



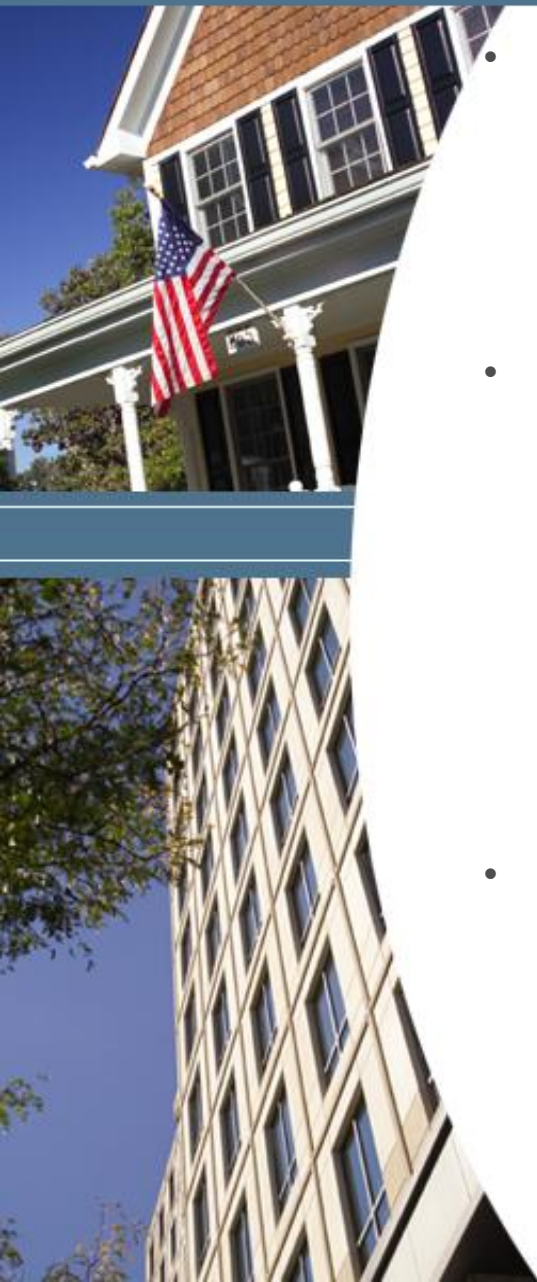
The Mortgage Bankers Financial Reporting Form (MBFRF)

October 2008 Updates

December 2008

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- Major overhaul required
 - » Accounting and other industry changes, including proliferation of mortgage products, have occurred in recent years
 - » Market environment necessitates additional disclosure
 - » Patchwork of modifications to form were made in the past
 - Version 2.0 of the MBFRF reflects revisions for:
 - » New accounting pronouncements—Statement of Financial Accounting Standard (FAS) 140, 142, 149, 156, 157, 159 and 160 and Financial Accounting Standards Board Interpretation No. (FIN) 45
 - » Improved reporting for other accounting pronouncements
 - » Separation of multifamily/commercial data from “other” business activities such as residential portfolio management—FAS 5, 65, 91 and 133
 - » Collection of additional origination and servicing-related revenue, expense, and volume data
 - Effective for entities reporting on or after October 1, 2008 for WebMB 3rd Quarter

