

After months of ignoring the big, **Robo polka dot elephant in the room**, tape-firecrackers (not tape-bombs yet) are beginning to pop. This report details the top large-bank mortgage servicer activity from benchmark September through last Friday looking for trends as to which banks remain the most uncertain or outright afraid over their ability to take defaulted residential loans through the default and Foreclosure process. After several months, the trend has become very clear. Mark Hanson

## **M Hanson Advisors – Real Estate & Finance**

*The Mortgage Pages - **Tier-1 Client Data & Reporting** - March 2, 2011*

- **The Nation's Largest Servicers are Hamstrung**
- **There are Other Methods of Liquidating Distressed Loans & REO**
- **BAC, C, JPM, MERS, PNC, STI, WM, WB, WFC Default & Foreclosure Activity**

*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*

### **Summary**

Remember, there is '**mortgage servicing risk**' and '**put-back/MBS buyback risk**'. They are not the same. However, deficiencies and illegalities discovered during the multi-agency, simultaneous loan servicing investigations will benefit the put-back/MBS buyback cohort.

Then there is '**legal**' expense, which a big bank can estimate to the nearest few *billion* dollars based on the flow and '**settlement**' expense, which they can't. As such, I am under the assumption recent '**legal expense**' disclosure by banks is an extreme best case scenario.

In numerous reports since Robo first broke, I have detailed the unprecedented inconsistency and volatility with respect to bank's moving loans freely through the default and Foreclosure pipeline. And after the first of the year default notice and Foreclosure jam-job, which is normal due to December holiday days and holiday moratoriums, the trend is now very clear.

**Bottom Line: Many of the top servicers in the nation -- across both judicial AND non-judicial states -- have become virtually paralyzed when it comes to moving loans freely through the default and Foreclosure pipeline.**

This is a real problem, as many banks are in -- or want to be in -- liquidation mode now that the modification bubble is rapidly deflating, redefaults are ramping, and the backward looking housing data they all rely on is finally showing signs of fundamental weakness post tax-credit, mod bubble, and interest rate shock. A sustained decrease at this low of a pace of defaults and Foreclosures will have a negative impact on bank's balance sheets, housing, mortgage, and related sectors that rely upon the flow of distressed property.

**Some banks have recently taken property liquidation matters into their own hands**

**WFC with their Wachovia portfolio loans is a perfect example of creative alternative liquidation methods.** In the following reports of the top servicers in the nation, I highlight how **Wachovia default and Foreclosure activity in both judicial and non-judicial states has ground to a virtual halt.**

Anecdotal evidence from several sources on the front line in real estate suggests the Foreclosure freeze is due to WFC actively soliciting late-stage distressed borrowers with extremely large short sale and deed-in-lieu offers of up to **five times** the normal \$2k to \$5k to vacate the property.

The catch is if the homeowner accepts the buyout, built into the agreement is a litigation waiver for any loan originator or servicer improprieties that may have occurred.

Further, they are being extremely aggressive **with respect to pricing and reselling REO**. There has been no confirmation of this by the bank but several real estate sources have confirmed similar action across various regions in which Wachovia was a major lender.

**BAC, C, JPM, PNC, WM, WB, WFC Default & Foreclosure Activity**

**The charts following are of bank specific weekly default and Foreclosure activity beginning with**

benchmark, pre-Robo September through last Friday.

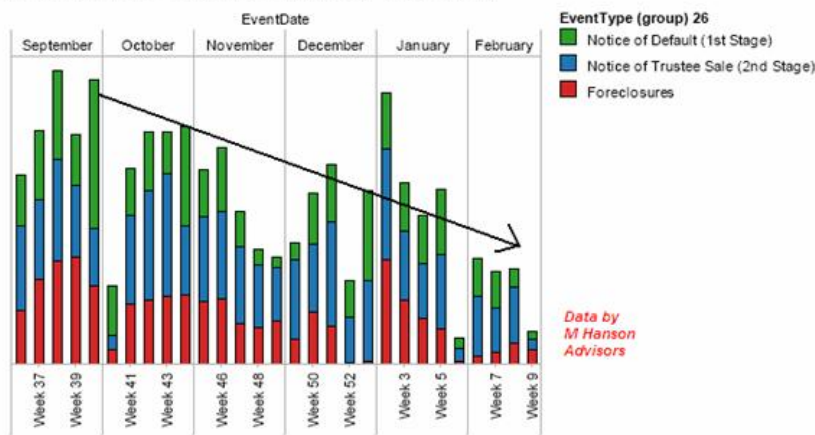
\*\*When reviewing the data, not that NOD and NTS data are a week delayed. Foreclosure completions are as of the previous day.

