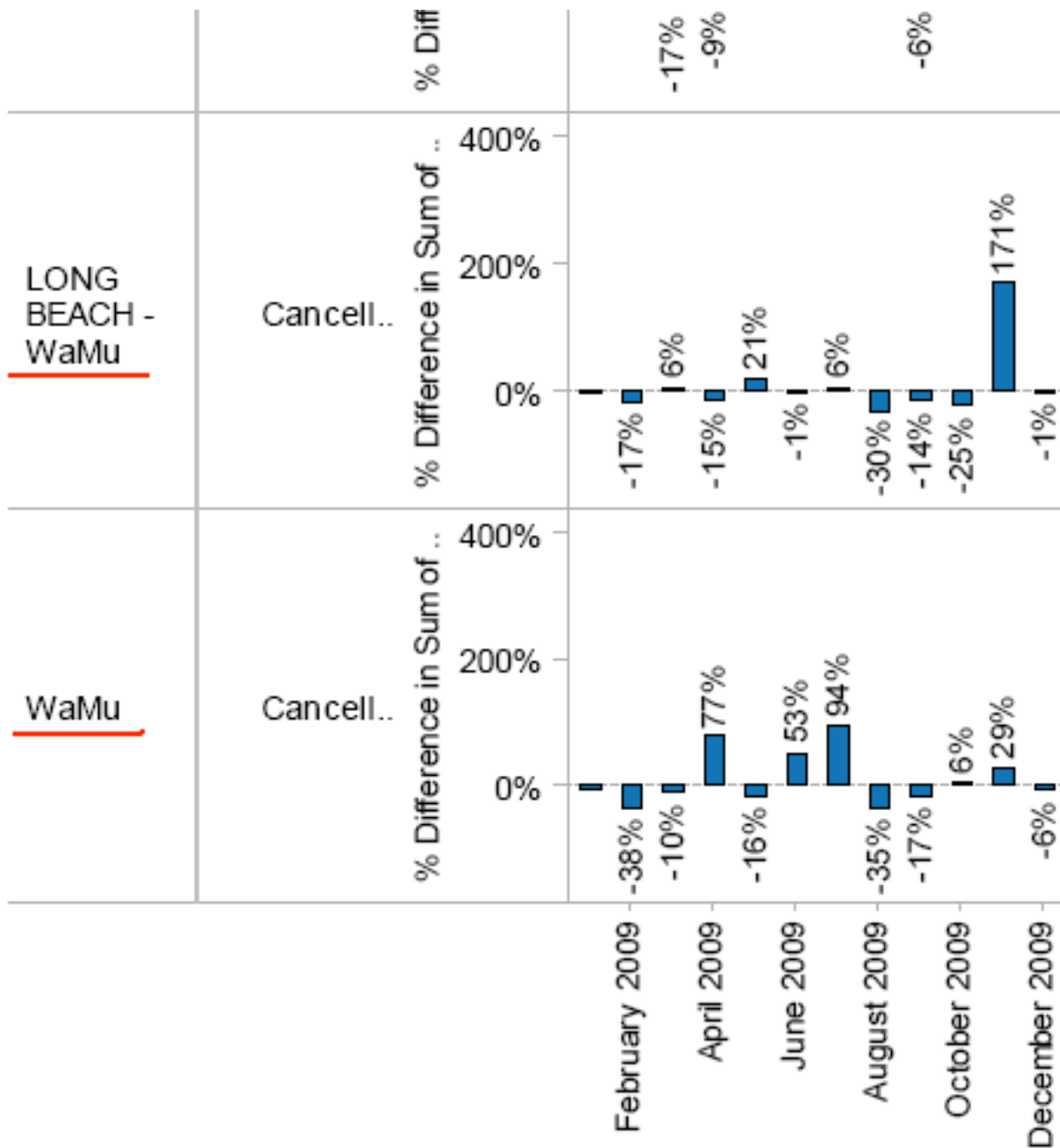
Why in June? Why so many loans? Why only WaMu and Long beach and not Chase loans? I have no clue. Perhaps now that the WaMu portfolio is turning out to be much nastier than they thought going into this first big bank failure and acquisition that had far fewer concessions than later deals structured by the FDIC -- and with JPM earnings and guidance likely impacted on several fronts in q2 -- they needed to make this channel look brighter. With this move, they can now legitimately say that in q210 WaMu foreclosures were flattish QoQ and down YoY to match Notice-of-Default trends (due to aggressive mortgage modifying). **Without this move the WaMu channel was looking at a sharp rise in foreclosures QoQ.**

Another explanation is that .gov has a plan for all these toxic loans in the near-term and Chase plans on taking advantage. But I would think other's would show this same sort of cancelled foreclosure activity if this were the case. Or perhaps, Chase is just overwhelmed with WaMu distressed loans and decided to shut down the foreclosure process in order to regroup. Who knows, but this is such a extraordinary event that it does mean something is afoot.