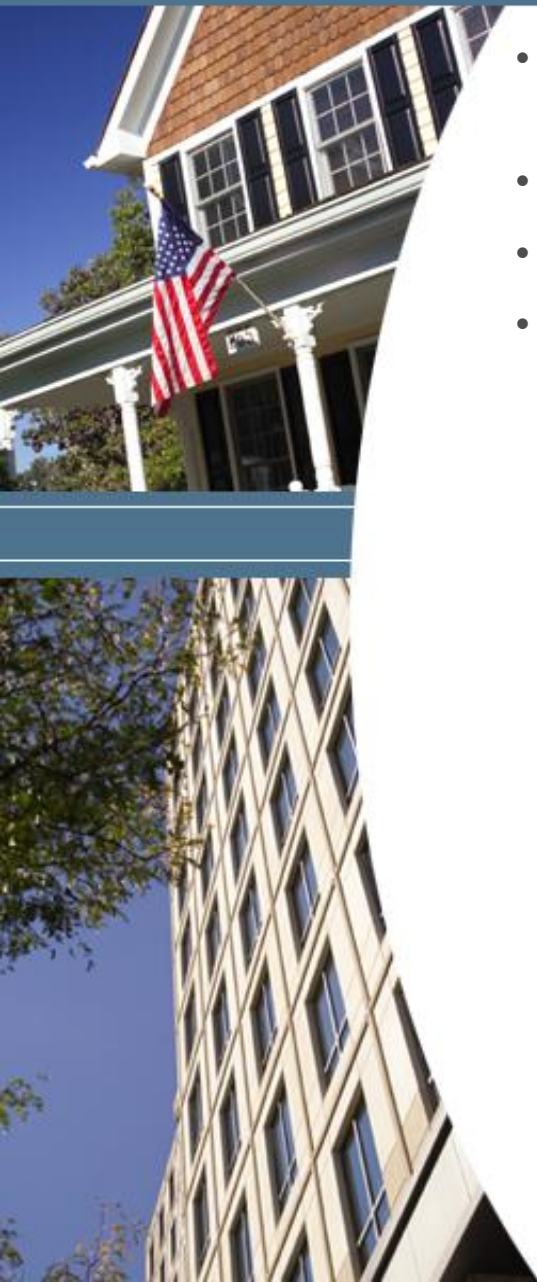


Summary of Key Changes

Navigation and Edit Checks

- New look and feel, but similar navigation as previous form
 - » Navigation menus
 - » Drop down selections
 - » Form Summary
 - » Definitions available for each field
- Substantially more edit checks added
 - » Warnings—highlight unusual circumstances (potential errors). These do not have to be resolved before form can be submitted. Each warning, however, will require an explanation.
 - » Fata errors—must be corrected before form can be submitted
 - » Cross-check among schedules, e.g., Schedule O—Reserves and Valuation Allowance Rollforwards—checks for related balances on Schedules A and C
 - » All warnings and fatal errors appear after the first time a user selects to submit the form