1) WB Originations presently being serviced at WFC - [Potentially Important Undisclosed News](#)

- a) Foreclosure completions (red) have ground to a virtual halt.
- b) Notice-of-Default (green) are also off sharply.
- c) Notice-of-Trustee Sale (blue - late stage defaults) are off but remain strong relative to the other stages, which is consistent with a bank trying to 'encourage' (scare) borrowers into walking away through short sale or deed-in-lieu.

Non-Judicial States Activity

WB/World (No WFC Loans) Weekly Activity - Non-Judicial

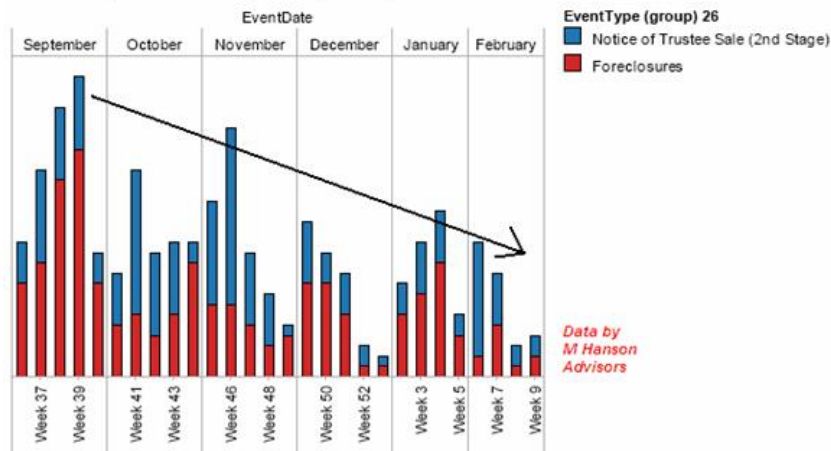


Judicial States Activity

(In Judicial States, the Foreclosure process begins with NTS vs. NOD as in Non-Judicial)

The same trend is clear here.

WB/World (No WFC Loans) Weekly Activity - Judicial

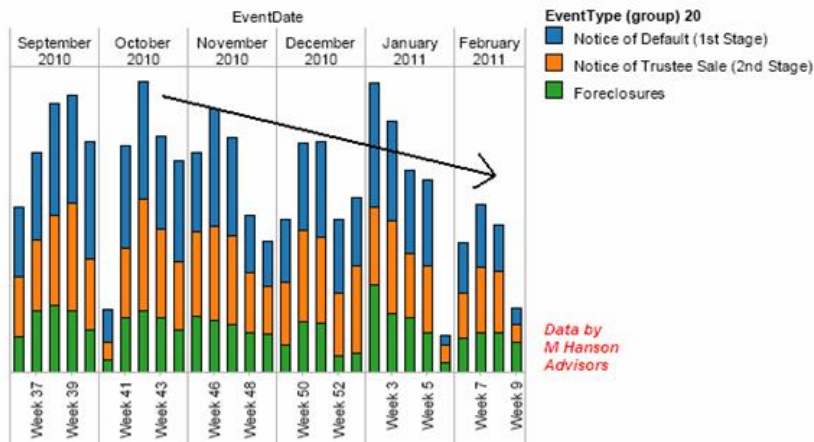


## 2) WFC Legacy Originations presently being serviced at WFC

The same trend as with Wachovia/World originations can now be seen here, though not to as much of a degree, following the beginning of the year post-holiday front-run.

