

Wells Fargo Home Mortgage Federal Reserve Forum October 4th, 2007

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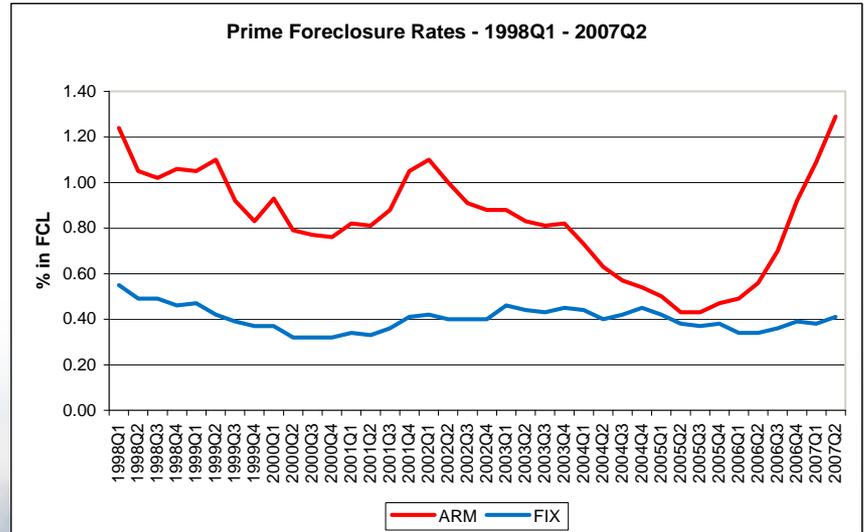
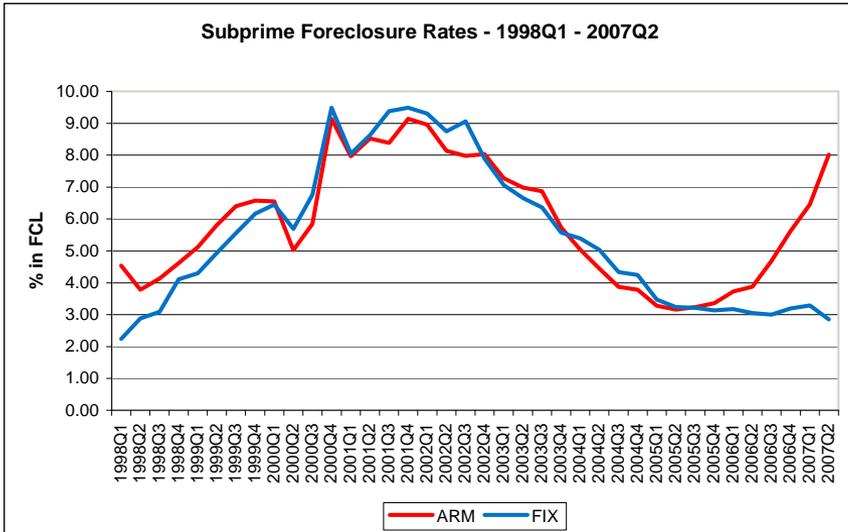


Foreclosure Data

A total of 925,986 foreclosure filings were reported nationwide during the first six months of the year. An increase of more than 30% from the previous six-month period and up more than 55% from the first half of 2006, according to the midyear 2007 U.S. Foreclosure Market Report by RealtyTrac.



