

Seizing Mortgages by Eminent Domain: Let's look at the data!

Eminent domain has been proposed to "stabilize local housing markets and economies by keeping as many homeowners with underwater mortgages in their homes as possible." Historical mortgage performance confirms that significantly underwater loans default at a higher rate. It also confirms that the collapse in home values created a dramatic rise in homeowners to default and lose their homes. Even with homeowners still deeply underwater, the data clearly shows that the existing system has dramatically slowed the rate of which these homeowners default. Something is working, and the best approach for government officials might be to simply let the system continue to mend itself.

Highlights

- Mortgage Resolution Partners (MRP) has proposed to some California municipalities the use of eminent domain to seize and restructure mortgages. MRP claims this will "stabilize local housing markets and economies by keeping as many homeowners with underwater mortgages in their homes as possible."
- MRP's initial proposal targets performing yet deeply underwater⁽¹⁾ mortgages that reside in Private Label Securitizations (PLS).
- Our approach is not to debate the use of eminent domain, but rather to analyze the actual historical performance of loans that reside in PLS.
- We will use the CoreLogic® LoanPerformance Securities Database, the industry's largest and most comprehensive database which includes loan-level data on more than 90% of the PLS market. We will also use CoreLogic® National HPI data, which incorporates more than 30 years of repeat sales transactions, with more than 45 million observations.
- Our case study (and all graphs to follow) is limited to owner occupied, first liens in PLS located in San Bernardino County California. Our projected number of homeowners that will default analysis (Figure 17), also separately includes the cities of Ontario & Fontana, the struggling cities of Vallejo, Stockton, and Sacramento, and all of California.
- We project out only 1 year using the latest actual historical performance data. Going out any further changes the theme of this paper from looking at the actual data to using assumptions and mathematic models.
- San Bernardino was especially impacted by the national housing crisis, with home values plummeting 54% from peak (July 2006) to trough (June 2009). By April 2009, over 85% of San Bernardino homeowners in PLS were deeply underwater,
- Historical data confirms that underwater loans default at a substantially higher rate than loans with equity, and that the collapse in home values created a dramatic and unprecedented rise of homeowners to default and lose their homes. In 2008, an average

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41% of current underwater borrowers in San Bernardino defaulted in a 12 month period. By contrast, 13% of homeowners with equity defaulted during that same period.

- We agree that negative equity is a great predictor of future default; however, the actual data also shows that the rate of future default has substantially improved and continues to get better each month. In November 2007, half of all underwater borrowers defaulted ⁽²⁾ within the following 12 months. By June 2011, even with 75% of homeowners still deeply underwater, that same rate significantly declined to 13%, and continues to improve each month.
- Simply put, more underwater borrowers continue to make their regular mortgage payment and remain in their homes and communities. Helping this situation is the 35% cumulative modification ⁽³⁾ rate, low interest rates, and the average 6 years of successful mortgage history. Servicers appear to have the freedom to modify these PLS loans.
- At the peak of the crisis, over 12,000 San Bernardino homeowners in PLS defaulted over a 12 month period (April 2008 – April 2009). The latest observed data shows that number dropping 79% to approximately 2,500 homeowners.
- Of the 47,317 San Bernardino 1st lien, owner occupied residential loans currently in PLS, 17,533 are underwater and current; with 35% previously modified, 32% never missed a payment ⁽⁴⁾, 53% never missed a payment in the past 2 years, and 74% never missed a payment in the past 1 year. Both 12-month and 24-month perfect pay rates have improved and continue to improve.
- Servicers of PLS are increasingly using alternatives to foreclosure in order to liquidate the defaulted pipeline. In San Bernardino today, only 56% of liquidations resulted from REO sales, down from 88% four years ago. The data shows that short sales are being offered more than ever to San Bernardino homeowners. The trusts have an economic incentive to employ these alternatives, as the average severity for short sales are approximately 13 points lower than REO sales (66.5% vs. 79.5%).
- If the MRP proposal targets deeply underwater borrowers that are current for the past 12 months in PLS, then approximately 12,997 San Bernardino homeowners are eligible. Actual historical roll rates suggest 1,463 (11.26%) will default over the next year (Figure 17). For the cities of Ontario and Fontana, approximately 2,360 homeowners are eligible of which an estimated 274 (11.62%) will default over the next year.
- By observing actual historical data, current trends, and the potential number of homeowners now expected to default, local government officials need to decide whether invoking a controversial approach such as eminent domain is actually necessary. We leave it to the reader to determine what the actual data suggests.

Definitions:

(1) Underwater (deeply underwater): aka negative equity. Current combined LTV \geq 115% using combined LTV at origination with the original valuation adjusted using CoreLogic® HPI.

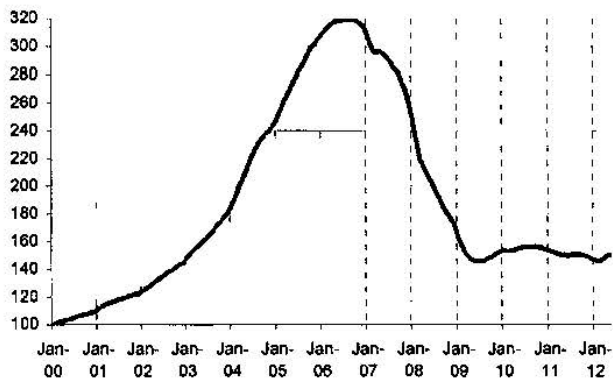
(2) Defaulted loan: delinquency status: 90+ days delinquent (MBA methodology), PFC (in process of foreclosure), REO or liquidated. The term "to default" refers to going from being current to one of these defaulted stages.

(3) Modified: only includes significant modifications: principal forgiveness/forbearance with reductions of at least 15% or coupon modifications that result in a reduction of 300 basis points.

(4) Never missed a payment: aka lifetime perfect pay. As of each month end, the loan has always been current (MBA methodology).

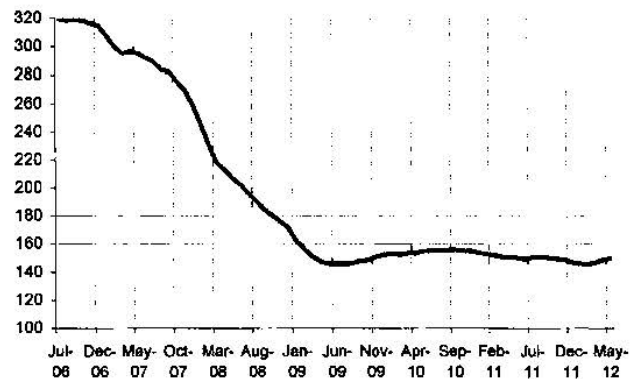
Case Study: San Bernardino County California

**Figure 1: CoreLogic HPI - San Bernardino County, CA
Jan 2000 - May 2012**



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

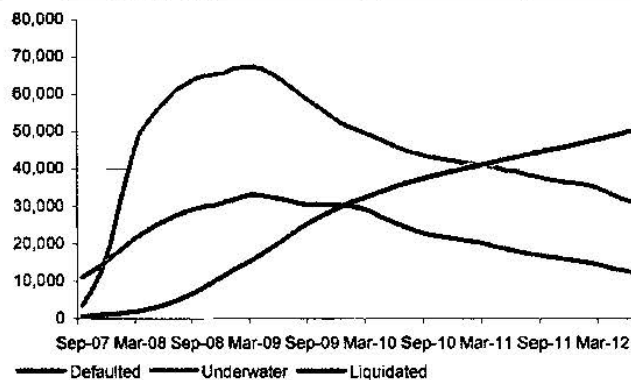
Figure 2: CoreLogic HPI since Peak (July 2006) - San Bernardino County, CA



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

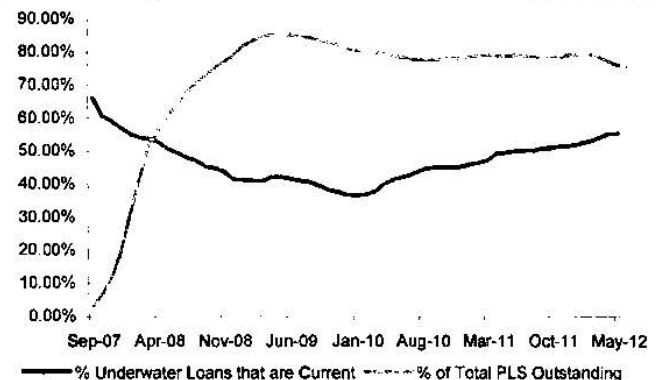
- San Bernardino experienced a 219% increase in home prices from January 2000 to its peak in July 2006.
- Home prices plummeted 54% from peak (July 2006) to trough (June 2009).
- Since June 2009, home prices have generally held steady, yet depressed.
- Home prices are now back to levels last seen in February 2003.