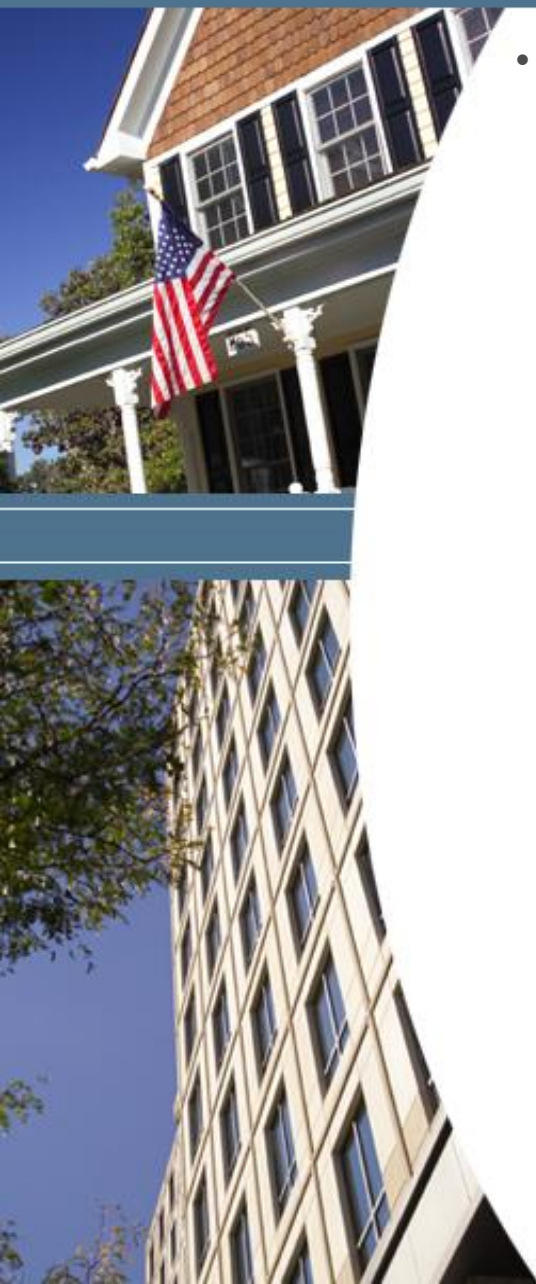
Institution Profile

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- External audit report—Companies now provide details, including the type of audit opinion
 - Explanation of “Significant Events”—Must be provided
 - “Direct parent type”—New field
 - Third-party services
 - » Whether or not the institution uses third-party services for:
 - Inventory/pipeline management
 - Valuation of mortgage servicing rights (MSRs)
 - » Names of companies used, specific type of services, and frequency, if applicable

- FAS 156 and FAS 159 fair value reporting
 - » New lines added to capture assets at fair value, including mortgage servicing rights, securities, loans and other financial instruments
 - » Securities and Mortgage Loan detail captured on schedules with four column entries for each line item
- Four accounting categories for loans (each in a column):
 - » Held For Sale
 1. HFS, at LOCOM (Lower of Cost or Market)
 2. HFS, at Fair Value – If fair value option was elected under FAS 159
 - » Held For Investment
 3. HFI, at Amortized Cost
 4. HFI, at Fair Value – If fair value option was elected under FAS 159

- Securities Schedule (A030)
 - » Includes more granularity
 - Securities classified as investment grade or non-investment grade
 - 13 types of securities vs. 6 in the old form
 - 4 categories of securities vs. 3 in the old form
 - » All balances now entered on a single schedule
- Mortgage Loans Schedule (A060)
 - » All loan balances are entered on a single schedule
 - » Includes more granularity
 - 15 types of loans vs. 9 in the old form
 - 4 categories vs. 2 in the old form
 - 9 types of adjustments vs. 4 in the old form
 - » New memo field for non-interest earning loans
 - » New memo field for loans accounted for as financings

- Mortgage Servicing Rights Rollforward Schedule (A-120R)
 - » Expanded to include additional detail to reflect changes related to FAS 156 and to collect other data
 - » All MSR now entered on a single schedule
 - » Now two types of MSR reported: Amortized MSR, and Fair Value MSR (created by FAS 156)
 - » Two new rollforward schedules relating to Amortized MSR replaced a single rollforward schedule on the old form:
 - Rollforward of Amortized MSR (excluding Valuation Allowance)
 - Rollforward of the amortized MSR Valuation Allowance
 - » A third section is for Rollforward of Fair Value MSR
- Derivatives schedule (A-220 – B-180) expanded
 - » Includes a column for both assets and liabilities
 - » Additional details added pertaining to FAS 133 and FAS 149 derivative assets and liabilities, including Interest Rate Lock Commitments and Other Loan Commitments Classified as Derivative



- Other changes to Assets Schedule and related sub-schedules:
 - » Cash and Cash Equivalents split out into "Unrestricted" and "Restricted" designations
 - » More detail for
 - Other Assets (Schedule A-230)
 - Property & Equipment
 - » Deferred fees, expenses and other basis adjustments relating to FAS 91, which are carried as contra assets, changed on the securities and loan schedules

Liabilities and Equity

- Additional line items added to Liabilities and Equity schedule:
 - » Collateralized Mortgage Debt Relating to Financings
 - » Collateralized Mortgage Debt - Other
 - » Trust Preferred Securities
 - » Deposits
 - » Advances from Federal Home Loan Banks
 - » Commercial Paper
 - » Guaranty Liabilities under FIN 45
 - » Other Financial Instrument Liabilities, at Fair Value
 - » Taxes Payable
 - » Deferred Tax Liability
 - » Repurchase Reserves
 - » Non-controlling Interest (required after the adoption of FAS 160)

