

Keeping People in Their Homes Through Responsible Lending and Servicing

**Presented by Stephen Morrison, Vice President, Government
and Industry Relations**

Wells Fargo

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We Have A Long-Term Commitment to Increasing Homeownership through Fair and Responsible Lending

- **Our nonprime business is characterized by:**
 - Responsible products and appropriate disclosures
 - Sound and consistent underwriting
 - Thorough and accurate appraisal processes
 - Superior servicing

- **Our nonprime lending practices include:**
 - Informed choices
 - Approving applications for loans only if we believe that the borrower has the ability to repay the loan according to its terms
 - Customer benefits from the loan
 - Prime pricing options to all first mortgage consumers whose loans qualify for such pricing
 - Appropriate loan pricing
 - Caps on total of origination and lender fees
 - Limits on prepayment fees
 - Preserving homeownership
 - Promptly managing customer inquiries and issues

Loan Servicing

Wells Fargo is the nation's leading mortgage servicer with \$1.4 trillion in loans. Wells Fargo Home Mortgage alone has 7.7 million servicing customers.

We acquired the loans we service from a variety of sources:

- **Prime and nonprime loans we originated**
 - Most are sold to investors, but we retain the servicing rights.
 - Loans held on Wells Fargo's balance sheet.
- **Mortgage servicing rights we purchased**
 - We do not own the assets, only the servicing rights.
 - Includes mortgage servicing rights acquired through servicing acquisitions.
 - The greatest percentage of these loans are held by investors.
- **Mortgage servicing we have agreed to service under a contract**
 - We have a contract to service the loans for a fee, but don't own the servicing rights. Someone else owns the asset and the servicing rights.
- **Troubled loans we service for other investors***
 - Special servicing – loans we service for other investors.
 - The loans are already delinquent or in foreclosure; we are servicing them at the request of another investor due to our expertise.

*We service these loans through America's Servicing Company (ASC)

Keeping Customers in Their Homes

- **Provide consumers with the information necessary to make fully informed decisions about loan products and terms.**
- **Provide education programs that help consumers better understand financial services and manage their credit.**
- **If a customer falls behind on payments, we work early, often, and typically up to the actual point of foreclosure, in an effort to keep the customer from losing his/her home.**
 - We believe this is the right approach to take for our customers, and is in the best interest of our company and secondary market investors who may have purchased the loan.
- **We are best able to help customers who call us early about the financial difficulties they are facing.**
 - As shown in a random sample of delinquent customers (Nov. 2006 – Jan. 2007):
 - 3 out of 4 were headed in the right direction to prevent foreclosure or had already avoided it.
 - 68 percent were reported as current or had paid off their loans.
 - An additional 8 percent had been approved for a delinquency solution.

The Realities of Foreclosures

Preventing foreclosures is in the best interests of our customers, our communities, our investors and our company.

- The vast majority of our servicing customers never miss a payment.
- Despite everyone's best efforts, a small percentage of loans go into foreclosure.
- Borrower education and contact remain key in preventing foreclosures.
- Our loss mitigation efforts are executed in alignment with investor guidelines and our servicing policies.
- Wells Fargo may appear as the foreclosing entity during a legal action when, in fact, we are the master servicer or trustee acting on behalf of an investor.

As a result of our strong underwriting guidelines and efforts to do what is best for our customers, Wells Fargo's foreclosure rate is 0.49% compared to the industry average of 0.67%.

Source: Inside Mortgage Finance, 3/16/07, for year-end 2006

Customer Loan Workout

Alternatives to Foreclosure Options

Option	How It Works	Key Benefits
Repayment Plan	Distribute delinquent payments over period of time, usually no more than 10 months. Monthly amount added to usual mortgage payment.	<ul style="list-style-type: none">▪ Brings account up to date within specified time-frame.
Loan Modification	Adds past-due interest and escrow to unpaid principal balance, which is then reamortized over a new term.	<ul style="list-style-type: none">▪ Changes mortgage note, giving customer a fresh start on managing home asset.▪ Brings account up-to-date immediately.
Partial Claim (only FHA loans)	HUD advances a loan to repay the past-due interest and escrow amounts.	<ul style="list-style-type: none">▪ HUD loan is interest-free.▪ Brings account up-to-date immediately.
Short Sale	Allows customer to sell home and use proceeds to pay mortgage – even if market value is less than total amount owed.	<ul style="list-style-type: none">▪ Avoids lengthy legal foreclosure.▪ Generally less damaging to credit rating than foreclosure
Deed in Lieu of Foreclosure	Allows customer to transfer property to Wells Fargo, if customer cannot sell home at market value.	<ul style="list-style-type: none">▪ Avoids lengthy legal foreclosure.▪ May be less damaging to credit rating than foreclosure.

