

OCTOBER 31, 2008

CHASE FORECLOSURE PREVENTION PROGRAM

STRICTLY PRIVATE AND CONFIDENTIAL



Chase already is helping families avoid foreclosure

Borrower outreach

- Active borrower outreach targets all borrowers with adjustable-rate mortgages (ARMs), including pay-option ARMs
- Working one-on-one with homeowners to understand their unique financial situations and develop viable, sustainable solutions
- Working with Hope Now and other members of the industry to increase borrower awareness of available resources

Proactive modifications / refinance offers

- Systematically modifying interest rates on subprime ARMs owned by Chase
- Participating in national projects, including Fast Track and Project Lifeline
- Piloting proactive refinance offers for borrowers; offers may have Chase-paid costs, below market rates and/or principal deferment

Chase announces new actions to help families stay in their homes

- Systematically review the entire mortgage portfolio to determine proactively which homeowners are most likely to require help - and try to provide it before they are unable to make payments.
- Proactively reach out to homeowners to offer pre-qualified modifications.
- Establish 24 new regional counseling centers to provide face-to-face help.
- Add 300 more loan counselors so that delinquent homeowners can work with the same counselor throughout the process. Will add more counselors as needed.
- Create an independent process within Chase to review each mortgage before it is sent into foreclosure -- to validate each borrower was offered appropriate modifications.
- Not add any more Chase owned loans into the foreclosure process while implementing enhancements.
- Disclose and explain in plain and simple terms the refinancing or modification alternatives for each kind of loan, including using in-language communications.
- Expand the range of alternatives offered to modify pay-option ARMs.
- Offer discounts on or donate 500 homes to community groups or government programs.
- Use more flexible eligibility criteria and modification terms.

Chase offers new alternatives for pay-option ARMs

Choices for pay-option ARMs modification

Option 1: Refinance into FHA Secure / Conventional

- New 15- or 30- year fully amortizing mortgage
- Requires reasonably good payment history
- Borrowers in owned portfolios may qualify for lender-paid closing costs and / or principal forbearance

Option 2: Principal Forbearance / Rate Modification

- Eliminate negative amortization; fully amortize over 30 years
- Provide principal forbearance to as low as 95% loan-to-value
- Reduce rate to as low as 2.0%-3.0% to meet target ratio of housing payment to income of 31-40% (capped at 50%)
- Step rate up to market in five years
- Create trial period

Option 3: Interest-only Period

- Same as option 2, but if required by affordability test, reduce payment to ten-year interest-only
- Reduce rate to as low as 3.5%

Option 4: Hope for Homeowners (not yet available)

- Requires elimination of second lien and principal write-down to 90% loan-to-value
- More stringent eligibility criteria than other modifications
- More time-consuming process for borrower

Chase offers alternatives for subprime hybrid ARMs

Choices for subprime hybrid ARMs modification

Option 1: Refinance into FHASecure / Conventional

- New 15- or 30- year fully amortizing mortgage
- Requires reasonably good payment history
- Borrowers in owned portfolios may qualify for lender-paid closing costs and / or principal forbearance

Option 2: Rate Modification

- For owned loans, Chase unilaterally locks in initial interest rate for life of loan
- Similar program executed for investors at their request
- ASF Fast Track program freezes pre-reset rate for five years for securitized loans

Option 3: Rate Reduction / Term Extension

- Analysis completed to determine affordable payment based on target ratio of housing payment to income of 31-40% (capped at 50%)
- Rate set to meet affordable payment
- Can be combined with term extension
- Income subject to verification

Option 4: Hope for Homeowners (not yet available)

- Requires elimination of second lien and principal write-down to 90% loan-to-value
- More stringent eligibility criteria than other modifications
- More time-consuming process for borrower

Chase offers alternatives for subprime fixed rate loans

Choices for subprime fixed rate modification

Option 1: Refinance Into FHA Secure / Conventional

- New 15- or 30- year fully amortizing mortgage
- Requires reasonably good payment history
- Borrowers in owned portfolios may qualify for lender-paid closing costs and / or principal forbearance

Option 2: Rate Reduction / Term Extension

- Analysis completed to determine affordable payment based on target ratio of housing payment to income of 31-40% (capped at 50%)
- Rate set to meet affordable payment
- Can be combined with term extension
- Income subject to verification

Option 3: Hope for Homeowners (not yet available)

- Requires elimination of second lien and principal write-down to 90% loan-to-value
- More stringent eligibility criteria than other modifications
- More time-consuming process for borrower

What a Chase loan modification might look like

ILLUSTRATIVE

Example proposed Chase-owned loan modifications		
	Subprime ARM	Pay Option ARM
Home value at origination	\$200,000	\$500,000
Current home value	\$170,000	\$425,000
Original loan amount	\$160,000	\$400,000
Current loan amount (including negative amortization)	\$156,632	\$460,000
Current interest rate / option ARM payment rate	7.00%	1.25%
Interest rate after reset	9.00%	5.75%
Current monthly payment ¹	\$1,064	\$1,623
New payment ¹	\$1,279	\$2,757
Payment amount increase ("shock")	\$214	\$1,134
Principal deferred by Chase	\$0	\$56,250
Principal amount that payment is calculated on	\$156,632	\$403,750
Modified rate	7.00%	5.00%
Modified payment ¹	\$1,064	\$2,167
Payment savings	\$214	\$590

¹ Interest and any principal only. Subprime modification assumes no term extension and 2/1 Hybrid ARM.