Liabilities and Equity

- Equity Rollforward Schedule (B-350R) expanded to include additional line items:
 - » Issuance of New Stock or Conversions of Preferred to Common
 - » Stock Repurchases
 - » OCI: Unrealized Gains (Losses) from Derivatives Designated as Cash Flow Hedges
 - » OCI: Other Changes in OCI
 - » Cumulative Effect from Adoption of FAS 156
 - » Cumulative Effect from Adoption of FAS 159
 - » Cumulative Effect Adjustments to Retained Earnings - Other
 - » Changes in the Carrying Amount of Non-controlling Interest (will be required after the adoption of FAS 160)
 - » Equity Adjustments

Summary of columns used for Schedules C, D, and H

Total

- Accounts for all cumulative income, expense, or employee count for the appropriate period
- Automatically totaled to equal sum of entries in adjacent columns, unless there is a single entry for a total field

Origination, Warehousing, and Secondary Marketing

- Includes all income, expense, or employee count related directly to the origination, warehousing, and marketing of 1-to-4 unit residential loans
- Excludes items related to those loans held in the institution's investment portfolio

Servicing

- Includes all income, expense, or employee count related directly to servicing 1-to-4 unit residential loans
- Includes activity related to REO for 1-to-4 unit residential loans
- Excludes items related to those loans held in the institution's investment portfolio

Summary of columns used for Schedules C, D, and H (continued)

Multifamily/Commercial

- New column in MBFRF version 2.0
- Includes income, expense, or employee count for *all* business for multifamily loans, commercial property, and business farm loans:
 - » Originations
 - » Servicing operations
 - » Investment portfolio management
- Excludes items that might be considered “all other” business or investment portfolio loans that are not multifamily or commercial property

Residential Portfolio Management and All Other

- Includes all income, expense, or employee count related directly to the residential investment portfolio, if applicable
- Includes ancillary business operations such as real estate sales, title companies, property management, insurance sales, construction lending, tax services, etc.

- Significant restructuring of this schedule (Schedule C) from previous version
- Single section for Net Interest Income—*both* Interest Income and Interest Expense collected on Schedule C
- Secondary Marketing Income section renamed "Secondary Marketing Gain/(Loss) on Sale" and additional line items added, including:
 - » Fees paid to brokers
 - » Direct fees and expenses reclassified as "gain on sale" in accordance with FAS 91
 - » Pair-off expenses and other hedge costs
 - » Recognition of retained interests (pursuant to FAS 140)
 - » Provision for repurchases
 - » Lower of cost or market (LOCOM) adjustments on loans held for sale (pursuant to FAS 65)
 - » Income relating to interest rate lock commitments (pursuant to FAS 133)
 - » Gains/(losses) on derivatives used to hedge IRLCs and loans held for sale (pursuant to FAS 133)
 - » Gains/(Losses) on Changes in fair value of loans held for sale (pursuant to FAS 159, if applicable)

- Servicing-Related Non-Interest Income section expanded to include:
 - » Mortgage Servicing Rights (MSR) amortization
 - » Other than Temporary Impairment (OTTI)
 - » Valuation changes (pursuant to FAS 156)
 - » Hedge-related changes
 - » Net gain or loss on the sale of servicing rights and REO
- Contra income accounts added to capture revenues deferred under FAS 91
- Other Non-Interest Income section added that includes:
 - » Provision for Credit Losses on Loans Held for Investment
 - » Other Than Temporary Impairment (not MSR-related) & Other Credit-Related Losses
 - » Net Gain (Loss) from Sale of Securities
 - » Unrealized Gains/(Losses) on Trading Securities
 - » Gains/(Losses) on Other Derivatives or Other Financial Instruments
 - » Gains/(Losses) on Changes in Fair Value of Loans Held for Investment
 - » Pre-Tax Income/(Loss) from Investments in JVs, Partnerships, and Other Entities