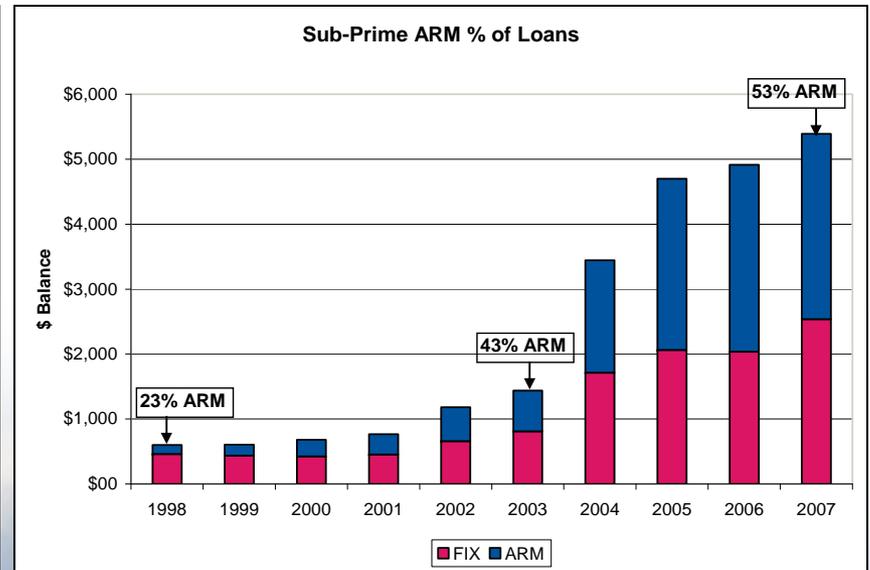
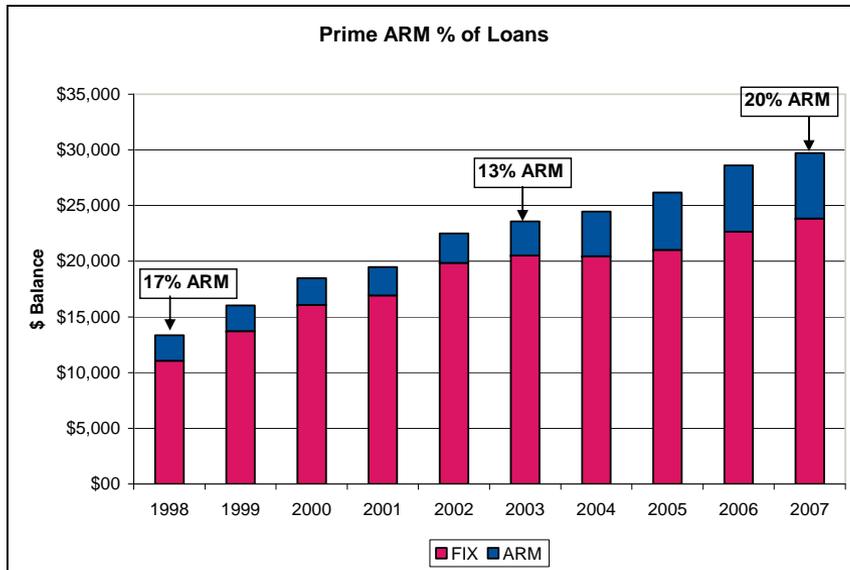
“Based on the rate of foreclosure activity in the first half of 2007, we could easily surpass two million foreclosure filings by the end of the year, which would represent a year-over-year increase of over 65 percent,” states James J. Saccacio, CEO of RealtyTrac.



Source: Mortgage Banker's Association courtesy of Economy.com

Since 2005, Fixed product foreclosure rates remain largely unchanged, while ARM foreclosure rates are up dramatically.

