



# Systems & Services Technologies, Inc.

## – Servicer Profile

*Insight beyond the rating.*

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### EXECUTIVE SUMMARY

Systems & Services Technologies, Inc. (SST) specializes in providing customized third-party primary and backup servicing for a wide range of installment loan products, including auto loans and leases, recreational vehicle loans, marine loans and motorcycle and power-sport equipment loans. Additionally, SST performs primary servicing for portfolios of consumer credit cards, signature loans, manufactured housing, aircraft loans and other consumer receivables. The company was formed in 1995 as a third-party servicer with an initial focus on subprime auto loans.

In January 2008, SST was acquired by the NCO Group, Inc. (NCO). NCO is the world’s leading provider of business process outsourcing (BPO) services, including accounts receivable management, customer relationship management and finance and accounting solutions. Established in 1926, NCO employs approximately 30,000 people and provides services to more than 22,300 companies in the financial services, telecommunications, health care, retail and commercial, utilities, education, transportation and logistics, technology and government sectors. NCO operates a global network of more than 140 centers, including international facilities in Antigua, Australia, Barbados, Canada, India, Mexico, Panama, the Philippines and the United Kingdom. The company has a well-diversified client base, with revenues of \$1.2 billion as of December 31, 2007. NCO’s strategy for SST is to grow its core business of primary and backup servicing through continued investment in SST’s collections technologies and resources, adding new asset servicing capability, contributing equity to secure new business and continuing on an acquisition strategy to improve SST’s overall operations capability and growth objectives.

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As of January 2008, SST employed approximately 700 servicing professionals in its two servicing centers, in St. Joseph and Joplin, Missouri. SST provides primary servicing for both daily-flow (conduits) and bulk-transfer transactions of varying credit quality and receivable types. SST's client base is well diversified by industry – investment banks, specialty finance companies, captive auto finance and credit card companies, banks and credit unions. SST's current servicing portfolio has more than \$4 billion in active receivables (700,000 accounts) – 75% auto and auto-like and 25% credit card. Historically, SST's expertise is rooted in subprime servicing (borrowers with FICO scores of less than 580). Over the last several years, SST's active portfolio has migrated to a mix of subprime (38%), non-prime (26%) and near-prime or prime (36%) consumer receivables.

SST also provides backup and successor servicing for more than \$30 billion in asset-backed securities (ABS) term and warehouse lending structures. Since its inception in 1995, SST has boarded and serviced receivables with original balances of more than \$26 billion. To date, SST has transferred more than 100 portfolios of whole loans or securitized pools from more than 30 originating companies. SST also provides segmented servicing solutions for early- or late-stage collections, title administration, repossession and vehicle remarketing. The company's overall business processes continue to employ flexible collection models, automation and metrics to maximize performance.

## PRIMARY SERVICING OVERVIEW

SST, as a third-party servicer, offers its clients branded, co-branded and affinity servicing that allows them to maintain relationships with their customers. The company provides a menu of services offering end-to-end servicing as well as the option to select specific functions to augment current processes. End-to-end servicing includes loan boarding, payment processing, statement and correspondence generation, mailing, customer service, document custodial services, title perfection and administration, collections, dealer administration, skip tracing, repossessions, remarketing and bankruptcy administration. Deficiency collections are also provided at the option of the client through an SST affiliate.

### *Loan Boarding and Title Administration*

As a third-party service provider, the servicing process begins with the imaging of hard-copy documents and the electronic transfer of data from the various originators to SST's proprietary servicing system. SST facilitates full integration with its clients' systems, operations and securitizations through an individual data-mapping process. All conduit loans are loaded onto the servicing platform by the next business day after receipt of the electronic data files. For bulk-transfer loans, hard-copy documents and images, if available, are received by SST. Generally, portfolios transferred under a backup servicing agreement occur within 30 days. Depending on credit quality, availability of servicing data and other characteristics, portfolios transferred with no prior involvement of SST take approximately 60 days to transition.