### Non-Judicial States

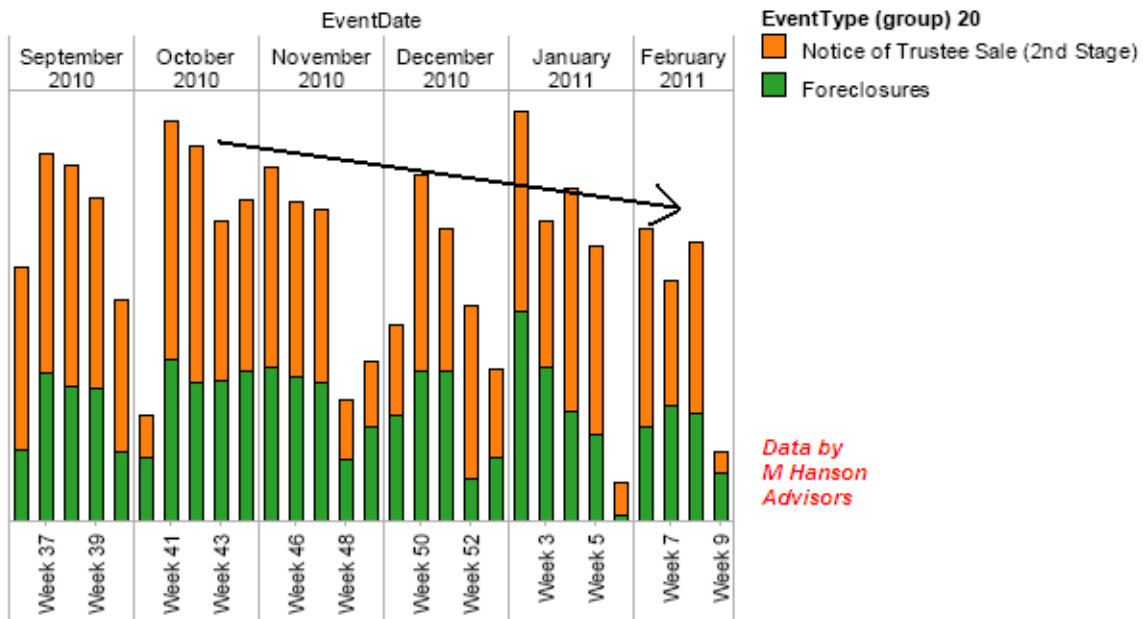
WFC (NO WB Loans) Weekly Activity - Non-Judicial



### Judicial States

(In Judicial States, the Foreclosure process begins with NTS vs. NOD as in Non-Judicial)

WFC (NO WB Loans) Weekly Activity - Judicial



## 3) BAC Servicer Activity (BAC, CFC, ML Originations Only)

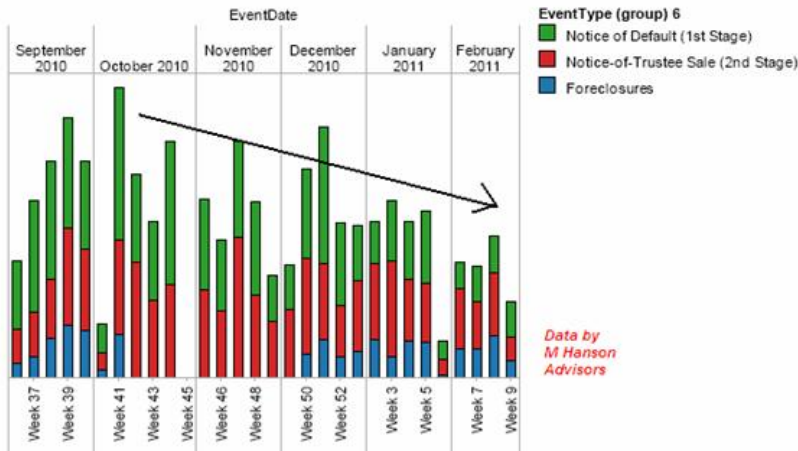
With BAC, Foreclosure completions (blue) are down sharply from benchmark, pre-Robo Sept (obviously they

are up after their two month Robo-moratorium last year) but not as sharply as NOD (green) are down.

