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# AUDIT REPORT



FIRST HORIZON HOME LOANS  
NON-SUPERVISED DIRECT ENDORSEMENT LENDER  
IRVING, TEXAS

2003-KC-1004

JANUARY 17, 2003

REGION 7 OFFICE OF AUDIT  
KANSAS CITY, KS

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Issue Date	January 17, 2003
Audit Case Number	2003-KC-1004

TO: John C. Weicher, Assistant Secretary for Housing-Federal Housing Commissioner,  
Chairman, Mortgagee Review Board, H

*Roger E. Niesen*

FROM: Roger E. Niesen, Regional Inspector General for Audit, 7AGA

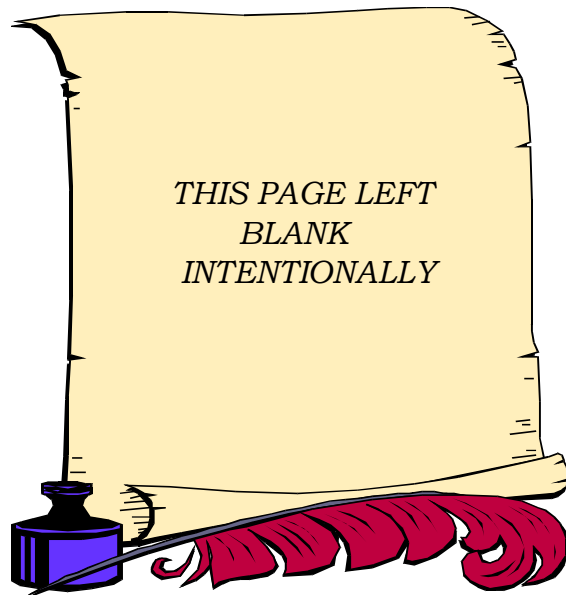
SUBJECT: First Horizon Home Loans, Irving, Texas

We have completed an audit of First Horizon Home Loans, a non-supervised direct endorsement lender approved to originate Federal Housing Administration insured loans. We selected First Horizon for audit because of its high number of late endorsements. Our audit objective was to determine if First Horizon requested late endorsements for loans that had late payments prior to submission.

We reviewed all of First Horizon's Federal Housing Administration loans for a 23-month period to ensure that all late endorsement requests were for loans with appropriate borrower payment patterns. We concluded that First Horizon improperly submitted 438 loans, totaling \$48,498,301 for late endorsement during that period. Our report contains one finding with recommendations requiring action by your office.

In accordance with HUD Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without management decisions, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed, or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions, please contact me at (913) 551-5870.



# Executive Summary

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We have completed an audit of First Horizon Home Loans, a non-supervised direct endorsement lender approved to originate Federal Housing Administration insured loans. We selected First Horizon for audit because of its high number of late endorsements. Our audit objective was to determine if First Horizon requested late endorsements for loans that had late payments prior to submission.

## First Horizon Improperly Submitted Late Requests for Endorsement

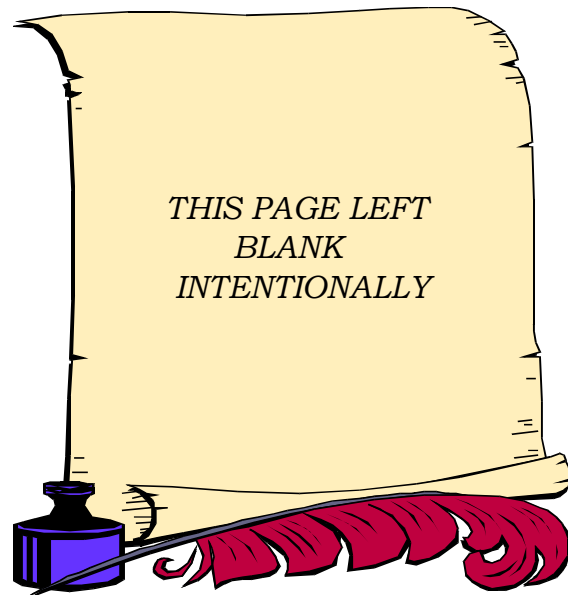
First Horizon Home Loans improperly submitted 438 loans totaling over \$48 million for endorsement more than 60 days after closing when the borrowers had delinquent payments prior to submission. Although First Horizon incorporated HUD's late submission requirements into its procedures, it did not ensure that its employees always followed them. Since these loans are insured by the Federal Housing Administration, they increase the risk to its insurance fund.