**Figure 3: Status of Private Label Securitizations:
Sept 2007 - present**



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

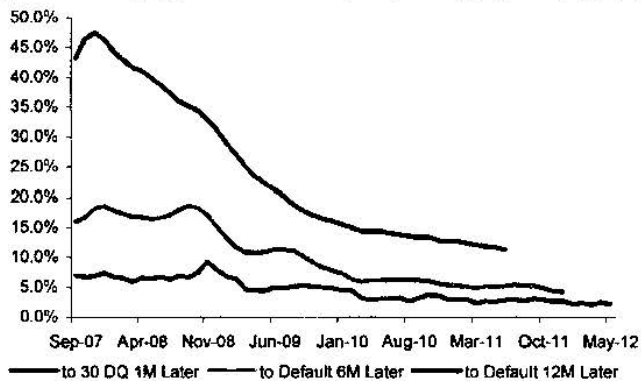
Figure 4: Underwater Loans



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

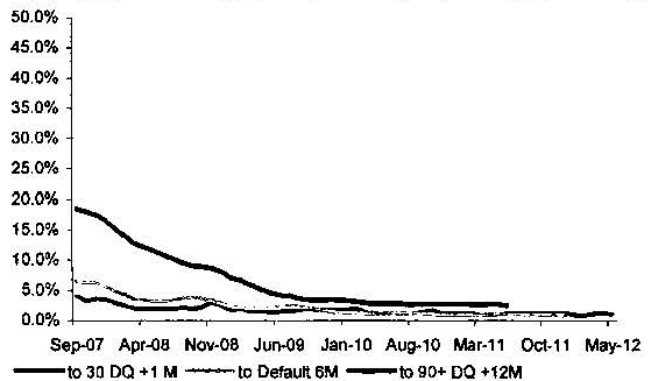
- Defaulted loans peaked at 33,136 in March 2009.
- Today there are 12,330 defaulted loans, a 63% drop from the peak.
- The percentage of underwater loans has remained between 75% and 80% for the past 2 ½ years; however, the percentage that are current has been steadily increasing.

Figure 5: Roll Rates 12M Perfect Pay & Underwater



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

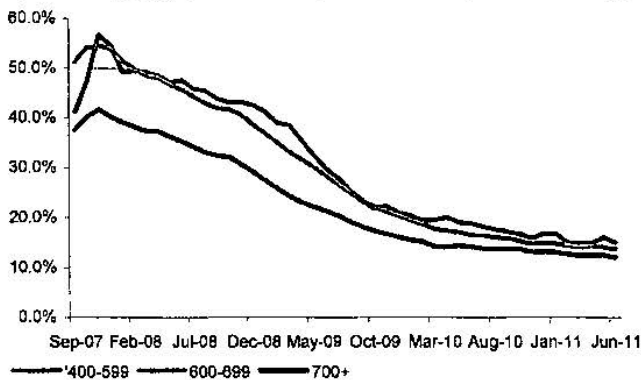
Figure 6: Roll Rates 12M Perfect Pay & with Equity



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

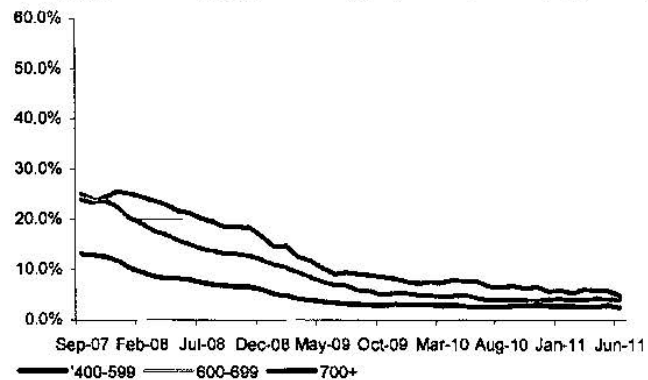
- Roll rates used in this analysis calculate the percentage of loans moving from current to a specified delinquency state over a fixed period of time.
- Roll rates for underwater loans are substantially higher than for those loans with equity.
- Since September 2007, roll rates across the board have dramatically improved.
- Improvements in 1-month and 6-month roll rates suggest that the 12-month roll rate will continue to improve.

Figure 7: Roll Rates by Original FICO: 12M Perfect Pay & Underwater



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

Figure 8: Roll Rates by Original FICO: 12M Perfect Pay & with Equity



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

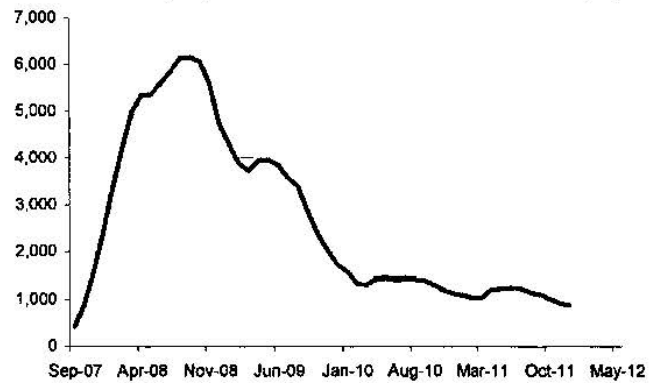
- Even holding original FICO constant, roll rates for deeply underwater loans are substantially worse than for those loans with equity.
- Negative equity is a great predictor of future default.

Figure 9: Current & Underwater: # of Loans moving from Current to 30 days DQ -1 Month Later



Source: CoreLogic® Loan Performance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

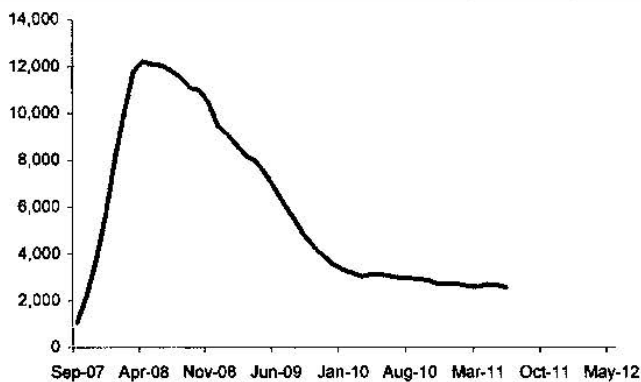
Figure 10: Current & Underwater: # of Loans moving from Current to Default - 6 Months Later



Source: CoreLogic® Loan Performance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

- The actual number of newly defaulted loans has dramatically decreased, and today the number is still decreasing but at a slower rate.

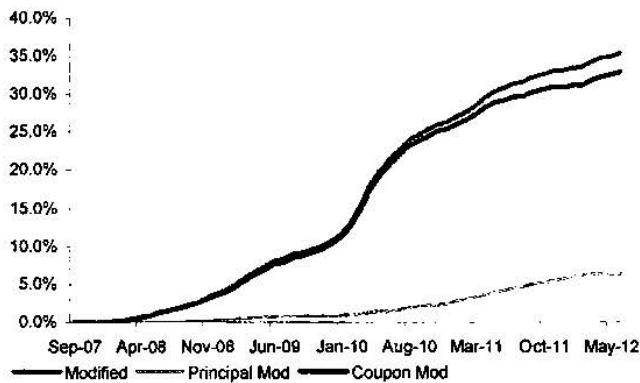
Figure 11: Current & Underwater: # of Loans moving from Current to Default - 12 Months Later



Source: CoreLogic® Loan Performance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

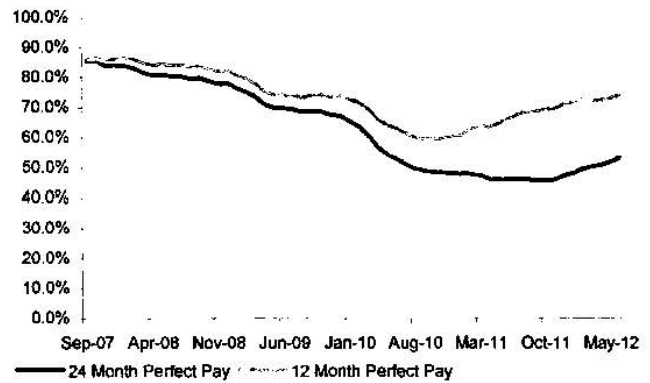
- With less loans moving into default over the 1-month and 6-month periods, fewer loans will eventually default over the 12-month period. The number of loans defaulting continues to drop.