**The impact from largest mortgage servicer in the world being this hamstrung cannot be understated. This has to be address internally or by force.**

**Non-Judicial States**

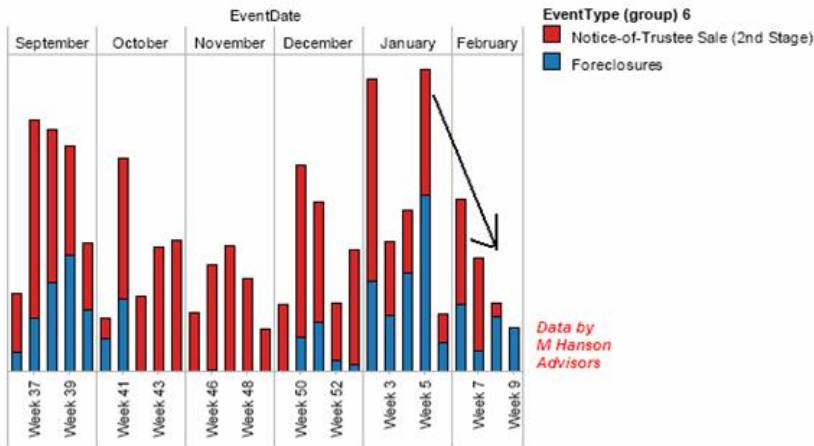
BAC Servicer Activity (BAC Originations) - Non-Judicial



**Judicial States**

*(In Judicial States, the Foreclosure process begins with NTS vs. NOD as in Non-Judicial)*

BAC Servicer Activity (BAC Originations) - Judicial

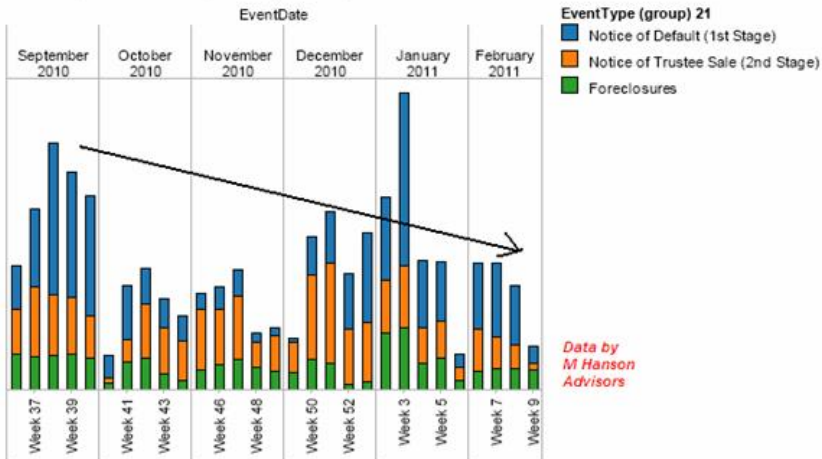


**4) Chase Servicer Activity (Chase Originations Only)**

The same trend is obvious here after the post-holiday Jan spike.

**Non-Judicial States**

Chase (Portfolio Loans) Weekly Activity - Non-Judicial

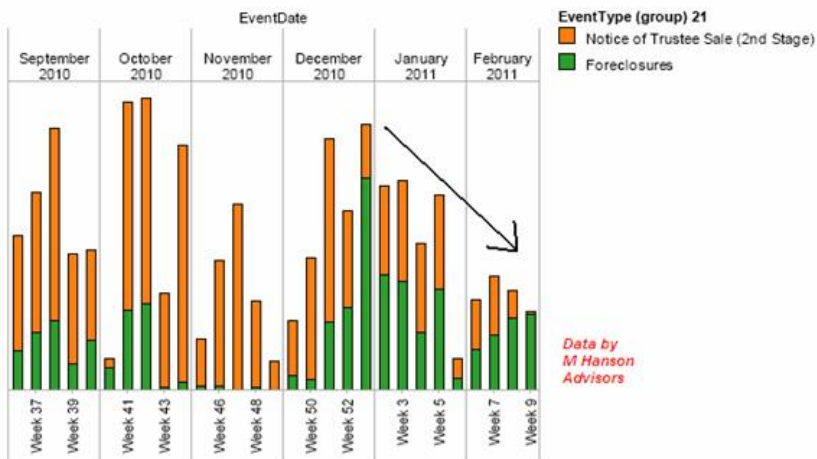


**Judicial States**

(In Judicial States, the Foreclosure process begins with NTS vs. NOD as in Non-Judicial)