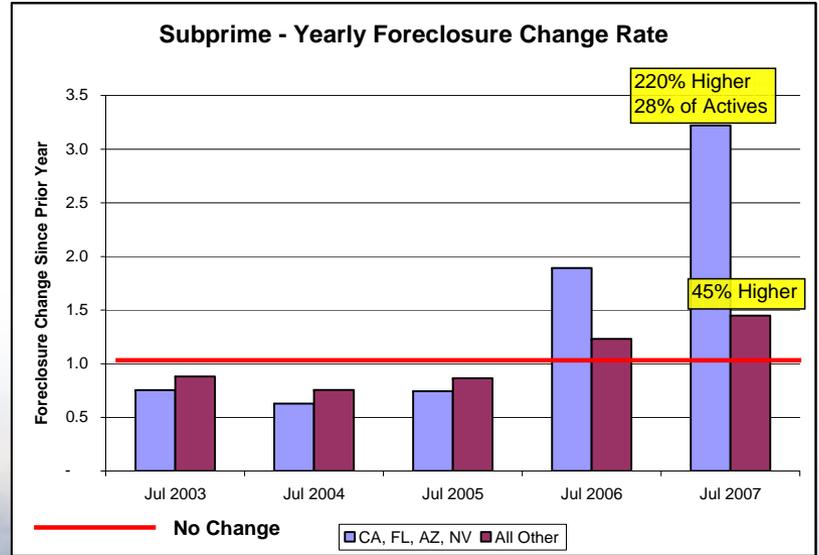
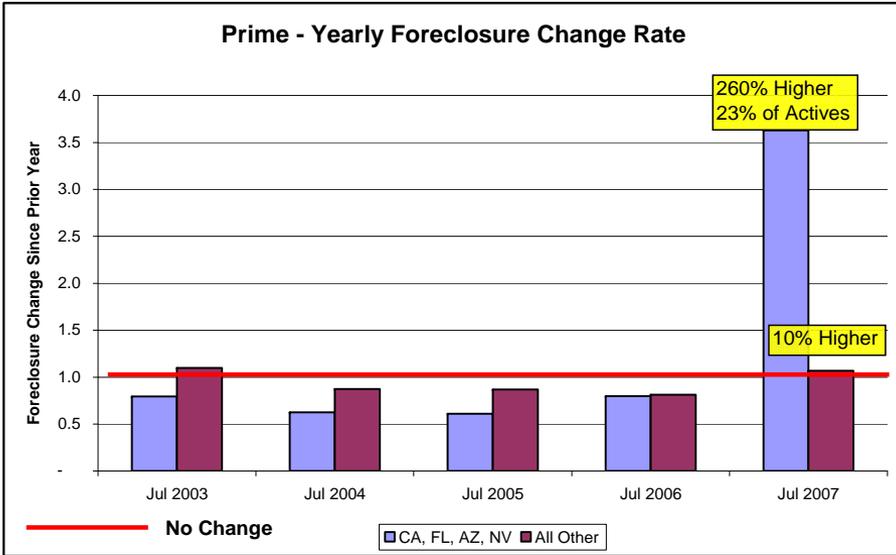




Source: Mortgage Banker's Association courtesy of Economy.com

Overall foreclosure numbers are being driven by higher concentrations in ARM loans for both Prime and Subprime...

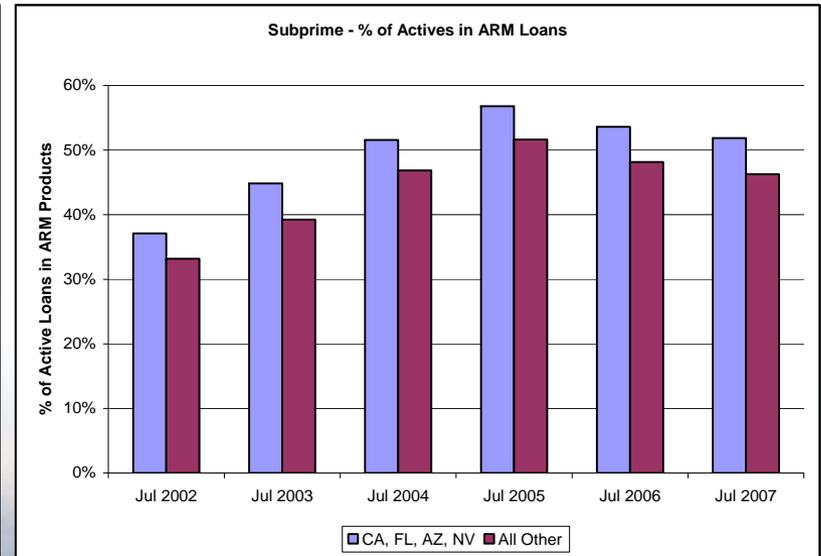
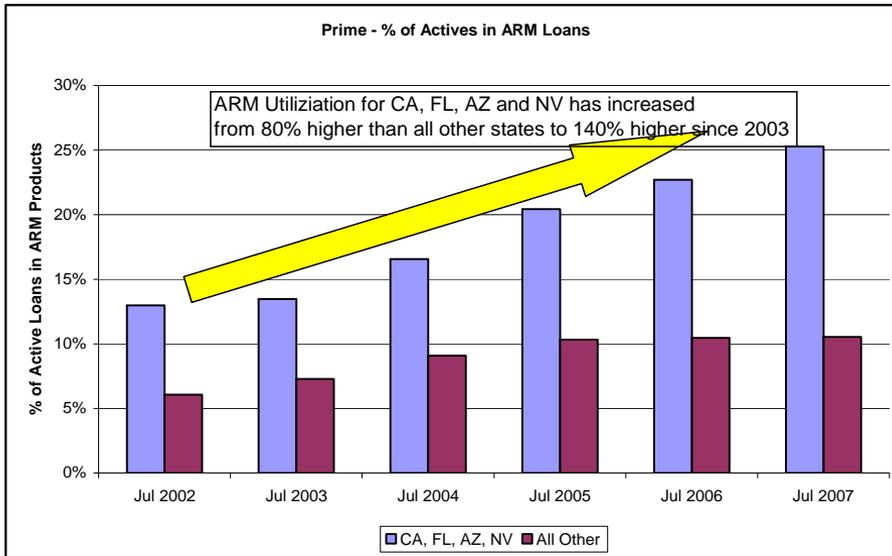




