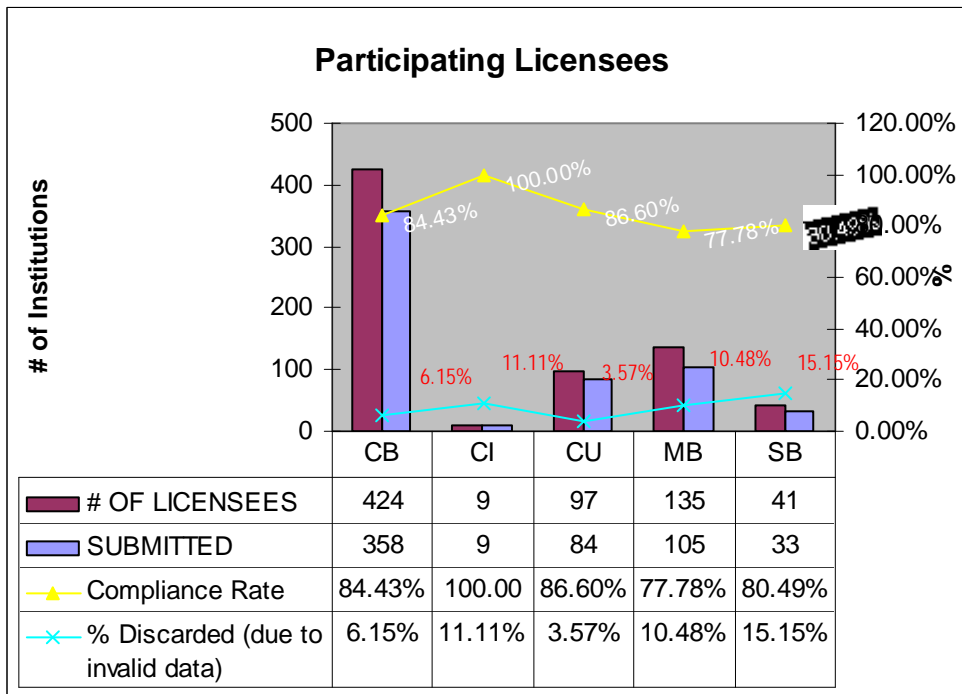


**LOAN SERVICER QUESTIONNAIRE
REPORT OF FINDINGS
June 1, 2008 – December 31, 2008**

The loan servicer questionnaire was originally implemented in August, 2008 and captured data for the last half of 2007 and the first half of 2008. It was originally sent to mortgage broker servicers, savings banks and credit unions (with mortgage portfolios over one million dollars). It has since been expanded to include commercial banks and CILA (Consumer Installment Loan Act) licensees who are servicing residential mortgages. Therefore, the first half 2008 questionnaire was sent to 251 licensees; whereas this second half of 2008 questionnaire was sent to 698 total licensees. The breakdown is as follows:

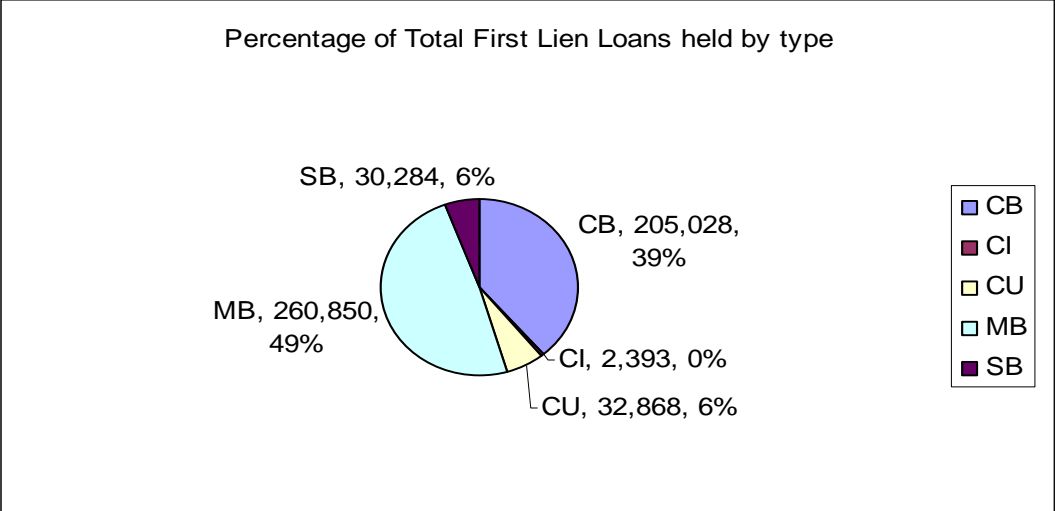


CB - Commercial Bank
CI - CILA
CU - Credit Union
MB - Mortgage Broker Servicers
SB - Savings Bank

The response rate for this questionnaire was 82% (569 out of 706 contacted). The questionnaire was completed online and submitted electronically. The licensees were given the ability to input up to 8,000 characters for narrative. Credit Unions had the highest response rate (86%), while mortgage broker servicers had the lowest (77%). The number of mortgage broker servicers contacted this period decreased from 251 to 135; with 103 responding. The decrease was due to license surrenders because of depressed market conditions. The number of commercial banks who responded was 358 out of 424, resulting in a response rate of 84%. The response rate for thrifts was 80.49%. All nine CILA licensees who service mortgage loans responded.

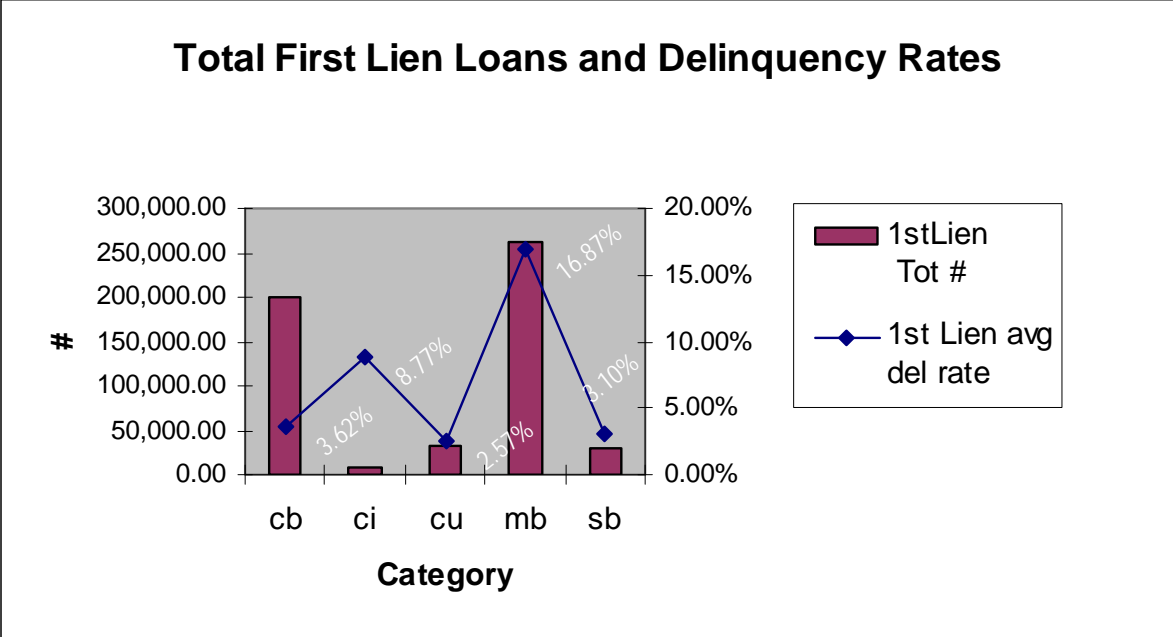
Totals for loans

Of all the first lien loans made during the reporting period, mortgage broker servicers serviced 49%, followed by commercial banks at 39%. Further, saving banks and credit unions, each made up 6%, followed by CILA licensees which serviced less than 1%.