In the judicials, things are different. It appears Chase has slowed bringing new borrowers into the Foreclosure pipe (yellow) while keeping its Foreclosure completions pace relatively in-line with September, pre-Robo.

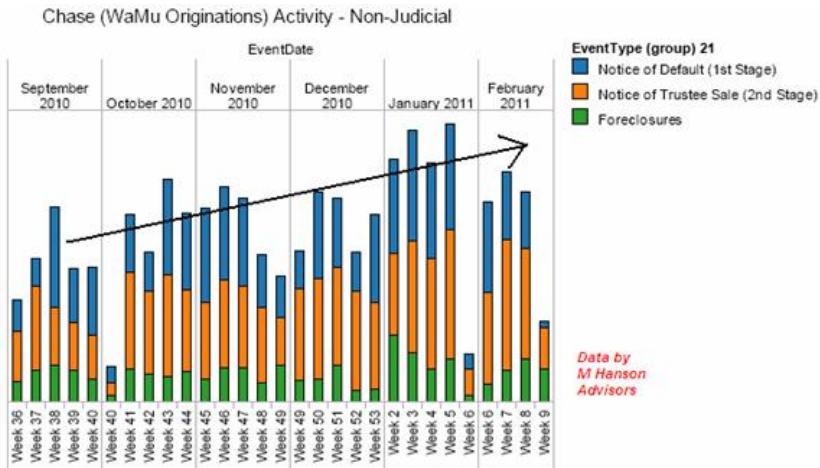
Chase (Portfolio Loans) Weekly Activity - Judicial



**5) WaMu - Chase Servicer Activity (WaMu Originations Only) - IN LIQUIDATION MODE**

Unlike the activity on Chase originations, the pace at which Chase is acting on WaMu originations is strong relative to pre-Robo, benchmark September. **This is a bank in obvious liquidation mode.**

**Non-Judicial States**

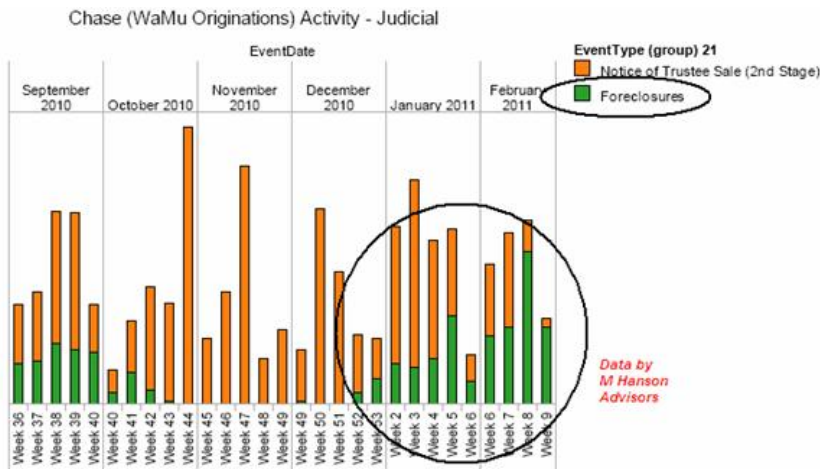


### Judicial States

(In Judicial States, the Foreclosure process begins with NTS vs. NOD as in Non-Judicial)

In the judicials, the pace at which Chase is filing early stage default notices, as measured by NTS (yellow) is declining some, but their Foreclosure completions are surging in recent weeks.

Once again, this is a bank in liquidation mode.