Because HUD relied on First Horizon's loan origination process, HUD assumed abnormally high risk when it insured the 438 loans totaling \$48,498,301. As of September 30, 2002, HUD paid claims on 15 of the loans and has experienced a loss of \$83,050 on the 3 properties that have been sold.

We provided our draft findings to First Horizon following the audit. We held an exit conference with First Horizon on December 16, 2002. First Horizon provided written comments to our findings on January 2, 2003. We incorporated excerpts of the comments into our report as appropriate. The complete text of the comments is contained in Appendix E.

## Recommendations

We recommend that the Assistant Secretary for Housing-Federal Housing Commissioner/Chairman, Mortgagee Review Board take appropriate steps against First Horizon based on the information contained in the finding. These steps should, at a minimum, include requiring indemnification for 423 loans (this excludes 15 loans terminated with no cost to the insurance fund). We also recommend that the Mortgagee Review Board require First Horizon to implement enhanced controls to protect the insurance fund against future losses.



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**Abbreviations:**

HUD – Department of Housing and Urban Development

OIG – Office of Inspector General

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# Introduction

HUD approved First Horizon Home Loans to originate Federal Housing Administration insured loans on March 12, 1980. First Horizon originates Federal Housing Administration insured loans, Veterans Administration loans and conventional loans. Between July 1, 2000 and May 31, 2002, First Horizon originated or sponsored 47,786 Federal Housing Administration loans totaling over 5 billion dollars that had been endorsed as of June 30, 2002. Prior to July 1, 2000, First Horizon had originated 201,672 Federal Housing Administration insured mortgages since it began originating them in 1980.

First Horizon's Government Insuring Department is located in its home office in Irving, Texas. Some of First Horizon's branch offices submitted their own loans until March 2002, when the submission function was centralized at the home office. First Horizon also used temporary workers under a contract with an outside firm, until the end of 2001 when that contract expired.

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## Audit Objectives

Our audit objective was to determine if First Horizon requested late endorsements for loans that had late payments prior to submission.

## Audit Scope and Methodology

During our audit, we performed tests for compliance with HUD's requirements for the origination of Federal Housing Administration insured loans. We reviewed the payment histories for all 15,877 loans that were submitted for endorsement more than 60 days after closing to ascertain if there had been delinquent payments before the loans were submitted for endorsement.

We interviewed HUD's management and staff to obtain background information on First Horizon Home Loans and reviewed HUD's handbooks to obtain Federal Housing Administration requirements. We interviewed First Horizon's management and staff to determine the process for submitting Federal Housing Administration insured loans for endorsement. We reviewed First Horizon's procedures for its Cash Management and Government Insuring departments. Finally, we reviewed submission dates and payment history data from First Horizon to determine if late requests for endorsement were proper.

We tested all 47,786 loans originated by First Horizon during the 23-month period July 1, 2000 through May 31, 2002 to determine if the loans were submitted for endorsement more than 60 days after closing. After eliminating loans with terminated insurance and loans for new construction, we



identified 15,877 late endorsement requests, which we tested to determine if the borrowers had late mortgage payments prior to First Horizon requesting endorsement. Data limitations prevented us from testing 128 of the 15,877 loans.

