

From: Ben Niles [mailto:BNiles@weichertfinancial.com]
Sent: Friday, September 30, 2011 12:40 PM
To: #Servicing Compensation
Subject: Servicing Fees Paid by GSE's

Only concern is the unintended consequences for the borrower if the servicing fee for performing loans is reduced to as low as \$10/loan/month.

The servicer may now have to now charge a loan set-up fee.
In addition, since today's pricing models factor in the value of servicing at 25 BP of the UPB, reducing the servicing fee will increase the rate or points/fees the borrower pays.
Servicing is valued at 6X (DVO1 of 6) at today's coupons. A 15 BP reduction in servicing fees would impact pricing by 90 BP (6 X 15 BP).
Thus, the rates would rise by at least 1/8th or closing costs will rise by 90 BP or \$1800 on a \$200,000 loan. The impact to the costs to borrowers will be very significant.

The end result is that the cost to the borrower will rise. The cost of the fix for the high cost of servicing the 5-10% of non-performing loans (NPL's) will hit the 90-95% of borrowers who pay their mortgages on time. The cost of financing homeownership will rise.

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