Figure 12: Current & Underwater: % Cumulative Modified



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

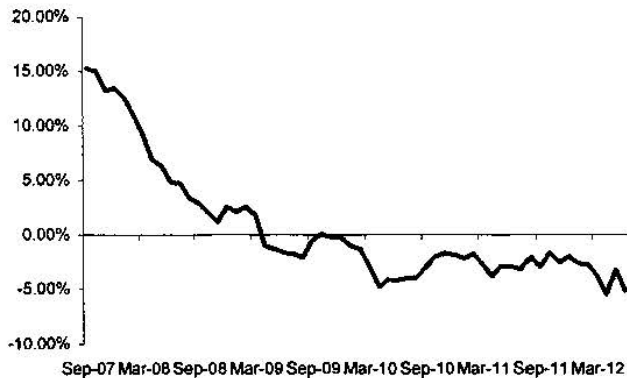
Figure 13: Current & Underwater: Perfect Pay



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

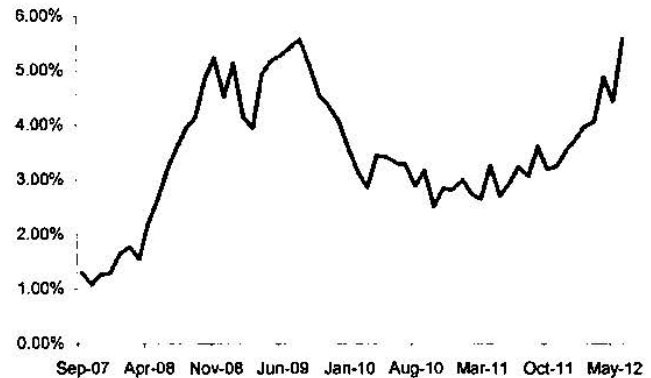
- 35.4% of current and underwater mortgages have some form of loan modification, and modifications continue to be made.
- Servicers appear to have the freedom to modify loans.
- 6.4% of current and underwater mortgages have a principal forgiveness/forbearance modification in excess of 15% of the loan balance.
- 32.9% of current and underwater loans have a coupon reduction of at least 300 basis points.
- Current loans continue to improve with 12- and 24-month perfect pay rates steadily increasing. This increase suggests that modifications are working.

Figure 14: Defaulted Loans: % Increase/Decrease each month



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

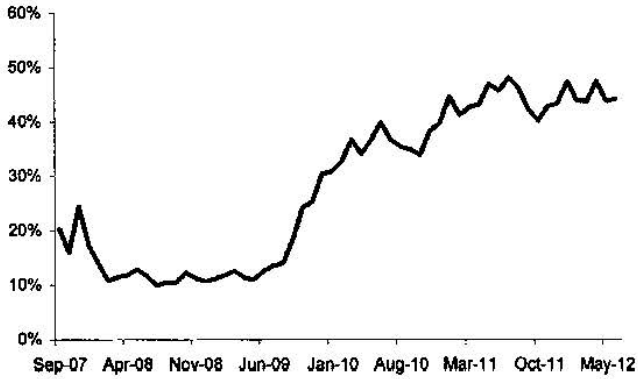
Figure 15: Defaulted Loans: % Liquidated each month



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

- There has not been an increase in the actual number of defaulted loans since March 2009.
- The decreasing number of defaulted loans has resulted from fewer loans entering the defaulted pipeline and a pickup in the number of loans liquidating out of the pipeline.

Figure 16: % of Liquidations from Alternatives to Foreclosure (Short Sales)



Source: CoreLogic® Loan Performance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

- The pickup in the number of liquidated loans has been accompanied by the increasing use of alternatives to foreclosure. Servicers are more willing to use short sales with distressed homeowners and are less likely to actually foreclose on the property.
- The trusts have an economic incentive to employ these alternatives, as the average severity for short sales are approximately 13 points lower than REO sales (66.5% vs. 79.5%).

Figure 17: Projected # of Homeowners that will Default over the next 12 months

PRIVATE LABELED SECURITIZATION ONLY: 1ST LIEN, OWNER OCCUPIED
from loans that are current, 12M perfect pay, & underwater
based on actual historical data, as of the June 2012 Remittance

# of Homeowners	San Bernar- dino County	Ontario & Fontana	Vallejo	Stockton	Sacra- mento	California
All PLS Outstanding	47,317	9,796	3,173	5,835	12,210	760,501
Current	30,420	6,174	1,951	3,623	8,028	543,985
Underwater	31,247	6,238	2,807	4,577	9,541	363,426
Current & Underwater	17,533	3,363	1,626	2,562	5,780	216,803
% Loans Modified - Current & Underwater	35.4%	44.6%	26.0%	31.7%	25.2%	27.0%
% Lifetime Perfect Pay - Current & Underwater	31.7%	22.5%	41.1%	37.2%	44.0%	41.4%
Current & Underwater & 12M Perfect Pay	12,997	2,360	1,260	1,996	4,645	171,322
FOR CURRENT & UNDERWATER & 12M PERFECT PAY ONLY						
previously Modified: Principal Forgiveness/Forbearance	637	143	83	142	186	5,155
previously Modified: Coupon Reduction	3,240	780	184	385	803	32,791
Lifetime Perfect Pay	5,424	730	660	933	2,506	88,292
not Lifetime Perfect Pay	3,696	707	333	536	1,150	45,084
	12,997	2,360	1,260	1,996	4,645	171,322
Current to Default Roll Rate - 12 Months Later (actual)						
June 2008 - June 2009	38.78%	43.57%	32.29%	39.04%	31.08%	35.18%
June 2009 - June 2010	21.24%	25.76%	21.64%	23.71%	20.04%	19.40%
June 2010 - June 2011	14.02%	15.35%	15.45%	12.95%	13.09%	13.72%
June 2011 - June 2012	11.26%	11.62%	12.41%	14.22%	11.38%	10.93%
Projected # of Homeowners that will Default over the next 12 months using latest observed roll rate	1,463	274	156	284	529	18,725
ALL LOANS - UNDERWATER & WITH EQUITY						
Number of Loans in Default (actual historical)						
June 2009	31,821	7,143	2,228	5,065	7,666	337,471
June 2010	25,150	5,680	1,801	3,654	6,290	299,055
June 2011	18,034	3,914	1,411	2,541	4,836	233,048
June 2012	12,330	2,618	978	1,696	3,258	164,704
Percent Change In Defaulted Loan inventory since 2009	-61%	-63%	-56%	-67%	-58%	-51%

Notes:

Underwater=current combined LTV >= 115% using combined LTV at origination with the original valuation adjusted using CoreLogic HPI
 Defaulted loan=delinquency status: 90+ days delinquent, in process of foreclosure, REO or Liquidated (MBA methodology).

Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS



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Seizing Mortgages by Eminent Domain: Part II – Here's the data, now you know.

Eminent domain has been proposed to "stabilize local housing markets and economies by keeping as many homeowners with underwater mortgages in their homes as possible." The program will initially target loans in private label securitizations (PLS). In Part II of our Eminent Domain report, we examine six communities and discover how many loans in PLS over time would qualify for the proposed program, and then using actual historical data, we can quantify how many default one year later. By revealing the actual breadth of affected homeowners, as well as ongoing positive trends, local officials can decide whether invoking eminent domain is necessary.