To achieve our objective, we relied extensively on computer-processed data contained in HUD's Single Family Data Warehouse, and the oracle and Alltel systems used by First Horizon.

Specifically, we relied on the submission dates and payment histories contained in First Horizon's systems. We used the submission dates provided, as long as the reported date did not occur after the endorsement date and so long as First Horizon had not recorded the loan as rejected by HUD after the submission date. We also relied on the closing dates and endorsement dates contained in HUD's system. We used the mortgage amount and claims status from HUD's system for information purposes only.

We assessed the reliability of this data including assessing relevant general and application controls, which we found to be adequate. We also conducted sufficient tests of the data. Based on these tests and assessments, we concluded that the data we used are sufficiently reliable to be used in meeting our objectives.

We performed audit work from July 2002 through October 2002. The survey and audit covered the period July 1, 2000 through May 31, 2002. The audit was conducted in accordance with generally accepted government auditing standards.

We provided a copy of this report to the President of First Horizon.

# First Horizon Improperly Submitted Late Requests for Endorsement

First Horizon Home Loans improperly submitted 438 loans totaling over \$48 million for endorsement more than 60 days after closing when the borrowers had delinquent payments prior to submission. Although First Horizon incorporated HUD's late submission requirements into its procedures, it did not ensure that its employees always followed them. Since these loans are insured by the Federal Housing Administration, they increase the risk to its insurance fund.

## HUD Requirements

HUD requires that loans submitted more than 60 days after closing meet certain late request standards, including a standard that the borrower has made all payments up to the time of submission within the calendar month due, or at a minimum, made 6 consecutive payments within the calendar month due.

HUD Handbook 4165.1 contains instructions to mortgagees for late requests for endorsement. Late request for endorsement procedures apply if the mortgage is submitted to HUD for endorsement more than 60 days after closing. The degree of risk to the Department must be no greater than existed at the time of closing in order for the mortgage to be endorsed.

For loans submitted more than 60 days after closing, the lender must include several pieces of documentation, including a payment ledger. The ledger must show the payments received, including the payment due for the month in which the case is submitted if the case is submitted after the 15th of the month. The mortgage payments must not be delinquent when submitted for endorsement. The payment ledger must cover the entire period from the first payment due date to the date of submission for endorsement. Each payment must be made in the calendar month due. If a payment is made outside the calendar month due, the lender cannot submit the case for endorsement until six consecutive payments have been made within the proper calendar month when due.

## First Horizon Submitted Ineligible Late Loans

We reviewed 37,513 loans originated or sponsored by First Horizon in the 23-month period from July 1, 2000 through May 31, 2002 and found that 15,877 of these loans were submitted for endorsement more than 60 days after closing.

## Finding 1

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We tested these late submissions to determine whether payments had been made after the calendar month due, any time within 6 months prior to First Horizon submitting the loan for endorsement. In total, we found that First Horizon submitted 438 loans for late endorsement even though the borrowers had delinquent payments prior to submission (see Appendix B for a detailed description of our methodology and Appendix D for a complete list of the 438 loans). The mortgages on these improper submissions totaled \$48,498,301.

As of July 25, 2002, the delinquency status of these loans was as follows:

<i><b>Delinquency Status</b></i>	<i><b>Number of Loans</b></i>	<i><b>Mortgage Amount</b></i>	<i><b>Percent of Total</b></i>
<i><b>Current/Paid in full</b></i>	110	\$12,333,472	25.4%
<i><b>Due for current month</b></i>	85	9,555,752	19.7%
<i><b>30 or more days past due</b></i>	45	5,512,710	11.4%
<i><b>60 or more days past due</b></i>	18	2,015,246	4.2%
<i><b>90 or more days past due</b></i>	23	2,376,608	4.9%
<i><b>In Foreclosure process</b></i>	28	2,876,922	5.9%
<i><b>Service transferred— unknown status</b></i>	129	13,827,591	28.5%
<i><b>Totals</b></i>	<u>438</u>	<u>\$48,498,301</u>	<u>100.00</u>

As of September 30, 2002, HUD's system shows that 17 of the service transferred—unknown status loans from the above table are in default. HUD's system also shows that it has paid claims on 15 of the 438 loans (original mortgage amount \$1,494,013). Three of these properties have been sold, with a loss to HUD of \$83,050. The claims paid on the other 12 loans total \$962,006, with an indeterminate loss at this point. The total loss to HUD for these loans will not be known until the properties are sold. The mortgage amount on the remaining 423 loans totals \$47,004,288.