SST's file-room personnel are responsible for accepting hard-copy files and importing data for newly originated loans into the loan-servicing system. A standardized review is performed to compare physical files with those in SST's system, validating basic data formats such as missing or alphanumeric fields. Exceptions or discrepancies are reported to the client for correction. Once the electronic data has been verified against the physical documentation contained in the loan package, the loan is accepted and SST is then responsible for servicing the loan according to the servicing agreement with the client. To facilitate the accuracy of servicing for each client relationship, SST assigns a client identification number for each client. SST's quality-control unit checks key metrics and processes to verify adherence to client requirements.

The title administration group ensures the filing of accurate lien perfection from the applicable Department of Motor Vehicles. Upon receipt, the vehicle's title is imaged and stored in a fire-resistant vault. All titles, as well as other imaged documents, can be accessed by the client via the Internet. Additionally, as necessary, SST will secure a missing or replacement title (typically this happens with a bulk transfer) and process title modifications and lien releases for loans paid in full or repossessions.

### ***Payment Processing***

The majority of payments, approximately 84%, are received monthly through client-designated lock-box services and are posted as of the date of receipt. Payments may also be received via mail, the Internet, Western Union and MoneyGram electronic payment services, military allotments, discretionary payroll allotments and electronic fund transfers. Borrowers may also make payments through SST's interactive voice response (IVR) unit. The company offers its own automated clearing house (ACH) product through the IVR, the Internet or via the telephone with customer service associates. Client funds are reconciled daily and funds are swept to the client on a daily or monthly basis. Clients receive reports on a daily and monthly basis that detail account pool activity and funds flow. Additionally, clients may choose to have read-only access to SST's proprietary servicing system from which they can make queries about specific accounts or perform pool-level analysis.

While SST's servicing strategy is customized based on specific client requirements, welcome letters are generally initiated with SST's correspondence vendor the business day after the accounts are loaded onto the platform. Additionally, SST will, at the client's request, make welcome calls to the borrower. During these welcome calls, customer service associates will verify loan terms, payments and specific borrower information. If at any time SST is unable to contact a borrower after an agreed-upon period of time, the loan is referred to an internal skip-tracing unit for further research and follow-up.

### ***Statement and Correspondence Generation***

SST does not issue coupon books to borrowers. In the firm's experience, account statements afford the benefit of regular contact with the borrower. Returned mail, regardless of account status, is always prioritized for resolution. Whether a bulk-transfer or a conduit program, borrowers will be mailed statements on a monthly basis. Additionally, SST will ensure the mailing of required notices (e.g., annual privacy notices and notices of intent (NOIs) for sale) and customary servicing correspondence (e.g., delinquency) to the borrowers. As requested, SST will facilitate special mailing campaigns to borrowers (e.g., ACH solicitation).

### ***Collections***

SST collections are managed in two groups: the Dialer collections team and the Workbook collections team. The company's proprietary servicing system creates workbooks of accounts that detail the accounts a collection agent is responsible for managing. A predictive dialer, integrated with the servicing system, utilizes modified skills-based routing to direct calls to collection agents. Calling campaigns are specifically developed to target early-stage (one to 29 days past due) and late-stage (30-plus days past due) accounts using credit-scoring models to identify specific calling times. More experienced collection agents perform manual dialing campaigns on later-stage delinquencies. Collection agents determine the reason for delinquency as well as the willingness and ability of the borrower to repay the loan. The collection agents work with borrowers to develop repayment plans to bring accounts current. The integrated systems recognize incoming borrower telephone numbers and calls are routed to the collection agent assigned to the applicable workbook. If the integrated systems do not recognize an incoming telephone number, the call is routed to the next available collection agent. Additionally, SST uses PLANET codes to better manage collection calls, increasing the efficiency and productivity of available agents. PLANET codes are printed on the borrower's payment envelope, which are scanned by the post office to notify SST if the payment has been mailed. SST can then suspend the account from the dialer and prioritize collection calls to borrowers who have not made payments. In the event that a borrower payment is not for the amount expected or is not received, SST technology will identify this exception and the borrower's account will be re-prioritized for collection.