Selected Cash Flow Data

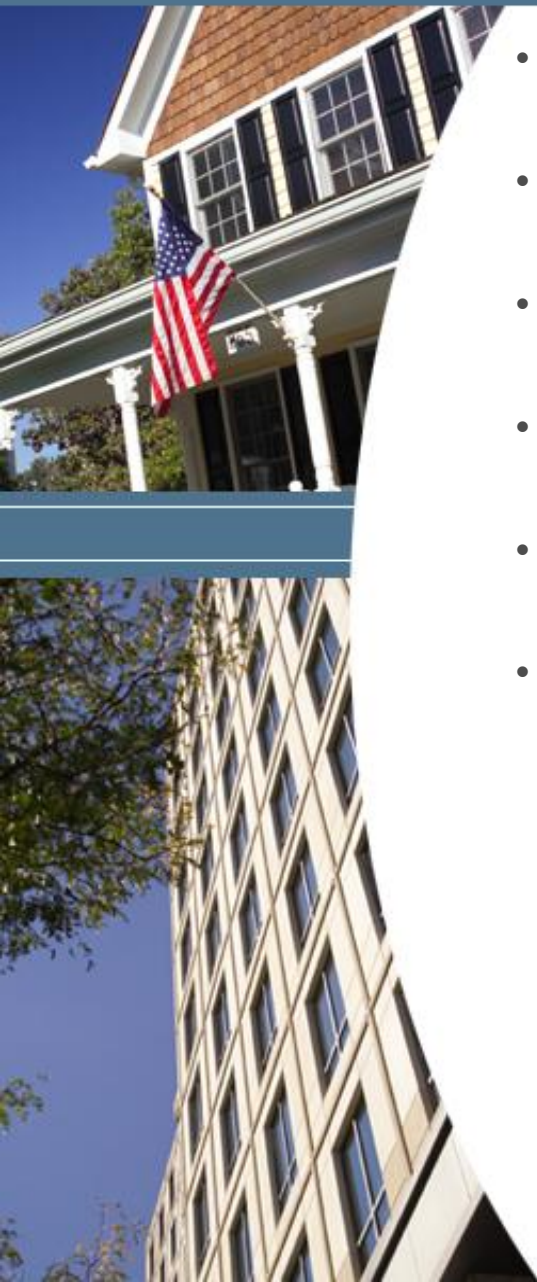
- New Schedule CF with three lines to calculate a Total Increase/(Decrease) in Cash:
 - » Net Cash (Used)/Provided by Operating Activities
 - » Cash Flows from Investing Activities
 - » Cash Flows from Financing Activities.
- These lines are subtotals from each section of the statement of cash flows

Non-Interest Expense

- Non-Interest Expense schedule expanded to include:
 - » Additional line items for loan production personnel compensation, reflecting a break out of certain functional areas
 - » Additional items for Other Non-Interest Income, including Professional Fees; Subservicing Fees Paid; Changes in REO Valuation Allowance
 - » Contra expense accounts added to capture expenses deferred under FAS 91
 - » New section to capture Corporate Administration/Overhead Allocations, including:
 - Corporate management, support, and other corporate personnel expenses
 - Corporate technology costs
 - Goodwill impairment
 - Other corporate expenses or allocations

Non-Interest Expense

- Interest expense items moved to the Net Interest Income section of Income Schedule
- Changes in reporting Depreciation expense
 - » No longer a separate depreciation line item
 - » Depreciation expenses should be included in related expense line items, e.g.:
 - Furniture, fixtures & equipment depreciation expense should be included in Occupancy and Equipment expense line
 - Technology depreciation expense should be included in Technology-Related Expense