Source: Loan Performance

...as well as high concentrations within specific markets that are performing poorly.

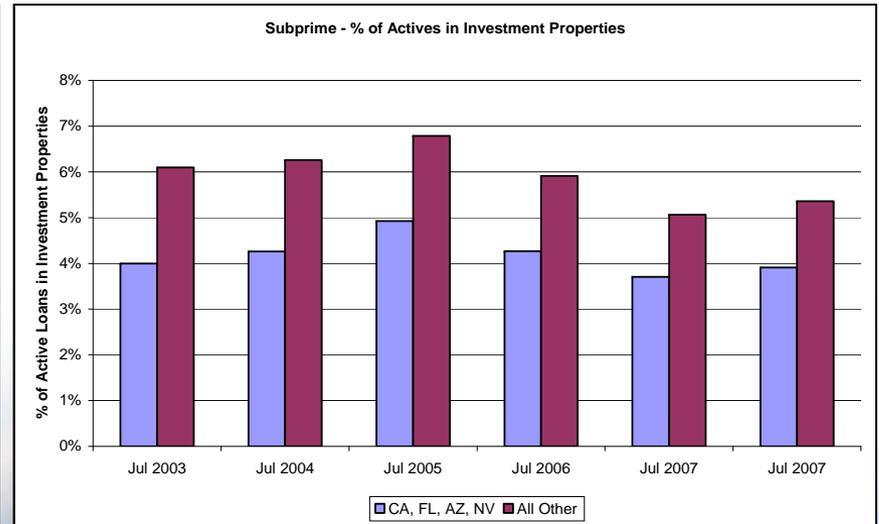
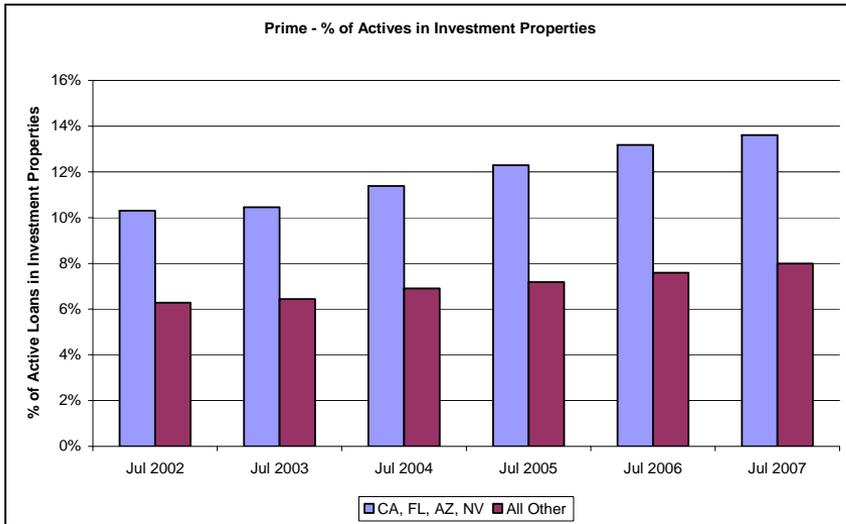




Source: Loan Performance

The poorly performing states also have higher concentrations of ARM loans...