Terminology

- **Current combined loan to value ratio:** The current outstanding unpaid principal balance of all liens (senior & junior) / estimated current value of home. The appraisal at loan origination is adjusted using the CoreLogic® Home Price Index (HPI). Generally, the home price index used is for an individual zip code. If one is not available, then the county or CBSA home price index is used instead.
- **Underwater:** Current combined loan to value ratio \geq 100%.
- **Deeply Underwater:** Current combined loan to value ratio \geq 115%.
- **Default:** Loan moving into any one of the following delinquency status: 90+ days delinquent (MBA methodology), PFC (in process of foreclosure), REO, or Liquidated. The term "to default" refers to going from being current to one of these stages.
- **Never missed a payment:** aka lifetime perfect pay. As of each month end, the loan has always been current (MBA methodology).
- **Perfect Pay Last 12 Months:** Borrower made every payment on time during the previous 12 months.
- **Qualified for the MRP Program:** A loan in a private label securitization trust (PLS) that is deeply underwater, current, and has at most one 30 day delinquency in the previous 12 months. The exact program may be different, but this is probably a conservative estimate.
- **Not Qualified for the MRP Program:** A loan in a PLS that is deeply underwater and either 1-2 months delinquent or current with more than one 30 day delinquency in the previous 12 months. Loans not deeply underwater are excluded from the analysis, since we've previously shown that although these loans do default, it is at a significantly lower rate.

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The author is a US Strategist, not a member of an independent research department.

- Liquidated loan: A loan that has involuntarily prepaid and incurred a loss to the trust. REO Liquidations, Short Sale (Pre-Foreclosure Sale), Deed-in-Lieu.

Background

- Mortgage Resolution Partners (MRP) has proposed to some municipalities the use of eminent domain to seize and restructure mortgages. MRP claims this will “stabilize local housing markets and economies by keeping as many homeowners with underwater mortgages in their homes as possible.”
- MRP’s initial proposal targets performing yet deeply underwater mortgages that reside in PLS.
- Our approach is not to debate the use of eminent domain, but rather to analyze the actual historical performance of loans that reside in PLS. No rhetoric – just data.

Data

- We use the CoreLogic® LoanPerformance Securities Database, the industry’s largest and most comprehensive database which includes loan-level data on more than 90% of the PLS market. CoreLogic collects securities data from over 100 independent sources, including master servicers, underwriters, trustees, mortgage insurers, and rating agencies. We have complete month-end history of every loan that CoreLogic tracks.
- We use CoreLogic® National Home Price Index (HPI) data, which incorporates more than 30 years of repeat sales transactions, with more than 70 million transactions, and includes all sales regardless of financing.
- National zip code databases map zip codes to city, county, and state.

Methodology

- Neither projections nor models are used; only the actual payment history of every loan.
- The case studies are limited to owner occupied, first liens in PLS. If the junior lien is known to the senior lien holder, then it is included in the calculation of the combined loan to value ratio. We assume that the eminent domain proposal is not targeted to second homes or investor properties. Limiting the analysis to first liens avoids double counting homeowners that have multiple liens.
- The analysis covers San Bernardino County CA, Suffolk County NY, Chicago IL, and Berkeley CA as these communities have been identified as considering the eminent domain proposal. We also analyze Clark County NV and the entire state of California.
- Four 12-month periods are studied: June 2008 - June 2009, June 2009 - June 2010, June 2010 - June 2011, and June 2011 - June 2012, which should reveal any trends occurring. A 12-month period provides ample time for the borrower to default and ample time for the servicer to react. The loan can still default in month 13, but using a fixed time frame allows us to make fair observations. Using a 24-month period would provide more time, however it will mask any recent trends from being observed.

- For each region, the number of PLS loans outstanding at the beginning of each period is determined, as well as the percentage current and underwater. We count the number of loans that qualify for MRP's proposed program, as well as the number of loans that do not qualify due to troubled pay histories or one to two missed payments.
- There are eight mutually exclusive stages each loan can end up in after 12 months: voluntary payoff, current, 30 days delinquent, 60 days delinquent, 90+ days delinquent, process of foreclosure, REO, or liquidated. The last four categories are considered 'in default'. Delinquency is calculated using the standard MBA methodology.

How to Use the Analysis

- Four pie charts, one for each historical 12-month period, highlight the changing transition rates of loans that qualified for the MRP program. Each slice represents a different delinquency status that the loans move into 12 months later. The more light green (or more Pac-Man-like) the charts become, the greater percentage of loans that remain current 12 months later, which is a positive situation.
- Tables supplement our data visualization by providing actual numbers and percentages.
 - We know the actual number of PLS outstanding at the beginning of each period, which loans are underwater, deeply underwater, and current, along with the entire payment history of every loan.
 - Based on those numbers, we categorize the loans two ways: 1) loans that qualify for the program and 2) loans that do not qualify. The table describes the criteria used.
 - Then for each category, we look 12 months forward, and discover exactly which loans defaulted and which loans did not. Highlighted regions in the tables reveal the actual number and percentage of loans that defaulted. Since our latest time frame is June 2011 – June 2012, we can use the actual data 12 months forward. No models, no algorithms, no guessing; simply counting and categorizing loans.

Observations

- Default rates for these deeply underwater borrowers have decreased over time in every region studied. For current and deeply underwater loans, the pie charts make it visually apparent how the percentage of current loans after 12 months substantially increased over time, while the percentage of defaulted loans after 12 months substantially decreased. Default rates between 2011 and 2012 are significantly lower than they are between 2008 and 2009.
- Decreasing default rates are a result of more homeowners paying their mortgage on time. The tables include perfect pay statistics, that show how many loans are current after 12 months and actually made every one of the 12 payments on time. The data reveals that the percentage of these perfect pay loans is also increasing substantially over time in every region studied. Perfect payment history suggests a sustainable loan.
- Even with continued depressed home prices (2008 - 2012), fewer families are now defaulting and therefore fewer families are on their way to foreclosure.

- Falling home prices in Chicago are creating more deeply underwater homeowners and therefore increasing the number of loans that qualify for the program. The good news is that even with home prices further declining, default rates in Chicago are also declining.
- Default rates are higher for loans that do not qualify for the program (current loans with troubled pay histories or loans that are one or two payments delinquent) versus loans that do qualify. Higher default rates generate a higher percentage of defaulted loans.
- Default no longer dooms the homeowner to foreclosure. Our previous Eminent Domain report showed increasing use of loan modifications, decreasing re-default rates of those modifications, and a rising use of alternatives to foreclosure by servicers. Please refer to *Seizing Mortgages by Eminent Domain: Let's look at the data*, published on July 25, 2012.
- Berkeley California, which includes zip codes 94701-94705, 94707-94710, 94712, and 94720 lacks sufficient loans in PLS to make the analysis statistically significant. Trends are still similar.