Collection agents assigned to the Dialer team handle both inbound customer service and outbound low-risk (less than 30 days past due) collection calls. Outbound collection calls are scheduled based on days past due and may begin as early as day 5 of delinquency for high-risk accounts, day 6 to day 11 for moderate-risk accounts and day 11 to day 16 for low-risk accounts. Risk level is determined by FICO

score and asset type. SST's dialer is integrated with its proprietary servicing system, which is advantageous in running the multiple dialer strategies that are often executed simultaneously. Generally, at seven to ten days past due, a delinquency reminder notice is sent to the borrower. Accounts will come off the dialer to be worked by a Workbook team collection agent according to client requirements. Additionally, SST uses its dialer to make welcome or verification calls to new borrowers for its conduit portfolios.

Workbook collection teams utilize an account-ownership approach. Collection agents own the same accounts, regardless of delinquency. The accounts are worked by the collection agent from the point they come off the dialer (again, this varies by credit quality, asset type and client requirement) until they are brought current or they are assigned for repossession. Collection strategies for the Workbook teams are tailored to the credit quality of the loans and staffing varies based on portfolio characteristics, delinquency and credit quality.

Collection supervisors oversee the Dialer and Workbook teams of collection agents. All teams are measured on adherence, quality and productivity. When measuring Dialer teams, roll rates are highly significant to success. Similarly, when measuring Workbook teams, delinquency results play a significant role in performance assessment. SST supervisors and managers utilize scorecards for each collection agent to track the success of the collection agent relative to the individual's goals and to the performance of peers with similar goals. Supervisors perform call monitoring and account audits on each collection agent throughout the month.

Inability to contact a borrower will result in referral to the skip-tracing department. Typically, this happens on the third day without a right-party contact. SST utilizes the latest in technology as well as traditional tools for locating both borrower and collateral, including web solutions, publications and third-party field representatives.

The skip-tracing department is primarily responsible for locating the borrower and/or collateral. The skip investigator conducts skip-tracing activities on the account for approximately 30 days. The skip investigator reviews telephone numbers captured by the servicing system, applications and account histories to identify potential leads. Investigators also perform Internet searches to find new addresses or phone numbers reported by the borrower. Once leads have been exhausted by internal resources, the account is assigned to an external skip investigator.

After an account is greater than 30 days delinquent, it is assigned to a member of a Workbook team made up of back-end collection specialists. The Workbook collection specialist will work the account manually on a daily basis. If a promise to pay has been given, the collection specialist will continue to follow up approximately every three days until the payment is received. In the event the payment has not been received by the date promised, the account is then worked daily. Every effort is made to obtain payment from the borrower during this time and if the borrower is brought current, the account will return to the front-end collections team for handling. This back-end group works with a loss mitigation team, which also takes inbound calls, verifies account status and reviews them for potential repossession. Typically, because of the costs associated with repossession, the collateral value must be greater than \$1,300 to initiate repossession. This threshold is established in conjunction with the client.

Additionally, any potential claims against insurance or rebates are investigated. In order to mitigate the loss incurred, all reasonable efforts are made to realize any proceeds from insurance and guaranteed auto protection (GAP) insurance or rebates on insurance and warranty policies.

### ***Bankruptcy***

SST's Bankruptcy Portfolio Management Plan is structured to maximize financial recovery utilizing outside counsel working in conjunction with in-house bankruptcy specialists. The portfolio is scrubbed daily to proactively identify new bankruptcy filings. A bankruptcy workbook is used to establish workflow

And monitor all bankruptcy accounts. SST refers new bankruptcies to outside counsel to file proofs of claim and motions for relief, as appropriate, and to generally administer the case. External bankruptcy counsel solicits verification of collateral location and insurance coverage. Motions for relief are filed by outside counsel on all bankruptcy accounts that are more than 60 days delinquent. Bankruptcy specialists monitor the account, in conjunction with bankruptcy counsel, for a discharge order to take action either by repossessing the vehicle or re-assigning the account to a Workbook collector for special handling.