Also, as of September 30, 2002, the insurance has been terminated without a claim on 15 of these loans with original mortgage amounts totaling \$2,126,625. Although these loans were improperly insured, and at the time they were submitted for endorsement, they did not comply with HUD requirements thus placing the insurance fund at risk, they no longer represent risk to the insurance fund. The remaining 408 loans with mortgage amounts totaling \$44,877,663 are

actively insured by HUD. These loans represent an increased risk to the insurance fund.

First Horizon's Controls  
Were Not Adequate

First Horizon did not ensure its employees always followed its late submission procedures that incorporated HUD's requirements. The improper late submissions occurred because of the large volume of Federal Housing Administration mortgages, the staff's lack of understanding of HUD's requirements, and the lack of controls to ensure that loans with late payments were properly submitted.

First Horizon had a backlog of loans to be submitted for endorsement because of the large volume of Federal Housing Administration mortgages it originated. In December 1999, First Horizon had a backlog of 18,000 loans to be submitted for insurance; however, they submitted just 24 percent of the loans within 75 days of closing. As a result, First Horizon contracted with an outsourcing company as well as hired temporary employees to help it catch up with the backlog. As of June 2002, the backlog had been reduced to 301 loans, and First Horizon submitted 92 percent of its loans within 60 days and 97 percent of its loans within 75 days of closing. The outsourcing company is no longer used and only a limited number of temporary employees are still on staff at First Horizon.

Not all First Horizon staff understood the late submission requirements. Some employees did not understand that when they resubmitted a case binder after HUD initially rejected it, they needed to obtain, review, and submit an updated pay history. As a result, the Government Insuring department is creating new manuals for its employees to explain the case binder submission requirements more clearly and in a format that is easier to use as a reference. A full-time trainer was added to the department in the spring of 2002. The Government Insuring manager is developing report cards for each insurer that will score them on their number of submissions, the number of rejections, and the total number of loans insured. She is also considering having only experienced managers handle the late submissions.

First Horizon did not have adequate controls to ensure that loans with late payments were properly submitted. Until March 2002, First Horizon's submission process was not centralized. One of its regions, the MNC Region, was

submitting its own loans. The MNC Region was responsible for 23 percent of the improper late submissions. At the home office, there was no trigger in the system that made sure employees obtained and reviewed pay histories for loans being submitted for late endorsement or that blocked loans with late payments from being submitted. The Government Insuring manager told us she plans to interface their oracle database with the Alltel payment system to pull the pay history and identify late payments. She also plans to have their oracle database interface with their bar coding system to consistently record in the system the date the loan is actually submitted to HUD.

Although First Horizon has initiated and planned corrective actions, it needs to indemnify HUD for the 423 loans improperly submitted that now have active insurance or have resulted in claims against the Government. Also, First Horizon needs to implement controls that provide assurance employees are following HUD's requirements when submitting loans for endorsement.

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**Auditee Comments**

Following is an excerpt from First Horizon's comments on our draft finding. Appendix E, page 37, contains the complete response.

First Horizon believes it is important to put the period subject to the Audit in context. First Horizon's endorsement of 37,513 loans from July 2000 to May 2002 was a record for the company. There were only 438 loans in question, or 1.18 percent.

Important steps have been taken to ensure First Horizon improves its performance going forward.

