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Subject Pay-Options

In reviewing our servicing port with Steve Bailey the issue of pay-options was discussed. Steve informed me that we have 350,000 pay option loans on the books. He also pointed out that in his opinion the pay option loans were the ones most vulnerable to foreclosure because of the neg am component and because the borrower has been paying at an interest rate on average of 3%. Obviously these loans cannot stay at this rate once the 15% threshold has been reached because the average rate is far below the cost of funds.

Here are my questions relative to the Bank's portfolio:

1. How many pay option loans do we have on the balance sheet?
2. How many have a heloc behind them?
3. What is the delinquency rate?
4. How many are in foreclosure?
5. What is the rate of prepayment on these loans?
6. What are the prospects for future delinquencies and foreclosures?
7. Are we still putting these loans on our balance sheet, and if so, why?