### ***Repossession Process***

On average, when an account becomes 45 to 60 days delinquent, it is reviewed for potential repossession. After the repossession has been approved by a supervisor, a repossession specialist assigns the account to a bonded and insured repossession vendor. Approved repossession vendors are required to pick up the collateral within 30 days, while providing updates at least every five business days. If the collateral has not been picked up within 30 days, the account is reviewed for possible skip tracing, replevin or assignment to another repossession vendor. On average, SST is currently assigning 300 to 400 units per month to a repossession agent and has assigned as many as 4,000 units in a single month. SST routinely utilizes ten national repossession vendors.

### ***Liquidation and Auction Process***

After SST is informed that the agent has repossessed the collateral, the remarketing specialist begins the evaluation process for determining the expected value of the unit at auction. Simultaneously, the specialist assigns the collateral to the appropriate auction and sends out the NOI letter to notify the obligor of the pending sale. The remarketing specialist is responsible for setting the minimum floor price for the collateral at auction. The floor price is set when the NOI period has expired and the title has been delivered to auction. A review of values as reported by the Manheim Market Report (MMR), the Black Book and the National Automobile Dealers Association (NADA) is used to establish the minimum floor price. Generally, the minimum floor price can not be less than 80% of the MMR value, as adjusted for mileage and damage, without the client's approval.

Transport specialists supervise the transport of collateral to auctions. They are notified of all repossessions and are responsible for reviewing the auction assignment, preparing and sending transport paperwork and verifying the timely delivery of the vehicles to the auction. Once the vehicle has arrived at the auction, a condition report is completed and submitted to the claims department within two business days. The claims department reviews the condition report for excessive damage. If the condition report indicates damage in excess of predefined limits, a claim filing with the obligor's consumer insurance carrier may be triggered.

Within two business days after the sale, the remarketing specialist contacts the auction for sales results. The account is then updated with either the sales results or, if not sold, the next scheduled sale date. SST follows up with the auction for funds no later than the fifth business day following the date sold. Follow-up continues until receipt of funds. On average, SST carries 800 to 900 units in inventory on a monthly basis, averages approximately eight to ten days to repossess a unit, averages approximately 42 to 45 days to liquidate and returns an average of 110% to 115% of MMR. While results may vary across credit tiers, SST returns are consistently average or above market.

## **DEFICIENCY LOAN SERVICING**

### ***Deficiency Collections***

At the option of the client, deficiency collections may be undertaken by an affiliate of SST. Full-service deficiency collections are managed in two stages to maximize recovery values: deficiency collections and legal recoveries. Deficiency collections employ a recovery strategy of predictive dialing during primarily prime-time hours to the most current contact numbers as well as a cradle-to-grave account ownership, where the account is manually managed for payment-plan arrangements, skip tracing and legal preparation. Legal recovery utilizes a network of attorneys who specialize in legal collections within local jurisdictions. In high-risk or potentially high-return scenarios, where allowed by law, two court judgments

are filed to accelerate recoveries. Monetary judgments are judgments are initiated with the attachment of either wages or real property or, potentially, both. Legal recoveries are initiated against uncooperative debtors (refusal to pay) or no-contact debtors with identified assets when efforts to obtain voluntary repayment have been exhausted.

Existing and future clients of SST, as a newly acquired entity of NCO, can expect the company to offer the advantage of additional collections tools such as behavioral modeling to maximize the recovery effort.

## GENERAL LOAN SERVICING

### *Internal Controls*

SST's policy and procedure manuals are available to all employees through a shared drive. Hard copies are also available. Procedures are reviewed and updated quarterly and managers review and approve all changes. SST conducts periodic internal audits of each functional area. The Quality Control group utilizes a risk-based program of audit coverage to provide an independent assessment of the design and effectiveness of key controls over operations, regulatory compliance and reporting. Quality Control reviews may be undertaken by a combination of audits, change-activity reviews and continuous auditing through review of management metrics. The audits evaluate compliance with SST policies and procedures, with contractual obligations and with laws and regulations. In conjunction with corporate governance, examinations are designed to address the soundness and adequacy of accounting, administrative, information processing, data center and general operation controls.