In addition to enhancing their existing procedures and quality control checks, a new training position has been created to audit files before they are submitted to HUD. This procedure will allow for continued training of insurers.

To further ensure that loans are submitted timely and that no loans are submitted with delinquent pay history, First Horizon is developing automation at the insurer's desktop to alert as to the payment status of each loan. If the loan is

delinquent, it will prevent the insurer from submitting the loan to HUD. This enhancement should be implemented by end of the first quarter 2003, and will greatly increase the controls, as well as reduce the risk of submitting a delinquent loan.

First Horizon is anxious to resolve the findings identified in the Inspector General's audit. They understand the need for compliance and are committed to eliminating these issues on a going forward basis. In that regard, First Horizon believes a fair and appropriate settlement would be to indemnify (reimburse) HUD for losses on the 15 loans that have gone to claim.

First Horizon does not believe for loans where foreclosure has not been completed or loans that have been transferred, that indemnification is warranted. The remaining loans are being worked aggressively and loss mitigation is being used wherever possible to help borrowers maintain their homes. Many of the loans are current.

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## OIG Evaluation of Auditee Comments

We also feel it is important to place our results in context. Our tests were designed only to identify loans that were submitted late, without having had an adequate payment history. Therefore, the results of those tests provide no evidence about whether the other 37,075 loans were submitted in compliance with HUD requirements. In other words, our tests showed only that 438 loans were inappropriately submitted for endorsement, not that 37,075 were appropriately submitted for endorsement.

We agree that the number of loans submitted for endorsement when the borrower had a late payment prior to submission is a relatively low percentage of the total number of loans. However, the fact still remains that these 438 loans, totaling over \$48 million, were in clear violation of HUD's requirements for Federal Housing Administration insurance.

We believe that First Horizon's implementation of a pre-submission audit process should help prevent improper submissions and provide employees with the needed feedback to prevent future improper submissions. This

should be beneficial if a sufficient number of files are audited and if the results of these audits are conveyed to the staff.

We agree that the planned automation tool to alert staff to the presence of late payments and prevent them from submitting that loan for insurance will be an extremely beneficial control.

We disagree with First Horizon's assertion that a fair settlement would be to only reimburse HUD for losses on the 15 loans on which HUD has already paid claims. Because the other 408 actively insured loans were submitted in violation of HUD's requirements, they, too, must be addressed. First Horizon can continue to work aggressively to attempt to keep these loans from resulting in claims, but for those that do ultimately result in claims, First Horizon should be held accountable for the loss on those loans.

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## Recommendations

We recommend that the Assistant Secretary for Housing-Federal Housing Commissioner, and Chairman, Mortgagee Review Board:

- 1A. Take appropriate steps against First Horizon Home Loans for not adhering to HUD's requirements for late endorsement requests, including requiring indemnification for 423 loans totaling \$46,371,676 that were improperly submitted for endorsement.
- 1B. Require First Horizon to develop and implement enhanced control procedures that provide assurance that its employees are following proper procedures to satisfy HUD's requirements for late endorsement of loans. This could include proceeding with the plan to interface Oracle and Alltel, so that the system would automatically calculate the number of days that have elapsed since closing, obtain the pay history if necessary, and block the status from being changed to submitted if the pay history is unacceptable.

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# Management Controls

Management controls include the plan of organization, methods and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

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## Relevant Management Controls

We determined the following management controls were relevant to our audit objectives:

- Controls over submitting loans to HUD for endorsement.
- Controls over recording mortgage payments.

We assessed the relevant controls identified above.