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- Employees Schedule (Schedule H) now includes columns for reporting employees by one of the four business types
 - Additional line items added for loan production employees, reflecting a break out of certain functional areas
 - Memo line added to report number of temporary or contractor personnel included in FTE numbers
 - Line added to capture corporate administration/overhead employees, only in total
 - Number of FTEs should be related directly to Personnel compensation expense as reported in Schedule D
 - System warnings for entering loan origination or servicing data but no related personnel

Loan Originations

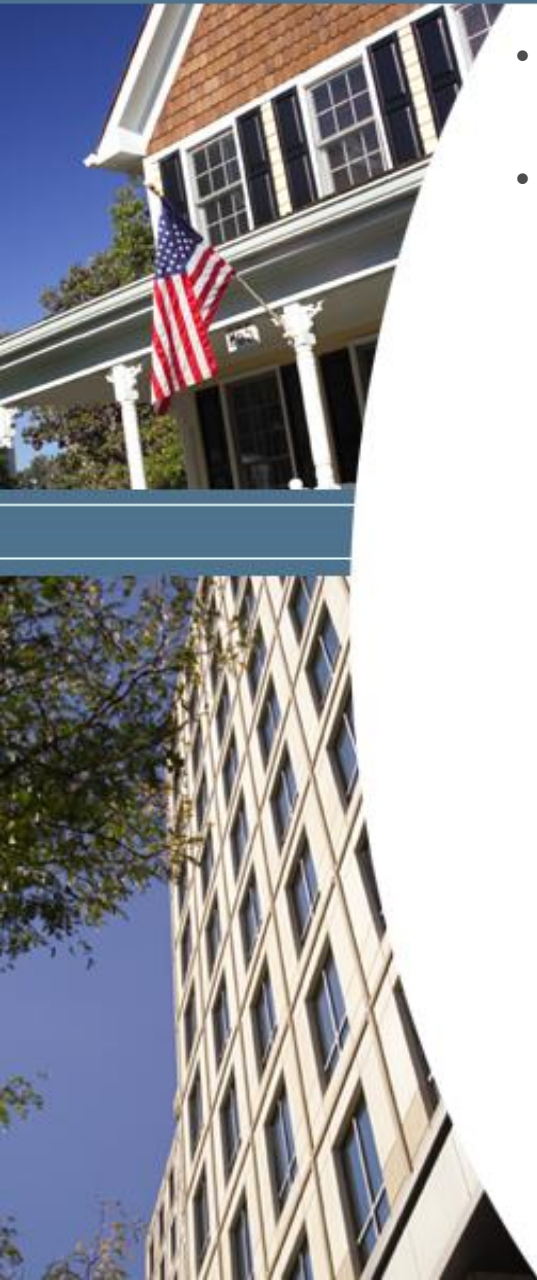
- Retail, Correspondent, and Broker channel production reported in aggregate only now, instead of requiring loan types by channel
- New section added to report and break out loans originated by additional characteristics and types, including prime and non-prime, reverse mortgages, multifamily, commercial, alt doc, interest only, option arm, loans with prepayment penalties, purchase versus refinance, loans with private mortgage insurance, owner-occupied, loans with piggyback seconds, FICO score distribution, and LTV distribution
- Loans sold reported by investor type and by the volume of those that were servicing released and brokered out
 - » Includes Production Kept in Portfolio/Held for Investment and Production Sold through Non-Agency Securitizations with Sale Treatment
 - » Now for first residential 1- to 4 unit mortgages only; total Multifamily/Commercial Loans Sold reported separately in total
- Various origination volume metrics reported, including weighted average CLTV, weighted average coupon at origination, fall-out ratio, average days in warehouse, and production warehoused in excess of 90 days