Audit findings are submitted to corporate and business management for review. Management responds to audit findings with appropriate corrective action, if any, and target dates for implementation.

SST has a compliance group that tests processes and procedures to ensure compliance with legal and regulatory requirements. Deficiencies are researched and corrective action plans are developed by the managers to resolve identified issues. The compliance group performs additional testing to verify corrective processes have been implemented.

Over the past 12 months, SST management has indicated no material findings in any audits that would adversely affect the company's ability to service consumer receivables.

Staff is trained regarding the Fair Debt Collection Practices Act (FDCPA). New-hire testing and certification as well as annual re-certification are required of all collection agents, loss mitigation agents and skip investigators. SST's quality control department monitors collection calls to facilitate compliance with FDCPA, as applicable, as well as client requirements and company policies and procedures.

### *External Audit*

Annually, SST engages a firm of independent accountants to deliver, within 120 days after the end of each fiscal year, an opinion on the financial position of SST and the results of operations and changes in financial position of SST for such year then ended on the basis of an examination conducted in accordance with generally accepted auditing standards. Additionally, SST receives a report from these independent accountants to the effect that based on an examination of certain specified documents and records relating to the servicing of SST's loan portfolio, conducted substantially in compliance with the Statement on Auditing Standards No. 70 (SAS 70) or comparable examination, they have found SST's servicing to be conducted in compliance with the applicable accounting standards.

SST's clients and, with the clients' permission, their associated business partners are given reasonable access, with notice, to SST staff and systems to secure their needs for year-end audits as well as periodic audits throughout the year.

### **Reporting**

SST provides daily, weekly and monthly reports and/or data extracts. While a standard suite of reports is available, SST will work to provide customized reporting to satisfy the needs of the client and/or the client's business partners at a negotiated rate.

As part of the standard suite of reports, SST may provide general servicing reports as well as reporting designed specifically to satisfy ABS and conduit or warehouse lending requirements.

As the backup servicer, and depending on the level of service requested, SST will provide the necessary reporting to fulfill any verification requirements associated with "warm" or "hot" appointments.

### **Technology**

SST has incorporated a client-server environment, with all network nodes running on a Nortel switched 10/100 megabyte network. It is a multi-server environment consisting of servers running Microsoft Windows with an Active Directory network operating system. Nodes run applications on both the server and the individual computer workstations, which have been configured with Microsoft Windows XP. REMOTE, a proprietary loan-servicing system, running on the Microsoft SQL platform, was developed internally and is maintained by the internal software application team.

SST has documented disaster recovery and business resumption plans that include personnel, procedures and systems to facilitate a recovery of major systems within 24 hours of a regional failure. The plan is tested two times a year, with the last test performed in September 2007. No major issues were identified. The company uses its facility in Joplin, Missouri, a fully redundant hot site, with 400 seats available for additional personnel, as its primary backup.

### **DEAL HIGHLIGHTS**

SST acts or has acted as third-party servicer on 152 public and private transactions. Some of these public transactions are listed in the table below.

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#### **SST Third-Party Servicing**

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Merrill Lynch MATS 2005-1

Goldman Sachs GSALT 2005-1, 2006-1

Union Acceptance Corporation 1998-A, 1998-B, 1998-C, 1999-D, 1999-A, 1999-B, 1999-C, 1999-D, 2000-A, 2000-B, 2000-C, 2000-D, 2001-A, 2001-B, 2001-C, 2002-A

Aegis Consumer Funding Group 1996-1, 1996-2, 1996-3, 1997-1, 1997-2, 1997-3, 1997-4, 1997-5, 1997-6, 1997-7, 1997-8, 1998-1, 1999-1, 2000-1