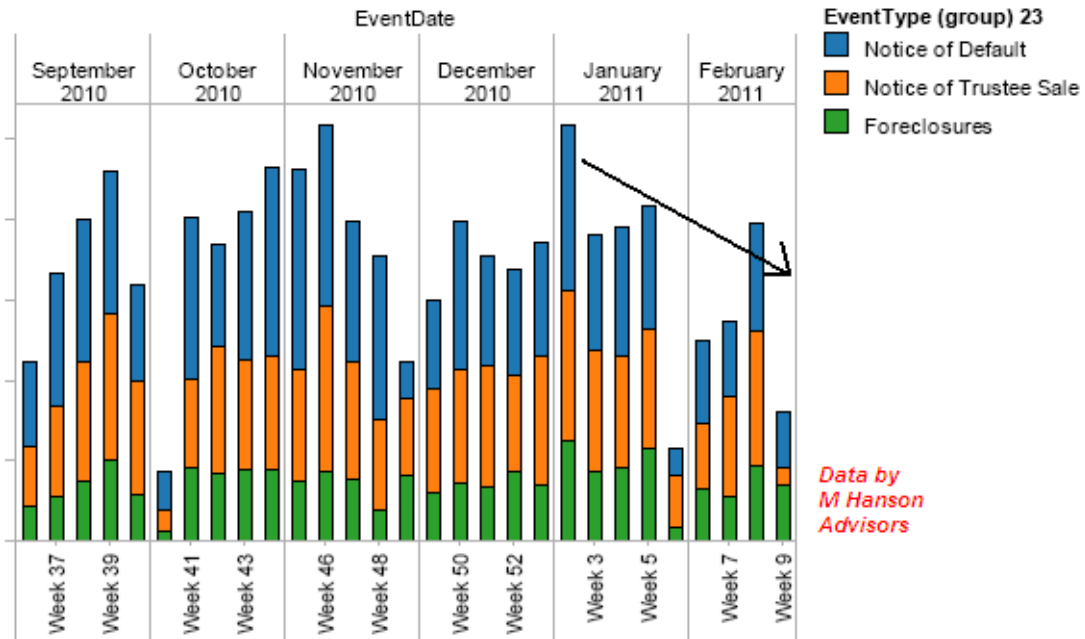


### 6) Citi Servicer Activity

The same trend is obvious here in recent weeks led by the NOD (blue) stage.