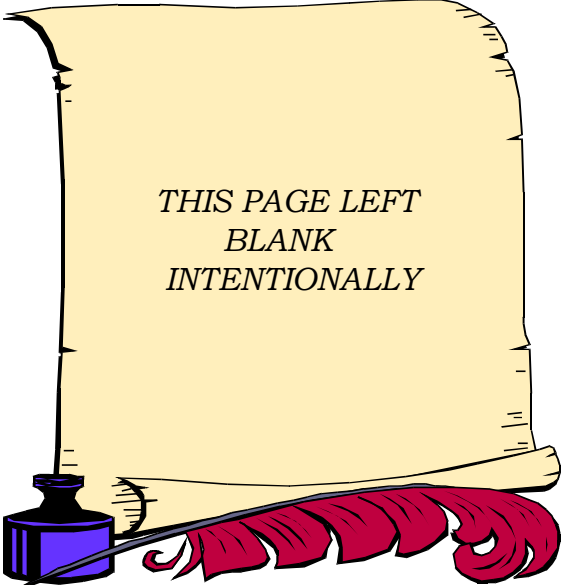
It is a significant weakness if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet an organization's objectives.

## Significant Weaknesses

Based on our review, we believe the following item is a significant weakness:

- First Horizon needs to improve its controls to ensure it properly requests late endorsements from HUD (see Finding 1).





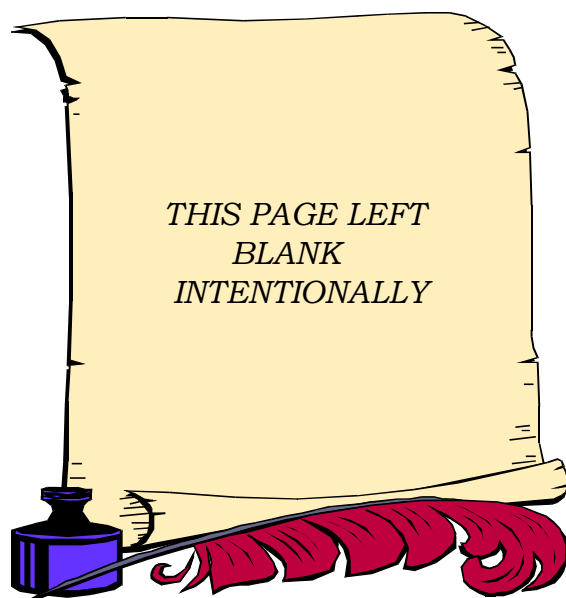
# Schedule of Questioned Costs and Funds Put to Better Use

<u>Recommendation Number</u>	<u>Type of Questioned Cost</u>		<u>Funds Put to Better Use 3/</u>
	<u>Ineligible 1/</u>	<u>Unsupported 2/</u>	
1A			\$46,371,676

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law, contract or Federal, State or local policies or regulations.

2/ Unsupported costs are costs charged to a HUD-financed or HUD-insured program or activity and eligibility cannot be determined at the time of audit. The costs are not supported by adequate documentation or there is a need for a legal or administrative determination on the eligibility of the costs. Unsupported costs require a future decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of Departmental policies and procedures.

3/ Funds Put to Better Use are costs that will not be expended in the future if our recommendations are implemented. For this review, the funds put to better use consist of loans and guarantees not made because of indemnification.



# Scope and Methodology

## First Horizon's Loan Universe

We obtained from HUD's Neighborhood Watch system a list of First Horizon's 47,786 loans with first amortization from July 1, 2000 through May 31, 2002. Of these loans, 10,273 were new construction loans that were not subject to the 60-day submission requirement or were loans terminated without a claim that did not place the insurance fund at risk. Of the remaining 37,513 loans, HUD's system showed that 19,055 had been endorsed more than 60 days after closing. In general, we determined the number of loans submitted more than 60 days after closing by using the submission date provided to us by First Horizon and the closing date maintained in HUD's system. In some cases, however, we did not make the calculation based on the submission date from First Horizon's system. In cases where First Horizon's system did not provide a submission date or the date was illogical, we used a date from HUD's system as the submission date. In those cases where we substituted a date from HUD's system, we provided the information to First Horizon so they could research the true submission date. Using this process, we determined that 15,877 of the 19,055 loans had actually been submitted for endorsement more than 60 days after closing. The remaining 3,178 loans were endorsed more than 60 days after closing but First Horizon's data showed that they were submitted within 60 days of closing.