NAL Financial Group 1997-2, 1998-1

AutoBond Acceptance Corp. 1995-A, 1996-A, 1996-B, 1996-C, 1996-D

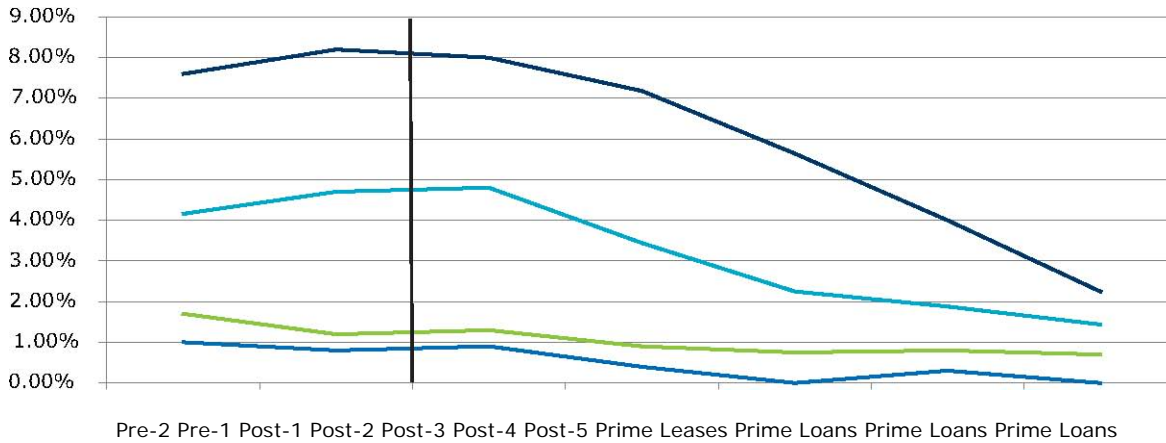
Additionally, SST has been or is the backup servicer on various public and private term and secured lending transactions. Some of these public transactions were for the following companies: Americredit Financial Corp., Case New Holland, CNH Capital, Consumer Portfolio Services, Onyx Acceptance, Prestige Financial and Bay View Acceptance.

In the past, SST has been named backup servicer and has had to assume servicing responsibilities as a successor servicer. As of January 1, 2008, SST had successfully assumed successor servicing responsibilities for more than 50 portfolios of public and private transactions in an amount equal to \$4.7 billion in unpaid principal balances.

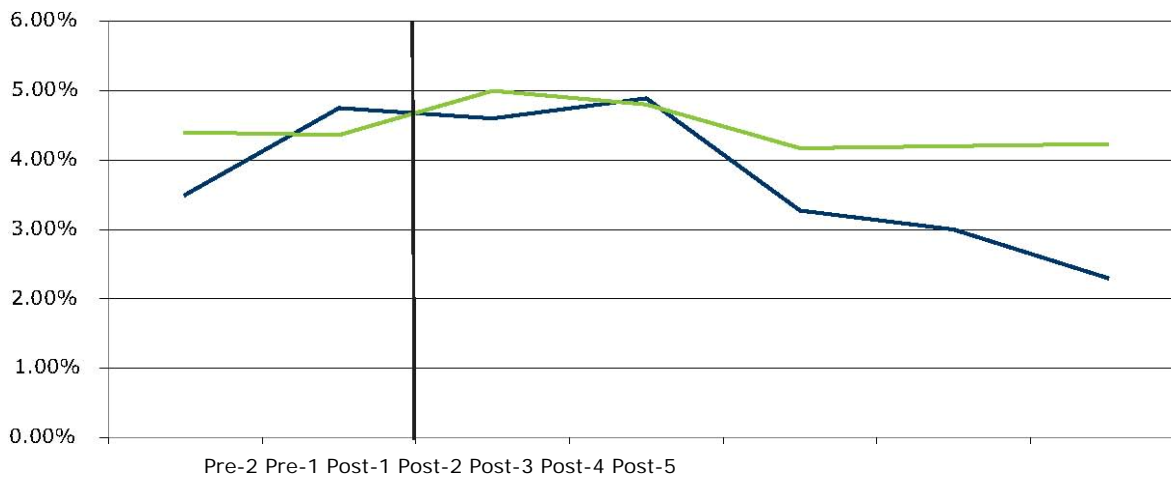
## SST TRANSFER HISTORY

Historically, SST has transferred more than \$26 billion in consumer unsecured loans. The graphs below and on the following page illustrate performance, by credit quality, for SST's largest portfolio transfers before and after the transfer date.