- Debt Facilities Schedule (Schedule K) expanded significantly
 - » Designed to capture not just warehouse lines, but all types of debt facilities
 - » Details reported for warehouse lines of credit that are used primarily to fund mortgages held for sale and other lines of credit to finance repurchased loans and mortgage servicing rights
 - » Also reported are on-balance sheet debt relating to reverse repurchase facilities for which the institution serves as the “seller/borrower” and asset backed commercial paper facilities
- Information is captured in the various columns on the schedule through drop down boxes and data entry
- Total outstanding borrowings on Schedule K must equal the total outstanding borrowings reported in the first line on Schedule B
- Note: Schedule K meant to capture specific kinds of debt, primarily used for short-term funding of mortgages held for sale; the Liabilities and Equity Schedule (Schedule B) captures other types of debt

Debt Facilities

- Details required for institution's 10 largest debt facilities, and amounts in total:
 - » Whether the financing is provided by an affiliate
 - » The type of facility
 - » Outstanding borrowings
 - » Credit facility limit
 - » Sublimits
 - » Weighted Average Advance Rate (by outstandings)
 - » Tangible net worth requirement
 - » Whether or not there have been any covenant violations
 - » The facility expiration date

Servicing Portfolio



- No longer need to break out loan servicing for company and non-affiliates, servicing for affiliates, and purchased servicing
- Other changes to the loan originations schedule include:
 - » Loans serviced reported and broken out by several additional types of loans, including prime and non-prime, reverse mortgages, multifamily, commercial, interest only, option arm, loans with prepayment penalties, owner-occupied, loans with primary mortgage insurance, loans with piggyback seconds, loans by investor type, and loans removed from the portfolio during the reporting period
 - » Weighted average loan age and portion of loans that had bankruptcy status during the quarter reported
 - » Seriously delinquent loans
 - Also broken out by type, including government, prime, seconds, reverse mortgages, multifamily, and commercial
 - This section at the bottom of Schedule L replaces the old Schedule J

Other Schedules—N, P, Q

- No major changes made to the following schedules:
 - » Recourse Exposure (Schedule N)—captures the volume of loans where the company has repurchase, make whole, or other recourse obligations
 - » GNMA Pass-Through Data (Schedule P)
 - » Pledged or Restricted Items (Schedule Q)

- Schedule O replaces Loss Allowance schedule; significant changes from previous form:
 - » Completely different structure for the names of reserves and allowances; new names consistent with typical mortgage company financial reporting practices
 - » Now structured as a rollforward schedule with the following four sections:
 - Rollforward of Credit Loss Reserves on Loans Held for Investment
 - Rollforward of Valuation Allowance on REO
 - Rollforward of Reserve for Other Losses
 - Rollforward of Repurchase Reserves
- Two types of edit checks performed for each rollforward:
 - » First, the one line item that increases the balance during the period compared to corresponding amount on the income statement
 - » Second, the ending balance compared to the corresponding amounts on the balance sheet (or related rollforward schedule)

Loan Modifications

- New schedule (Schedule R) – single line for the unpaid principal balance and loan count of loans modified during the reporting period

Available Resources

- Help information on WebMB – www.mbfrf.org
 - » General Help, FAQs, MBFRF Overview (Job Aid), and WeBMB definitions available from left navigation menu
 - » Click on any field name to get specific definition
- Questions regarding the MBFRF, contact the WebMB Administrator:
administrator@mbfrf.org / (800) 820-2016 or local (571) 382-5555
- Technical issues with the site, contact Sycamore.US:
techsupport@sycamore.us / (866) 479-2266 or local (301) 668-4681 ext. 370
- Newbold Advisors
 - » Terry Couto: tcouto@newboldadvisors.com / 727-492-7417
 - » Rita Ballesteros: rballesteros@newboldadvisors.com / 301-588-4502
 - » The revised MBFRF was developed in conjunction with Newbold Advisors. The on-going administration of the MBFRF is with the consortium of Freddie Mac, Fannie Mae, Ginnie Mae, and the Mortgage Bankers Association. Although questions specific to the completion of the form should be directed to the WebMB Administrator hotline, Newbold provides additional related accounting and consulting services for mortgage industry participants.