### Non-Judicial States

### Citi Weekly Activity - Non-Judicial

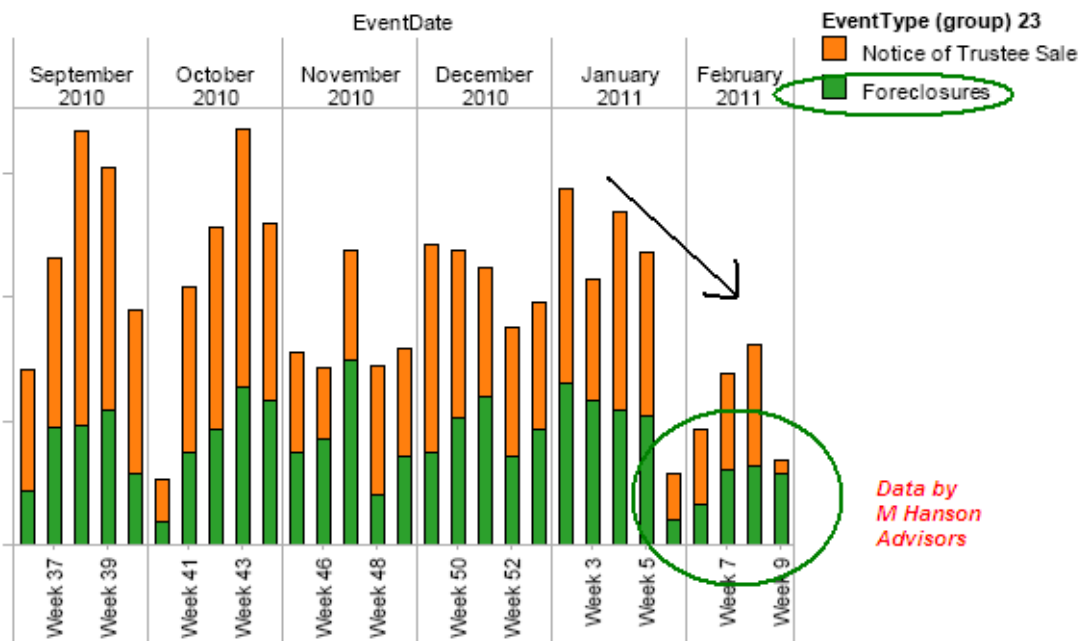


### Judicial States

(In Judicial States, the Foreclosure process begins with NTS vs. NOD as in Non-Judicial)

In the non-judicials Foreclosure completions are very low in recent weeks.

### Citi Weekly Activity - Judicial



### 7) PNC Servicer Activity (mostly National City Originations)

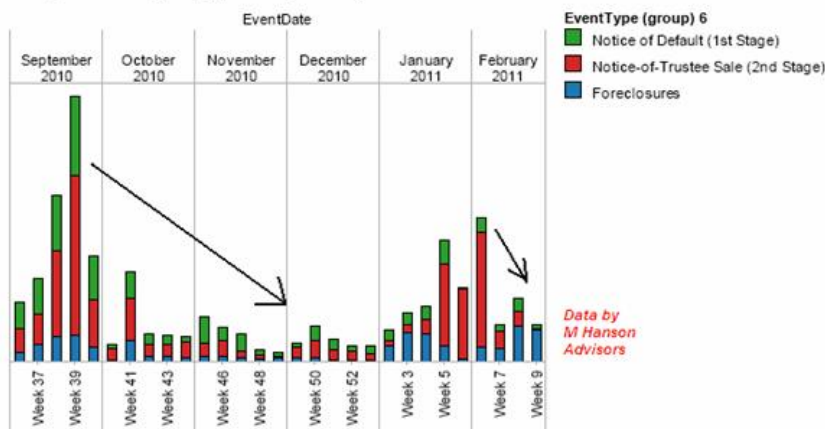


**PNC has acted in a more volatile manner than BAC post-Robo**, as evidenced by the end of September Robo news-break uncertainty front-run activity spike, to the near-full moratorium in Q410, to the ramp job in the new year, and finally the sudden drop in activity in the past few weeks.

**Volatility such as this screams uncertainty and that PNC is no longer acting on distressed National City originations at will, either voluntarily or involuntarily.**

**Non-Judicial States**

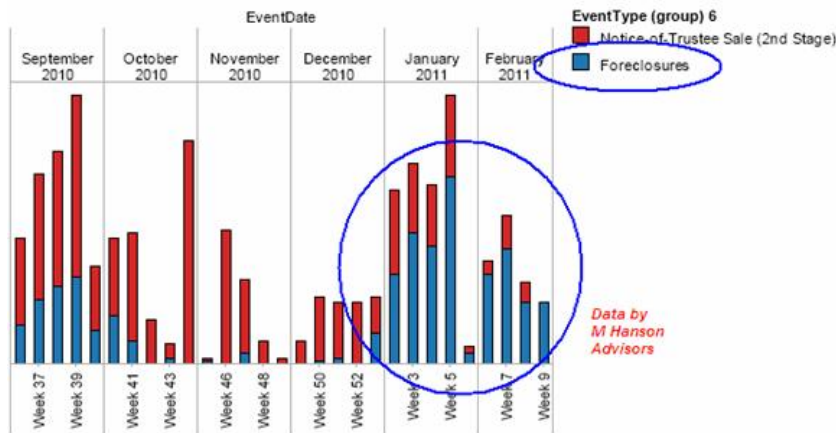
PNC (National City Orig's) Weekly Activity - Non-Judicial



**Judicial States**

*(In Judicial States, the Foreclosure process begins with NTS vs. NOD as in Non-Judicial)*