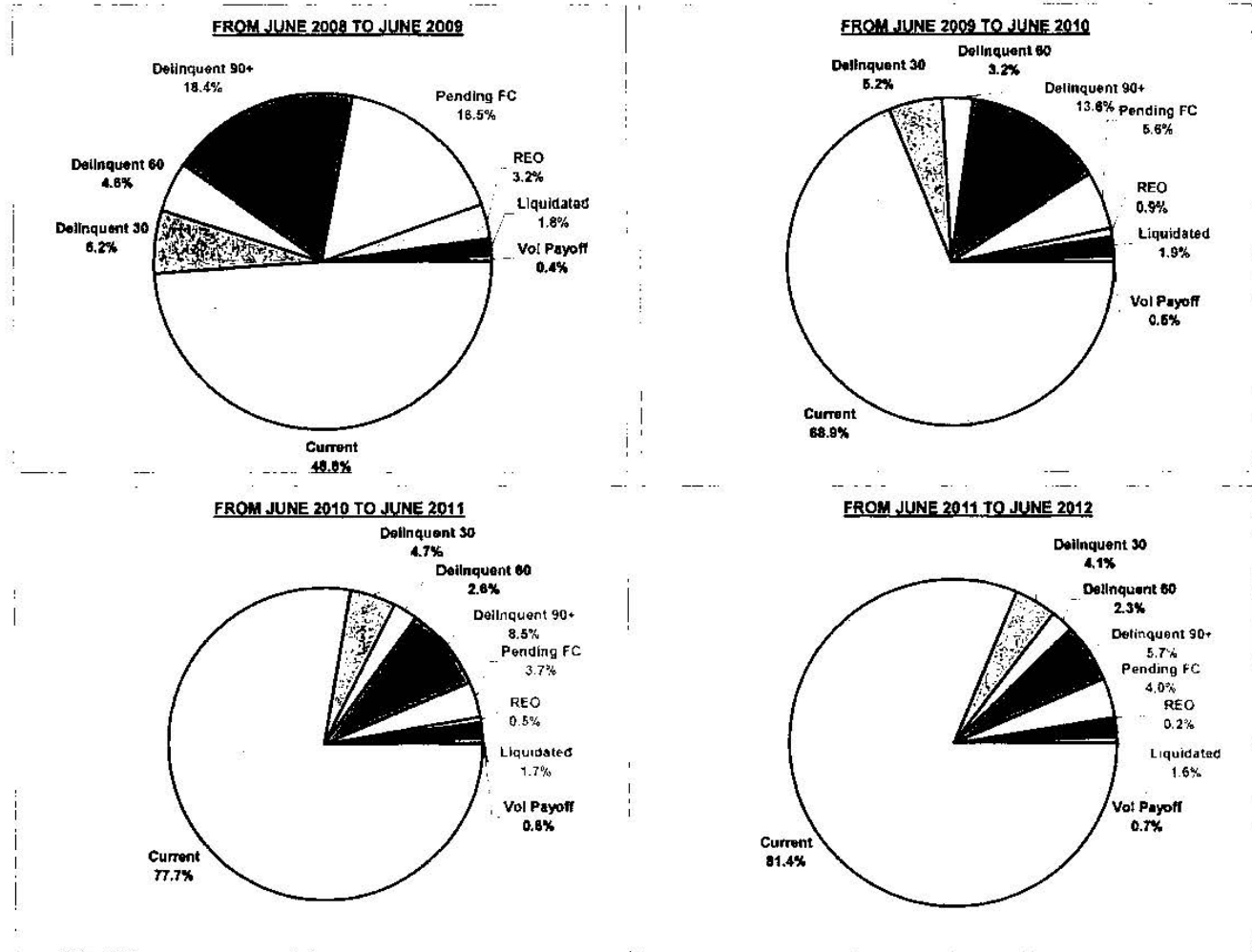
Non-Conclusion

- Let the data speak for itself. Local government officials should decide whether these numbers and trends necessitate invoking eminent domain in their communities.

SAN BERNARDINO COUNTY CALIFORNIA

12 MONTHS LATER: WHAT HAPPENED TO THE LOANS THAT WOULD HAVE QUALIFIED FOR THE MRP PROPOSED PROGRAM?

LOANS THAT QUALIFY FOR MRP's PROPOSED PROGRAM: Deeply Underwater, current and no more than 1 missed payment during the previous 12 months
 Private Label Securitizations: 1st Lien, Owner Occupied



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS



SAN BERNARDINO COUNTY CALIFORNIA

	June 2008	June 2009	June 2010	June 2011	TODAY June 2012
ALL PLS LOANS OUTSTANDING	97,683	79,216	63,637	55,193	47,317
Current (%)	61.6%	49.3%	51.3%	58.0%	64.3%
Underwater (%)	74.4%	86.7%	80.8%	80.3%	76.4%
Deeply Underwater (%)	59.8%	80.3%	71.8%	71.3%	66.0%
Deeply Underwater and Current (%)	29.6%	33.4%	30.3%	35.7%	37.1%
Deeply Underwater and Current (#)	28,866	26,452	19,269	19,680	17,533
Deeply Underwater and Current and Perfect Pay Last 12M (#)	24,277	19,619	12,142	13,025	12,997

QUALIFY FOR MRP's PROPOSED PROGRAM

Deeply Underwater and current and no more than 1 missed payment during the previous 12 months	26,301	21,280	13,271	14,378	14,093
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12 MONTHS LATER: WHAT HAPPENED TO THOSE LOANS THAT QUALIFY?

Number of loans that are Current	12,841	14,664	10,311	11,704
% of loans that are Current	48.8%	68.9%	77.7%	81.4%
Number of loans that are Current & Never Missed a payment	10,083	12,219	9,034	10,338
% of loans that are Current & Never Missed a payment	38.3%	57.4%	68.1%	71.9%
Number of loans that are 1 or 2 payments behind, but not Defaulted	2,947	1,894	1,049	1,011
% of loans that are 1 or 2 payments behind, but not Defaulted	11.2%	8.9%	7.9%	7.0%
Number of Loans Defaulted	10,513	4,722	1,911	1,663
Default Rate	40.0%	22.2%	14.4%	11.6%

DOES NOT QUALIFY FOR MRP's PROPOSED PROGRAM

Deeply Underwater and either 1) current and more than 1 missed payment during the previous 12 months or 2) now 30 or 60 days delinquent	10,029	12,060	10,171	9,051	6,574
Number of Loans Defaulted	7,300	6,284	3,045	2,480	
Default Rate	72.8%	52.1%	29.9%	27.4%	

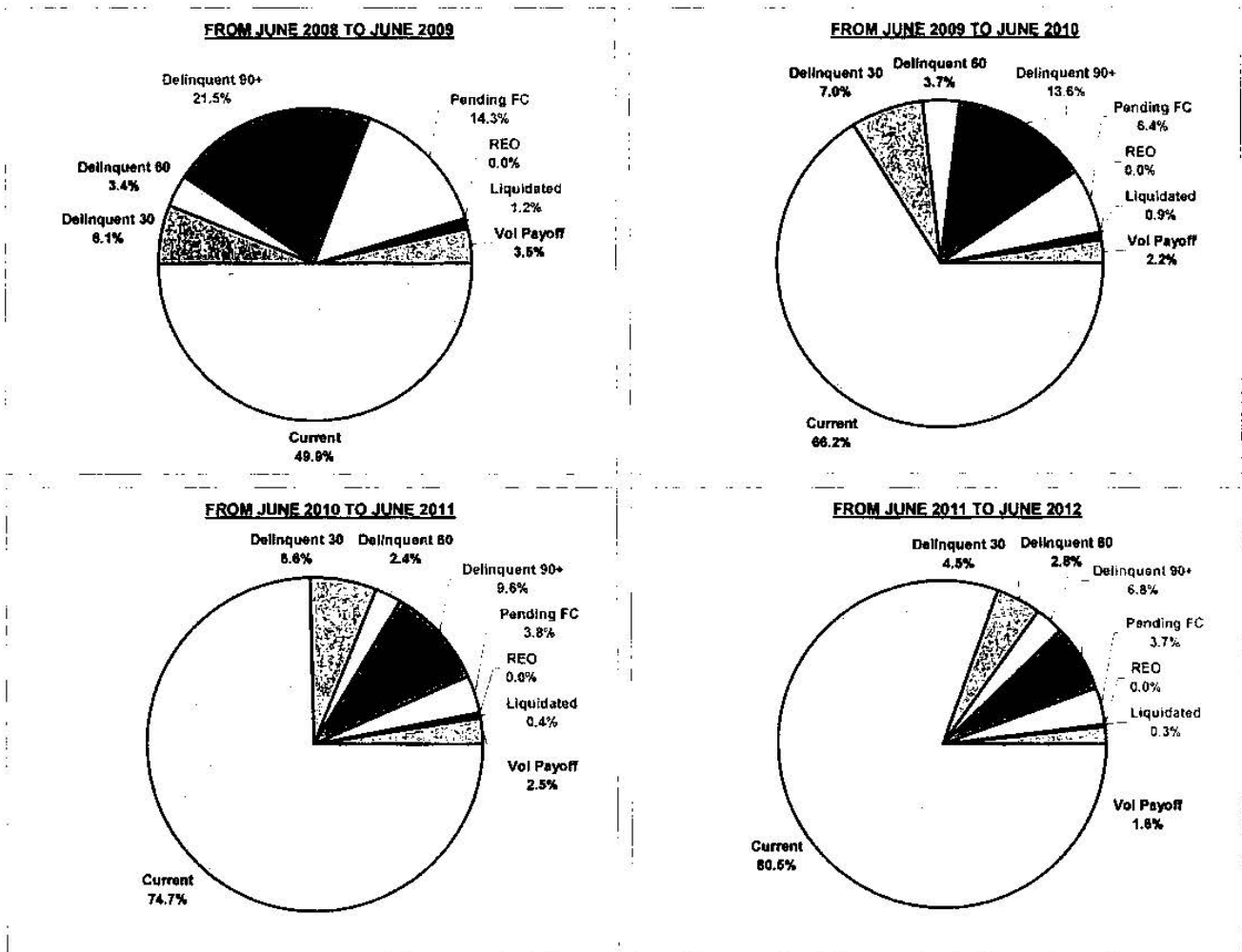
Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS



SUFFOLK COUNTY NEW YORK

12 MONTHS LATER: WHAT HAPPENED TO THE LOANS THAT WOULD HAVE QUALIFIED FOR THE MRP PROPOSED PROGRAM?

LOANS THAT QUALIFY FOR MRP's PROPOSED PROGRAM: Deeply Underwater, current and no more than 1 missed payment during the previous 12 months
 Private Label Securitizations: 1st Lien, Owner Occupied



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS



SUFFOLK COUNTY NEW YORK

	June 2008	June 2009	June 2010	June 2011	TODAY June 2012
ALL PLS LOANS OUTSTANDING	45,468	41,699	38,325	36,391	33,258
Current (%)	72.1%	59.0%	53.3%	53.5%	52.1%
Underwater (%)	19.7%	35.4%	38.9%	43.1%	44.1%
Deeply Underwater (%)	3.6%	17.8%	21.0%	25.7%	26.7%
Deeply Underwater and Current (%)	1.8%	5.9%	6.4%	8.9%	8.8%
Deeply Underwater and Current (#)	830	2,462	2,449	3,134	2,928
Deeply Underwater and Current and Perfect Pay Last 12M (#)	676	1,638	1,305	1,753	1,961

QUALIFY FOR MRP's PROPOSED PROGRAM

Deeply Underwater and current and no more than 1 missed payment during the previous 12 months	735	1,806	1,464	1,995	2,177
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12 MONTHS LATER: WHAT HAPPENED TO THOSE LOANS THAT QUALIFY?

Number of loans that are Current	367	1,195	1,093	1,605
% of loans that are Current	49.9%	66.2%	74.7%	80.5%
Number of loans that are Current & Never Missed a payment	286	961	924	1,404
% of loans that are Current & Never Missed a payment	38.9%	53.2%	63.1%	70.4%
Number of loans that are 1 or 2 payments behind, but not Defaulted	96	232	168	177
% of loans that are 1 or 2 payments behind, but not Defaulted	13.1%	12.8%	11.5%	8.9%
Number of Loans Defaulted	272	379	203	213
Default Rate	37.0%	21.0%	13.9%	10.7%

DOES NOT QUALIFY FOR MRP's PROPOSED PROGRAM

Deeply Underwater and either 1) current and more than 1 missed payment during the previous 12 months or 2) now 30 or 60 days delinquent	303	1,456	1,681	1,920	1,426
Number of Loans Defaulted	204	770	579	583	
Default Rate	67.3%	52.9%	34.4%	30.4%	

Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

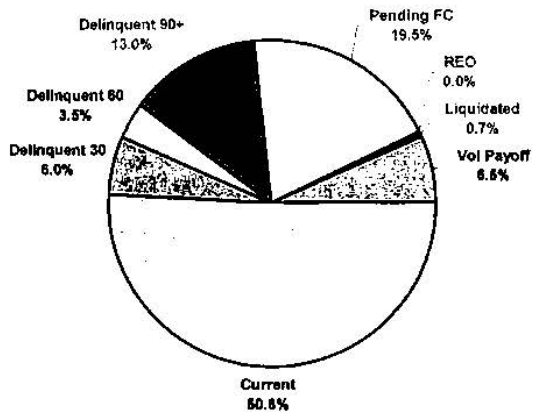


CHICAGO, ILLINOIS

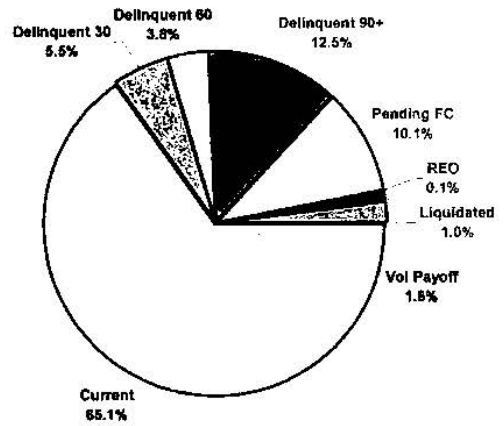
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LOANS THAT QUALIFY FOR MRP's PROPOSED PROGRAM: Deeply Underwater, current and no more than 1 missed payment during the previous 12 months
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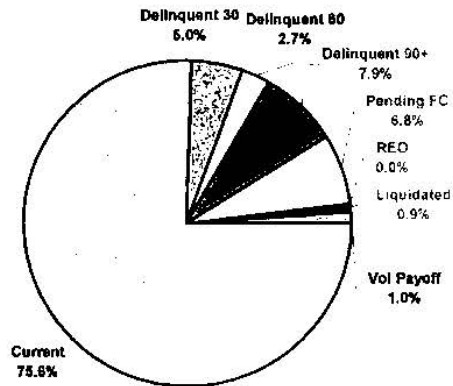
FROM JUNE 2008 TO JUNE 2009



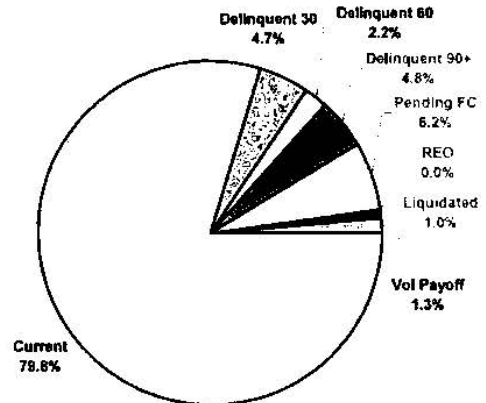
FROM JUNE 2009 TO JUNE 2010



FROM JUNE 2010 TO JUNE 2011



FROM JUNE 2011 TO JUNE 2012



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

CHICAGO ILLINOIS

	June 2008	June 2009	June 2010	June 2011	TODAY June 2012
ALL PLS LOANS OUTSTANDING	56,768	47,947	40,529	35,938	32,696
Current (%)	65.5%	54.1%	51.9%	55.6%	56.2%
Underwater (%)	31.3%	50.9%	51.3%	63.1%	65.6%
Deeply Underwater (%)	4.7%	27.3%	28.7%	43.8%	49.4%
Deeply Underwater and Current (%)	2.3%	9.8%	10.3%	18.6%	21.4%
Deeply Underwater and Current (#)	1,328	4,687	4,169	6,676	6,992
Deeply Underwater and Current and Perfect Pay Last 12M (#)	1,042	3,203	2,386	4,380	5,203

QUALIFY FOR MRP's PROPOSED PROGRAM

Deeply Underwater and current and no more than 1 missed payment during the previous 12 months	1,148	3,569	2,680	4,892	5,701
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12 MONTHS LATER: WHAT HAPPENED TO THOSE LOANS THAT QUALIFY?

Number of loans that are Current	583	2,325	2,026	3,903
% of loans that are Current	50.8%	65.1%	75.6%	79.8%
Number of loans that are Current & Never Missed a payment	455	1,854	1,730	3,416
% of loans that are Current & Never Missed a payment	39.6%	51.9%	64.6%	69.8%
Number of loans that are 1 or 2 payments behind, but not Defaulted	184	396	234	405
% of loans that are 1 or 2 payments behind, but not Defaulted	16.0%	11.1%	8.7%	8.3%
Number of Loans Defaulted	381	848	420	584
Default Rate	33.2%	23.8%	15.7%	11.9%

DOES NOT QUALIFY FOR MRP's PROPOSED PROGRAM

Deeply Underwater and either 1) current and more than 1 missed payment during the previous 12 months or 2) now 30 or 60 days delinquent	513	2,544	2,604	3,248	2,649
Number of Loans Defaulted	333	1,283	817	1,024	
Default Rate	64.9%	50.4%	31.4%	31.5%	