We are consistently testing alternatives to find new solutions.

Wells Fargo & Company Responsible Servicing Principles for Residential Real Estate Lending

- Wells Fargo's vision to satisfy all our customers' financial needs and help them succeed financially includes helping as many people as possible achieve and maintain the dream of being a homeowner. We have long applied responsible lending principles in creating homeownership opportunities for consumers across a wide credit spectrum.
- Similarly, we have long adhered to the responsible servicing practices summarized below to help customers handle the financial aspects of owning a home.
- Wells Fargo services the loans it originates, as well as loans acquired from other lenders. The majority of these loans are owned by investors who provide guidelines we must follow in servicing them. We continuously collaborate with our investors to introduce helpful solutions for our customers while complying with our contract commitments.

- A home is often a customer's most valuable asset. We proactively help our customers manage and protect their homes. A number of obligations accompany homeownership: making mortgage payments, paying property taxes, maintaining insurance, and repairing and preserving the home. We strive to make meeting these responsibilities as easy and convenient as possible.
- The vast majority of our servicing customers make all of their mortgage payments on time. For customers who encounter financial difficulties and fall behind on payments, our goal is to help them keep their homes whenever possible. This support is a key factor in the recognition we receive for our top-tier servicing practices from Fannie Mae, Freddie Mac and HUD, as well as from private investors and rating agencies. Our efforts are driven by the understanding that all constituents in the lending cycle benefit when homeownership is preserved.

Our Responsible Servicing Principles

- **We approach every interaction from the *customer's* point of view – putting *his or her* needs first.**
- Our goal is to build a bridge to our customers based on respect and attention to individual needs. When we connect with a customer – via phone, mail or online – we treat him or her as a person, not a loan number.
 - We do not sell customer information to third parties, and do not share it with outside parties who may want to market products.
 - • We continuously strive to improve our processes.
 - • We promptly research and resolve complaints.
 - • If we err, we do what is right for the customer.
- We work hard to have our customers know that we appreciate them and value their business.

We provide clear, simple and timely information to consumers, understanding how complex homeownership and financing can be.

- Home financing – and all that entails – is second nature to those who work here, but it isn't for many customers. We want to help our customers, and understanding them is the first step in that mission.
 - • We strive for deeper insight so we can anticipate our customers' needs and proactively serve them.
 - • We make it easy for our customers to access and use a bounty of helpful information through clear, detailed mortgage statements, and our comprehensive website.
 - • Our expert service representatives are standing by to answer questions, resolve issues and make it comfortable for customers to contact us, especially when they experience financial challenges.

We believe our customers deserve a dedicated and knowledgeable service team; *we strive to hire and retain the best.*

- It is our responsibility and privilege to help our customers, and our team members are prepared to do that professionally. We train our team members extensively, monitor performance and routinely provide feedback to them to ensure they are doing the best job they can. It is because of our dedicated and expert team members that we are consistently industry-recognized as a top servicer.
- **We provide tools, services and information that help our customers manage their credit.**
- Disciplined money management is key to better credit management and a brighter future. We offer education programs – both at Wells Fargo and through local organizations and credit counselors – that can help our customers better understand money management, their credit reports and the importance of maintaining good credit. We provide free tools and advice to help customers on this journey, and to help them make managing their money easy and routine.

We believe in homeownership, and *do all we can to keep people in their homes.*

- Homeownership builds communities and families, and is a key contributor to personal success. We have an excellent track record of helping borrowers stay in their homes even when they experience financial difficulties.
 - We are committed to contacting customers early and often who need assistance, and actively work with him/her to help them avoid delinquency.
 - Once we determine that a customer can't make payments, we immediately work with the customer to find potential solutions. We recognize that all customers have unique financial situations, and options are reviewed case-by-case.
 - • We foreclose only as a last resort, and typically stay with the customer up to the home's final sale. As a result, our foreclosure rates historically are below industry averages.

- Wells Fargo remains committed to living by *fair and responsible lending and servicing principles* that eliminate questionable practices and ensure consumers are treated with respect. We are there for our customers in good times and in bad. We constantly work with all the participants in the housing finance industry to find ways to expand and preserve homeownership.
- We believe in making the dream of homeownership achievable and helping our customers to sustain the dream.