Source: Loan Performance

...and Investment Properties.



Foreclosure Facts

The Industry is coming out of a period of historically low foreclosure rates:

- **In 2005 foreclosure rates were running about 3.2% for Subprime and about 0.40% for Prime.**

Arm Loans are driving current foreclosure rates, while Fixed products remain stable:

- **Year over Year Arm Foreclosures are up 73bps in Prime and 414bps in SubPrime.**



Foreclosure Facts *(continued)*

- **Arm Loans** have grown to represent **20%** of the **Prime** and **53%** of **Subprime** - an increase of **50%** in **Prime** and **20%** in **Subprime** since **2003**.
- **Fixed rate mortgages** are performing as well as, or better, than they did a year prior.

The problem is localized in specific markets, and not indicative of a national meltdown:



Foreclosure Facts *(continued)*

- **In Prime California, Nevada, Arizona and Florida have seen an increase in foreclosure rates by 260% Y/Y, the rest of the country shows an on average increase of only 10%.**
- **In Non-Prime the same 4 states show an increase of 220% over 2006 vs. 45% on average for the rest of the country.**



Foreclosure Facts *(continued)*

Foreclosure filings include default notices, auction sale notices, bank repossessions, second mortgages, Investment properties and vacation homes.

- **Non-Owner Occupied Homes account for 8% of all loans currently in foreclosure**



Foreclosure Facts *(continued)*

A property may be counted multiple times due to entering the foreclosure process multiple times.

Not all foreclosure filings result in foreclosure.

- **Loss Mitigation efforts are helping save about 50% of homebuyers which start the foreclosure process.**



Foreclosure Prevention

As personal savings plummet, debt ratios rise and property values decline, more homeowners are only a paycheck away from losing their greatest asset, their home. 2007 has brought forth an increase in real estate inventory, a rise in real estate owned (REO) properties and more than 73% of subprime adjustable rate mortgages scheduled to reset, within the next two years. Financial leaders must leverage resources within the industry to develop creative solutions that will foster the preservation of home ownership.



Prevention Challenges

- **The Customer's FICO Score**
- **Payment History**
- **State of Delinquency**
- **Investor, Insurer Guidelines**
- **Negative Equity**
- **Lack of Surplus**
- **Foreclosure Timelines**
- **Customer Contact**



Utilizing Data to Prevent Foreclosure

- **Tracking Foreclosure Timelines-provides target for loss mitigation calling campaigns in an effort to keep borrowers in their homes**
- **Behavioral Model-fico degradation and upswing in trade lines are leading indicators of financial strain early on**



Utilizing Data to Prevent Foreclosure

- **Tracking Foreclosure Sale Dates-provides notification for loss mitigation efforts**
- **Arm Reset Data-gives impacted customers ample time to explore alternative solutions**
- **Planet Codes-provides notification from the US Postal Service when a payment is in route**



Partnering for Prevention

- **Foreclosure Prevention Hotlines**
- **Budget Counseling Education**
- **Community Workshops**
- **Homeownership Preservation Summits**
- **Senate Banking Hearings**
- **Attorney General Discussions**
- **State Government Affairs Forum**
- **National Foundation of Credit Counseling**
- **US Treasury Meetings**



Perfect Foreclosure Dataset

- **National Repository of Valuation Information for Equity Analysis**
- **Centralized Database Tracking Transfer of Title**
- **Standardized Calculation of Net Present Value**
- **Consolidated Bidding Strategy Database by Geographic Regions**
- **National Web based Document Imaging System**
- **Industry Data readily available in an “Easy to Use” Format.**