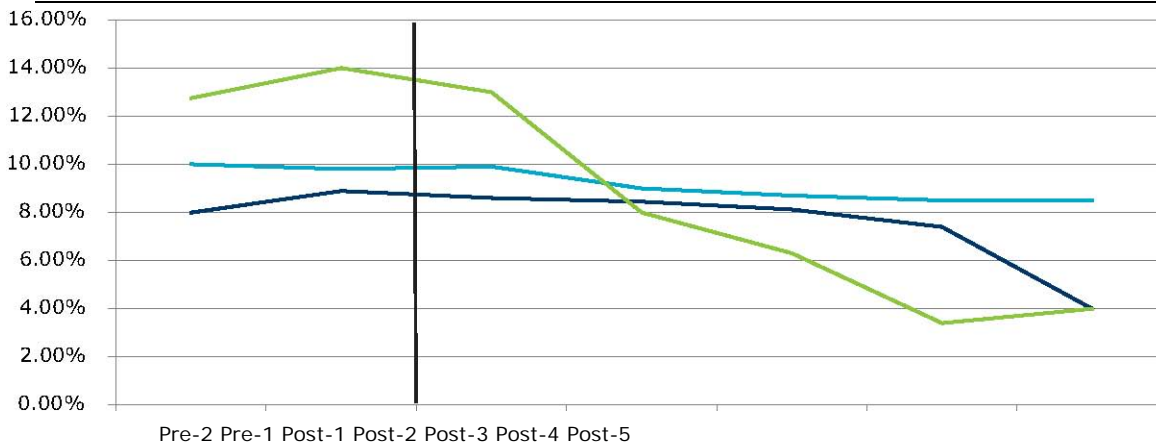
**SST Transfer Experience – Prime Pool Delinquency Trends before and after Transfer**



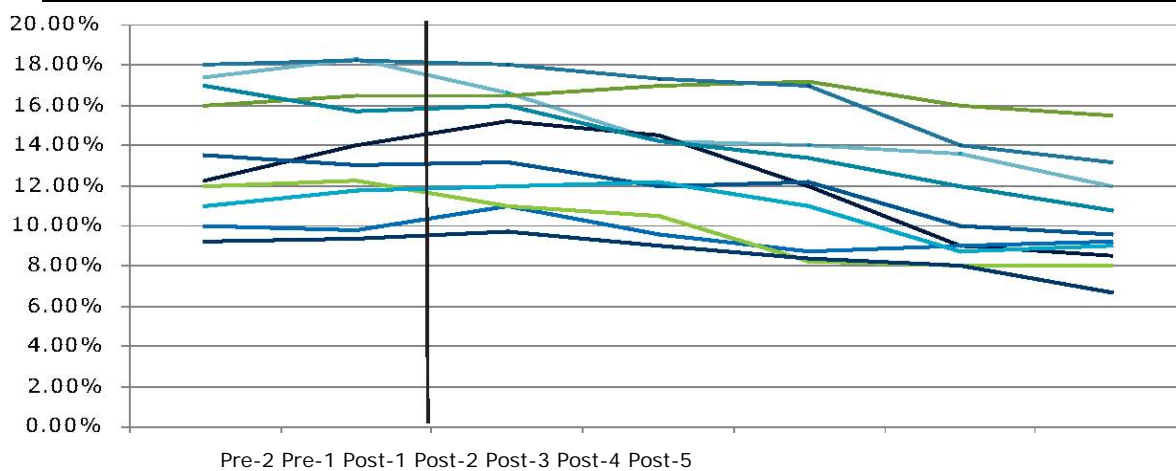
**SST Transfer Experience – Near-Prime Pool Delinquency Trends before and after Transfer**



**SST Transfer Experience – Non-Prime Pool Delinquency Trends before and after Transfer**



**SST Transfer Experience – Subprime Pool Delinquency Trends before and after Transfer**



Note: All figures are in U.S. dollars unless otherwise noted.

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