The findings show that mortgage broker servicers overall reported a 16% delinquency rate. However, smaller mortgage broker servicers (90% of reporting mortgage broker servicers) are reporting a low delinquency rate, averaging 3%, up from 1% for the last reporting period. However, the larger mortgage broker servicers (10% of mortgage broker servicers) who service 9,000 loans and above are reporting a delinquency rate average of 31%, an increase from 26%. Delinquency ranges previously reported between 15% and 47% are now ranging from 6% to 53%.

Commercial banks, which had the second largest portfolio of first lien loans, had an overall average delinquency rate of just less than 4%. The 12 largest commercial banks are reporting a 3.4% delinquency rate. Savings banks, which ranked third relative to portfolio size of first lien loans, had a delinquency rate of just over 3%. They were followed by credit unions, which ranked fourth in portfolio size relative to first lien loans and had a delinquency rate of 2.5%. Lastly CILA licensees, which carried the smallest portfolio of first lien loans, had a delinquency rate of 8.7%.



Workouts/Modifications

The findings show that a very low percentage of delinquent loans were modified. The numbers show that the mortgage broker servicers, who service 88% of all delinquent loans in the state, are reporting a modification rate of just 14.5%. The breakdown type for modifications (as a percentage of delinquencies) is as follows; workouts involving rate reductions made up 6% of delinquent loans; workouts involving lowered principle amounts made up 1% of delinquent loans; workouts involving extended loan maturity made up 1%, workouts involving grace periods made up 0.5% and other type of modifications made up 16%. Credit unions stood out by reporting that 51% of their delinquent loans were modified with rate reduction workouts. The four remaining categories (mortgage broker servicers, commercial banks, savings banks and CILA licensees) account for a combined workout/modification success rate of 3.7% (398) out of the remaining delinquent loans (10,766).

Proactive/loss mitigation steps

The findings further show that 55% of all licensees in all categories combined have proactive mitigation procedures in place. The breakdown is as follows:

commercial banks	222	52%
mortgage broker servicers	87	65%
credit unions	43	44%
thrifts	29	70%
CILA	9	100%

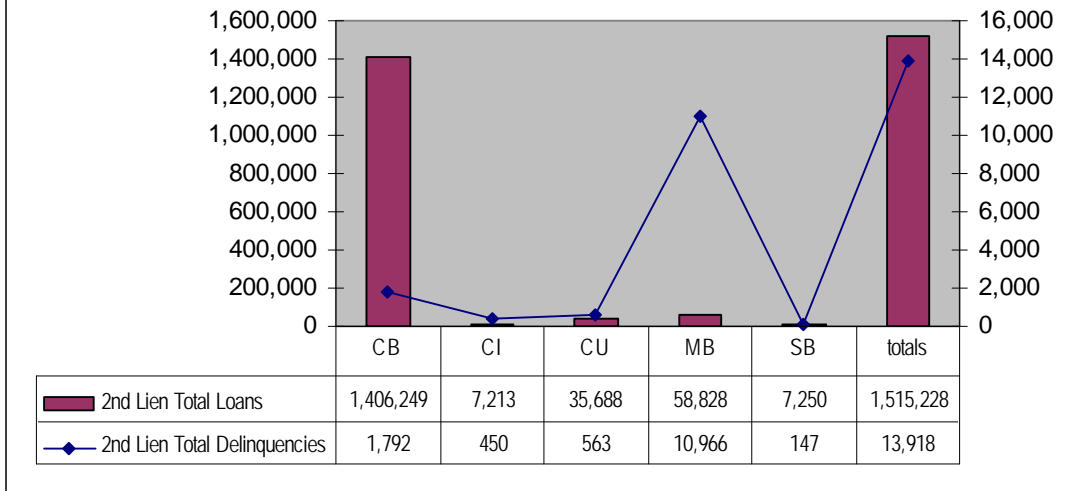
All reporting mortgage broker servicers servicing over 250 loans report having procedures in place for loss mitigation. These mortgage broker servicers represent 89% of all delinquent loans in the state. These larger mortgage broker servicers are reporting a variety of proactive procedures designed to detect a borrower at the first signs of trouble. Intervention procedures are activated early to prevent borrowers from falling behind on payments. For instance, 21st Mortgage Corporation (MB.6760637) in Knoxville, Tennessee has a customer payment assistance program that helps borrowers make their payments. It is administered on a case by case basis. The idea is to keep people in their homes rather than foreclosing on them (as reported by Linda McPherson from 21st Mortgage Corporation).