One thing is for sure, Chase has been the Foreclosure can-kicking leader in recent months and this move takes them to the next level.

CHASE JUNE CANCELLED FORECLOSURES

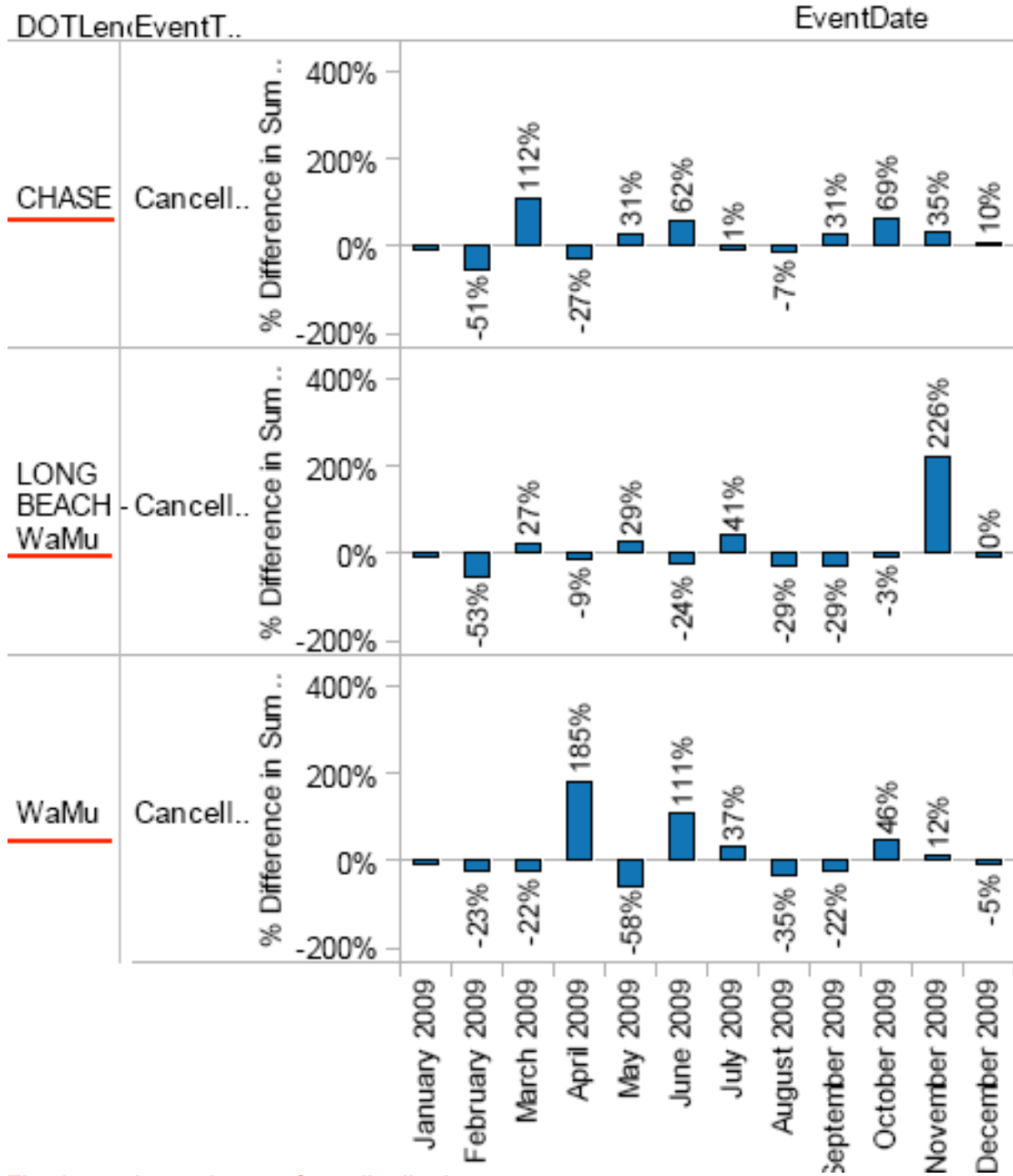




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The chart below shows a **secondary benefit** of cancelling this many foreclosures -- a major spike in the number of second mortgages NOT wiped out when the first mortgage foreclosure was cancelled.

CHASE JUNE 2NDS CANCEL



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The fun never ends.