PNC (National City Orig's) Weekly Activity - Judicial

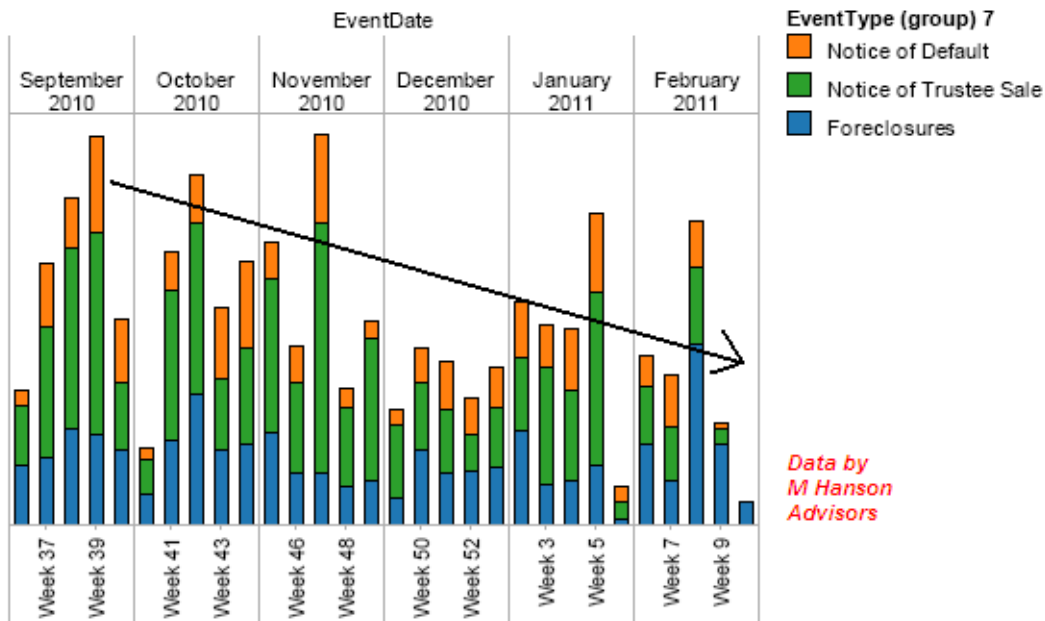


**8) STI Servicer Activity - All States (ex-FL)**

Similar to other servicers, the volume of activity has consistently decreased post-Robo, however, Foreclosure liquidations (blue) have remained stable **indicating uncertainty and desire to liquidate property holdings.**

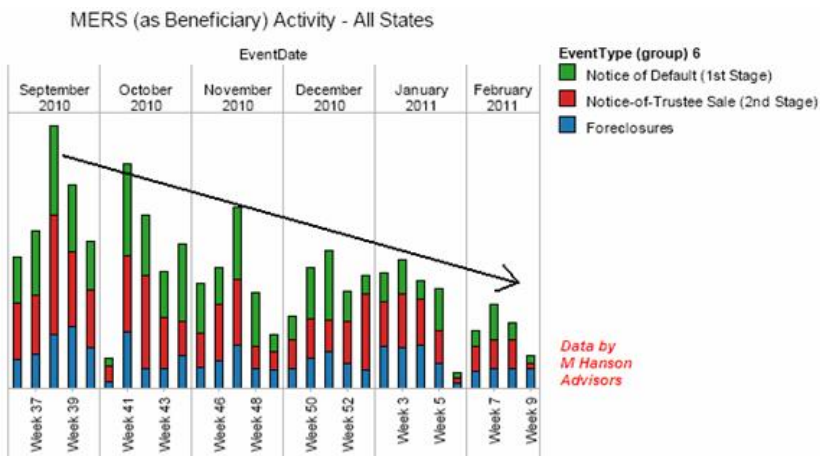


## SunTrust Weekly Activity - All States



## 9) MERS (as beneficiary) Activity - All States

Consistent with various reports of MERS requesting its banks to assign files out of their names before Foreclosing, **it is obvious here that starting and completing Foreclosures in MERS' name is a practice going away quickly, which could present a number of challenges for the banks, especially those with trouble following them specifically.**



Best Regards,  
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