Commercial banks, credit unions, CILA licensees and thrifts reported having mostly reactive procedures in place. These licensees often reported that borrowers who are in trouble tend to come forward for help before signs appear. These licensees tend to have a more personal relationship with their borrowers and were usually responsible for originating the loan.

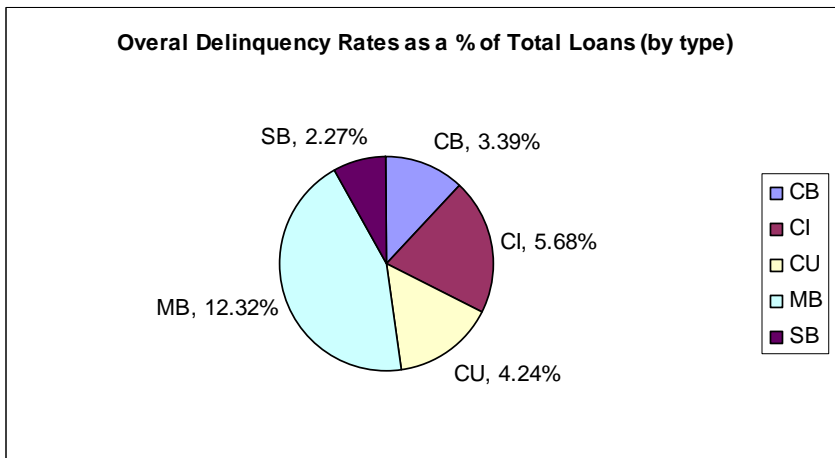
Second Mortgages/Subordinations

Licensees reported a total of 1,515,226 second lien mortgages being serviced in Illinois. The breakdown is as follows:

Second Lien Delinquencies compared to Total Second Lien Loans



This results in the following delinquency rates:

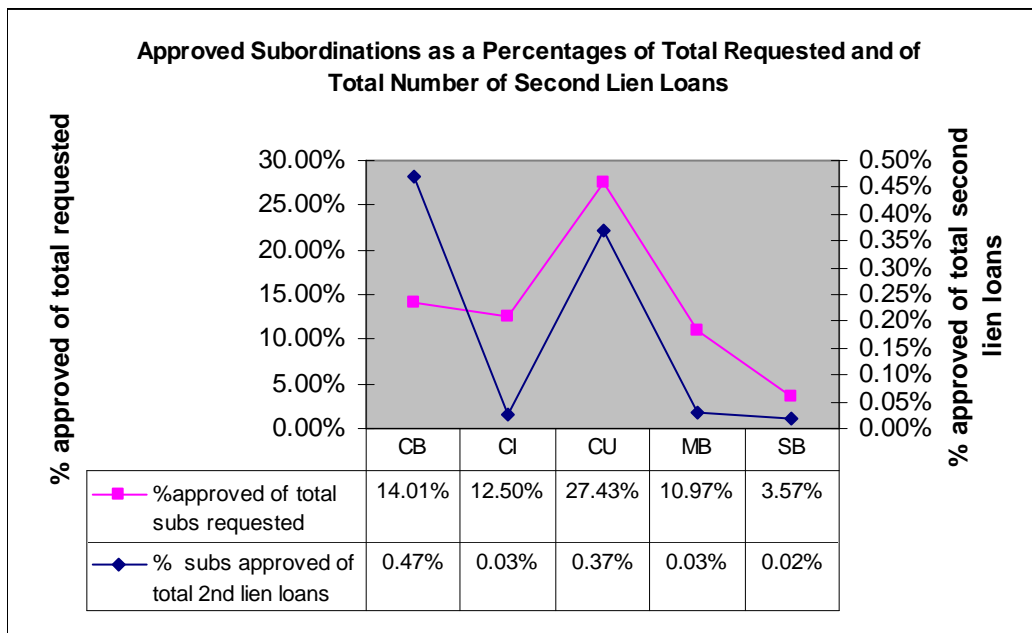
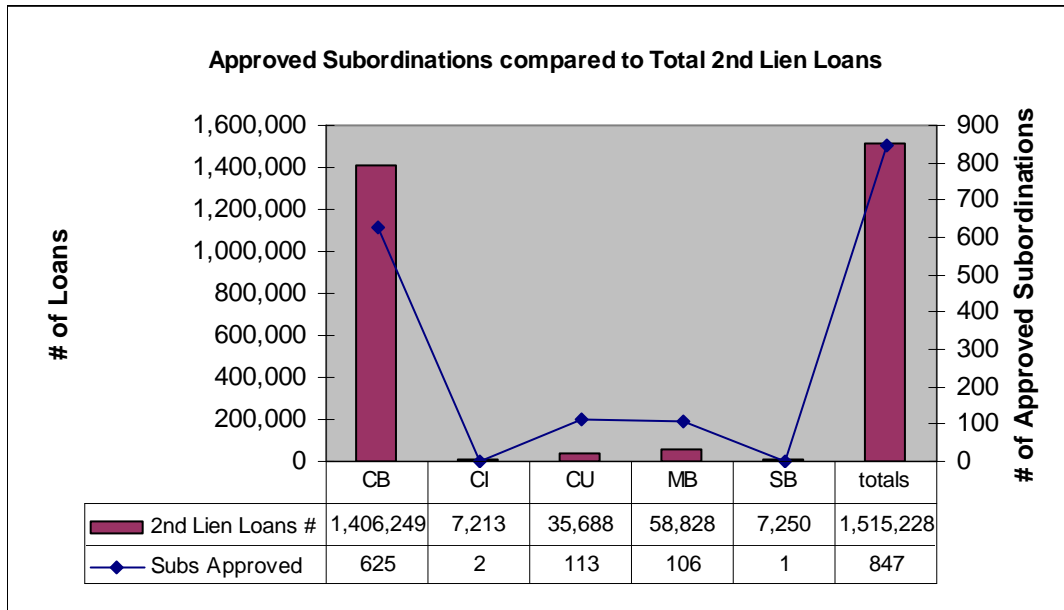


This shows that while mortgage broker servicers and credit unions service about the same amount of loans, mortgage broker servicers have a much higher delinquency rate (12%) compared to credit unions (4%). Commercial banks, which carry the largest number of loans, have a relatively low delinquency rate of 3.39%, while savings banks, which have the lowest number of loans (not including CILA licensees), also have the lowest delinquency rate at 2.27%.

The high delinquency number of 12% being reported here can be attributed to declining values in the real-estate market creating upside down loan-to-values with mortgage lenders. This happens when mortgage balances are greater than the value of the home. Second lien holders are reluctant, and in most cases refuse to re-subordinate behind the first lien holder.

While there were over 1.5 million second lien mortgages currently being serviced in Illinois by state chartered and licensed institutions, there were only 847 subordinations reported in the last six months of 2008. We have received complaints that second lien holders are refusing to subordinate when values and equity positions would allow for it. This has prevented borrowers

from refinancing to a lower rate, lowering payments, then not being able to close on the loan because the second lien holder refuses to subordinate.



Conclusion

Delinquency rates (all categories) are averaging 14% higher than in the first reporting period of 2008. Licensees have reported attempting 25% more loan modifications than in the previous period. The majority of licensees reported following Fannie Mae and Freddie Mac loss mitigation guidelines for processing loan modifications throughout this reporting period. The

extended deadline for closing this questionnaire was March 31, 2009. On March 4, 2008 President Obama's initiative "Making Home Affordable" (MHA) was introduced. This questionnaire will not reflect any impact from the MHA program. MHA success rate reported May 26, 2009 through MSNBC indicated only 12,700 completed modifications under the plan to date. This does not include modifications in the pipeline. Current reports show the mortgage delinquency and foreclosure problem is worsening with only a 24.5% pull through rate in successful modifications. The worsening problem regarding delinquencies is not reflected in the workout success rate.