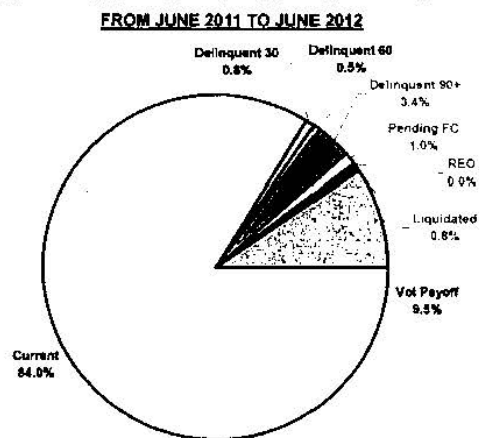
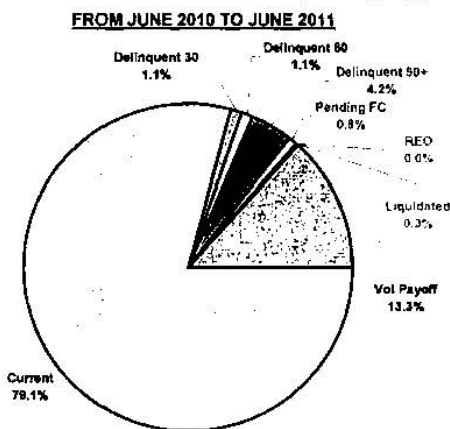
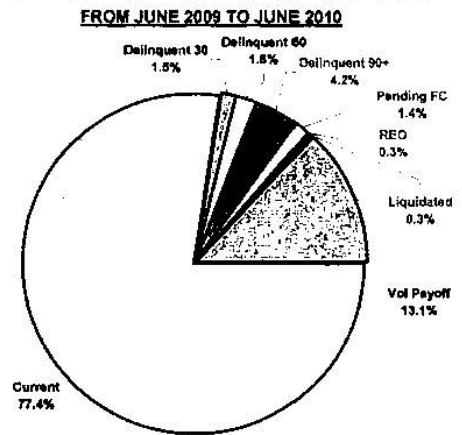
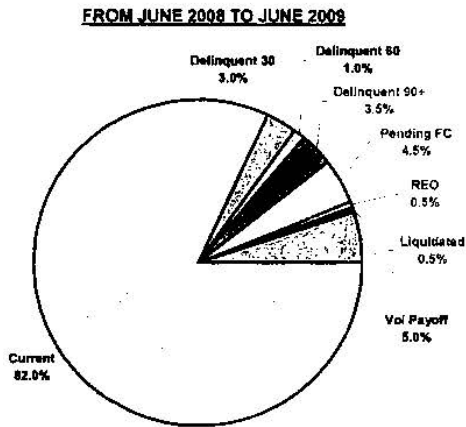
Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS



BERKELEY, CALIFORNIA

12 MONTHS LATER: WHAT HAPPENED TO THE LOANS THAT WOULD HAVE QUALIFIED FOR THE MRP PROPOSED PROGRAM?

LOANS THAT QUALIFY FOR MRP's PROPOSED PROGRAM: Deeply Underwater, current and no more than 1 missed payment during the previous 12 months
 Private Label Securitizations: 1st Lien, Owner Occupied



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

BERKELEY, CALIFORNIA

	June 2008	June 2009	June 2010	June 2011	TODAY June 2012
ALL PLS LOANS OUTSTANDING	3,670	2,984	2,386	1,861	1,548
Current (%)	93.9%	89.6%	86.7%	83.7%	83.4%
Underwater (%)	21.9%	45.8%	37.7%	46.3%	49.4%
Deeply Underwater (%)	7.6%	31.5%	22.1%	30.7%	33.7%
Deeply Underwater and Current (%)	5.9%	24.9%	15.9%	22.9%	25.6%
Deeply Underwater and Current (#)	212	743	379	426	396
Deeply Underwater and Current and Perfect Pay Last 12M (#)	193	684	349	375	349

QUALIFY FOR MRP's PROPOSED PROGRAM

Deeply Underwater and current and no more than 1 missed payment during the previous 12 months	200	717	354	388	358
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12 MONTHS LATER: WHAT HAPPENED TO THOSE LOANS THAT QUALIFY?

Number of loans that are Current	164	555	280	326
% of loans that are Current	82.0%	77.4%	79.1%	84.0%
Number of loans that are Current & Never Missed a payment	152	534	265	311
% of loans that are Current & Never Missed a payment	76.0%	74.5%	74.9%	80.2%
Number of loans that are 1 or 2 payments behind, but not Defaulted	18	118	55	42
% of loans that are 1 or 2 payments behind, but not Defaulted	9.0%	16.5%	15.5%	10.8%
Number of Loans Defaulted	18	44	19	20
Default Rate	9.0%	6.1%	5.4%	5.2%

DOES NOT QUALIFY FOR MRP's PROPOSED PROGRAM

Deeply Underwater and either 1) current and more than 1 missed payment during the previous 12 months or 2) now 30 or 60 days delinquent	23	73	52	65	66
Number of Loans Defaulted	10	36	17	15	
Default Rate	43.5%	49.3%	32.7%	23.1%	

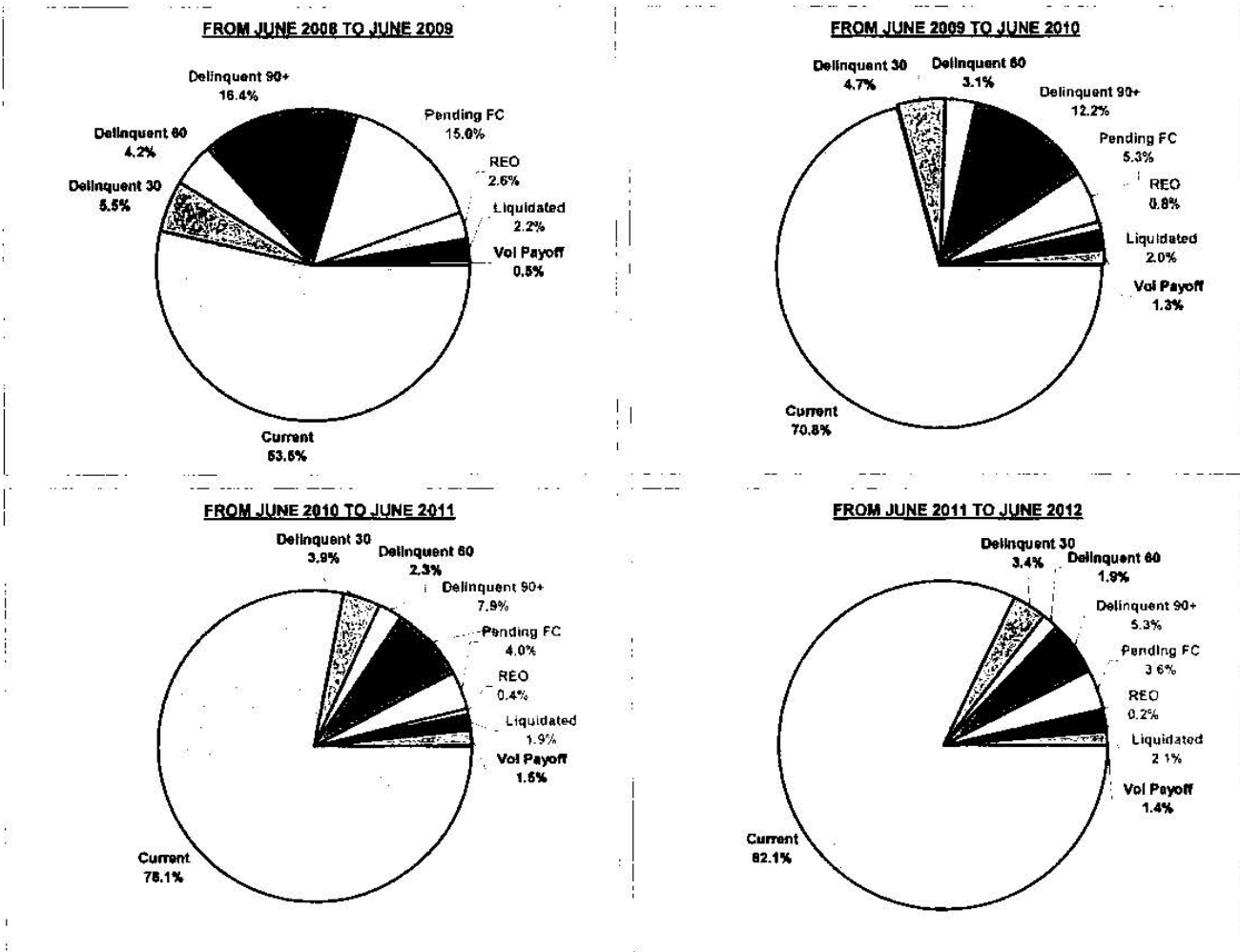
Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS



CALIFORNIA

12 MONTHS LATER: WHAT HAPPENED TO THE LOANS THAT WOULD HAVE QUALIFIED FOR THE MRP PROPOSED PROGRAM?

LOANS THAT QUALIFY FOR MRP's PROPOSED PROGRAM: Deeply Underwater, current and no more than 1 missed payment during the previous 12 months
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Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS



CALIFORNIA

	June 2008	June 2009	June 2010	June 2011	TODAY June 2012
ALL PLS LOANS OUTSTANDING	1,542,542	1,269,853	1,046,986	893,484	760,501
Current (%)	75.3%	65.7%	64.3%	67.1%	71.5%
Underwater (%)	52.5%	65.6%	60.7%	64.9%	61.5%
Deeply Underwater (%)	37.1%	53.2%	46.5%	51.6%	47.8%
Deeply Underwater and Current (%)	20.0%	25.6%	21.8%	27.7%	28.5%
Deeply Underwater and Current (#)	308,336	324,751	228,222	247,850	216,803
Deeply Underwater and Current and Perfect Pay Last 12M (#)	266,723	262,370	161,439	181,942	171,322

QUALIFY FOR MRP's PROPOSED PROGRAM

Deeply Underwater and current and no more than 1 missed payment during the previous 12 months	286,427	280,469	173,963	196,626	182,869
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12 MONTHS LATER: WHAT HAPPENED TO THOSE LOANS THAT QUALIFY?

Number of loans that are Current	153,190	198,529	135,895	161,415
% of loans that are Current	53.5%	70.8%	78.1%	82.1%
Number of loans that are Current & Never Missed a payment	128,006	171,739	122,408	146,856
% of loans that are Current & Never Missed a payment	44.7%	61.2%	70.4%	74.7%
Number of loans that are 1 or 2 payments behind, but not Defaulted	29,398	25,471	13,486	13,115
% of loans that are 1 or 2 payments behind, but not Defaulted	10.3%	9.1%	7.8%	6.7%
Number of Loans Defaulted	103,839	56,469	24,582	22,098
Default Rate	36.3%	20.1%	14.1%	11.2%

DOES NOT QUALIFY FOR MRP's PROPOSED PROGRAM

Deeply Underwater and either 1) current and more than 1 missed payment during the previous 12 months or 2) now 30 or 60 days delinquent	84,321	110,118	95,741	88,245	63,285
Number of Loans Defaulted	61,846	58,575	30,887	24,706	
Default Rate	73.1%	53.2%	32.3%	28.0%	

Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS

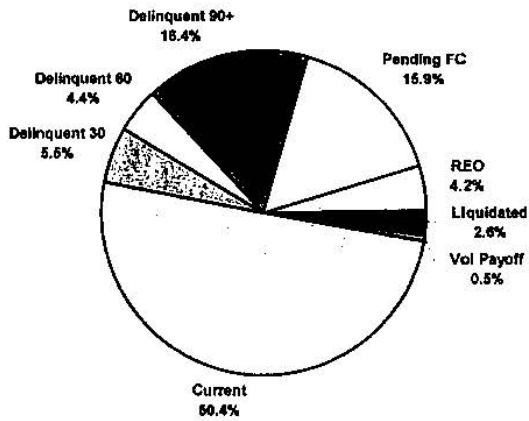


CLARK COUNTY, NEVADA

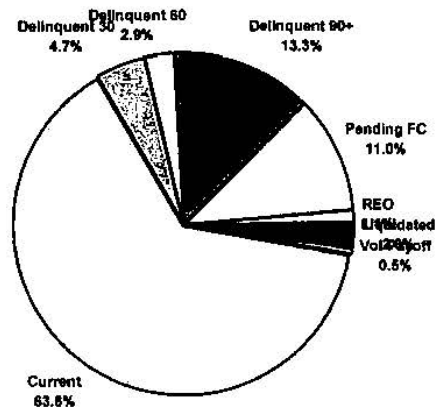
12 MONTHS LATER: WHAT HAPPENED TO THESE LOANS?

LOANS THAT QUALIFY FOR MRP's PROPOSED PROGRAM: Deeply Underwater, current and no more than 1 missed payment during the previous 12 months
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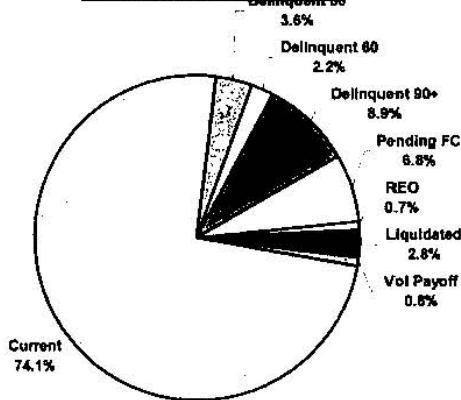
FROM JUNE 2008 TO JUNE 2009



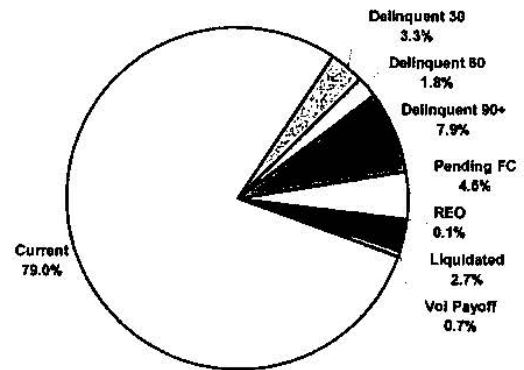
FROM JUNE 2009 TO JUNE 2010



FROM JUNE 2010 TO JUNE 2011



FROM JUNE 2011 TO JUNE 2012



Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS



CLARK COUNTY, NEVADA

	June 2008	June 2009	June 2010	June 2011	TODAY June 2012
ALL PLS LOANS OUTSTANDING	106,533	86,476	68,304	57,348	44,611
Current (%)	67.5%	51.1%	47.8%	50.9%	57.6%
Underwater (%)	78.7%	93.4%	92.8%	93.8%	90.6%
Deeply Underwater (%)	60.0%	89.5%	88.5%	89.9%	85.7%
Deeply Underwater and Current (%)	35.8%	42.3%	38.5%	42.5%	45.6%
Deeply Underwater and Current (#)	38,190	36,561	26,289	24,349	20,346
Deeply Underwater and Current and Perfect Pay Last 12M (#)	33,344	29,932	19,389	18,064	16,517

QUALIFY FOR MRP's PROPOSED PROGRAM

Deeply Underwater and current and no more than 1 missed payment during the previous 12 months	35,567	31,918	20,874	19,446	17,651
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12 MONTHS LATER: WHAT HAPPENED TO THOSE LOANS THAT QUALIFY?

Number of loans that are Current	17,911	20,370	15,478	15,356
% of loans that are Current	50.4%	63.8%	74.1%	79.0%
Number of loans that are Current & Never Missed a payment	15,178	17,585	13,977	14,057
% of loans that are Current & Never Missed a payment	42.7%	55.1%	67.0%	72.3%
Number of loans that are 1 or 2 payments behind, but not Defaulted	3,731	2,588	1,366	1,123
% of loans that are 1 or 2 payments behind, but not Defaulted	10.5%	8.1%	6.5%	5.8%
Number of Loans Defaulted	13,925	8,960	4,030	2,967
Default Rate	39.2%	28.1%	19.3%	15.3%

DOES NOT QUALIFY FOR MRP's PROPOSED PROGRAM

Deeply Underwater and either 1) current and more than 1 missed payment during the previous 12 months or 2) now 30 or 60 days delinquent	9,242	12,498	10,097	8,291	5,236
Number of Loans Defaulted	6,862	7,839	3,911	2,865	
Default Rate	74.2%	61.1%	38.7%	34.6%	

Source: CoreLogic® LoanPerformance Securities Data, CoreLogic® Home Price Index as of May 2012, and RBS



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