We matched these 15,877 loans with payment history data maintained in First Horizon's systems. For various reasons, 128 of the loans had no payment history available to test. For the remaining 15,749 loans, we could test all of the payments up to submission for 14,901 loans. For the remaining 846 loans, we could only test some of the payments prior to submission, because the payment history data cut off at some point prior to submission. See Appendix C for a diagram illustrating the loan universe.

## Loans Were Improperly Submitted

We tested the available payment history for the 15,749 loans for the presence of untimely payments prior to submission. Specifically, we tested for payments made after the calendar month due, any time within 6 months prior to First Horizon submitting the loan for endorsement. Using the Audit Command Language (computer software that allows the comparison and testing of large quantities of data) program, we identified 401 loans with one or more late payment(s) prior to the submission date.

We then examined the 846 loans for which the pay histories were incomplete. We found the following:

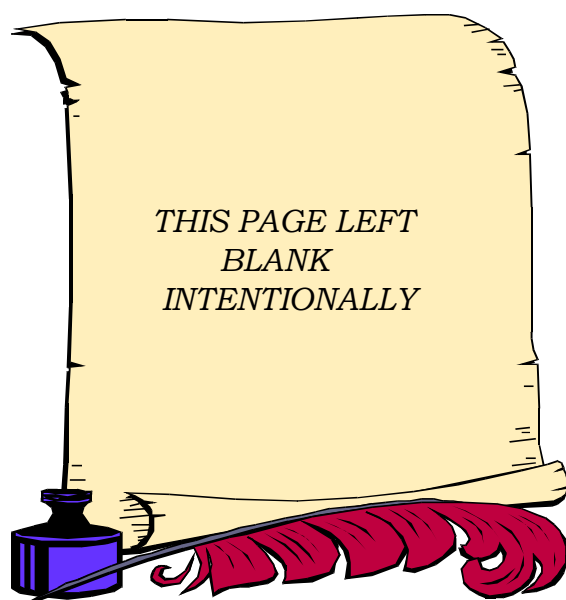
- 45 loans were improper submissions according to the formula described above.
- 736 loans lacked a complete payment history because their servicing was transferred to another lender prior to the loans' submission to HUD. For these loans, the only way to determine if there were late payments prior to submission would be to contact the new servicers to obtain the histories. However, First Horizon staff said that they obtain pay histories from the new servicers and submit these histories in the case binders sent to HUD. Therefore, we selected 19 of the service-transferred loans for review on the basis that they went into default within the first 2 years, which may indicate that they had late payments before being submitted to HUD. We reviewed the HUD case binders and found that 11 of the loans were additional improper submissions. For these loans, the pay history showed late payments within 6 months prior to the submission, was not submitted to HUD, or was outdated at the time of submission.
- 65 loans were not coded as service transferred, but did contain incomplete pay histories. We reviewed the pay histories for these loans and First Horizon researched them as needed. We determined that 5 of them had late payments prior to submission.

For the 3,178 loans that were endorsed more than 60 days after closing but submitted within 60 days per First Horizon's data, we compared First Horizon's submission dates against HUD's endorsement date. We found 1,205 instances where First Horizon said the loan was submitted within 60 days, but HUD did not endorse the loan until 65 or more days after closing. We analyzed the payment histories for those loans, and determined that 32 of them had a late payment by the time of endorsement. After First Horizon researched the submission dates for these loans, we determined that 13 of them totaling \$1,575,907 were actually submitted more than 60 days after closing and had a late payment before the submission. We also determined that 20 of the 1205 loans had been service transferred prior to the endorsement date. The Alltel database did not contain payment histories for these loans after the service transfer, so

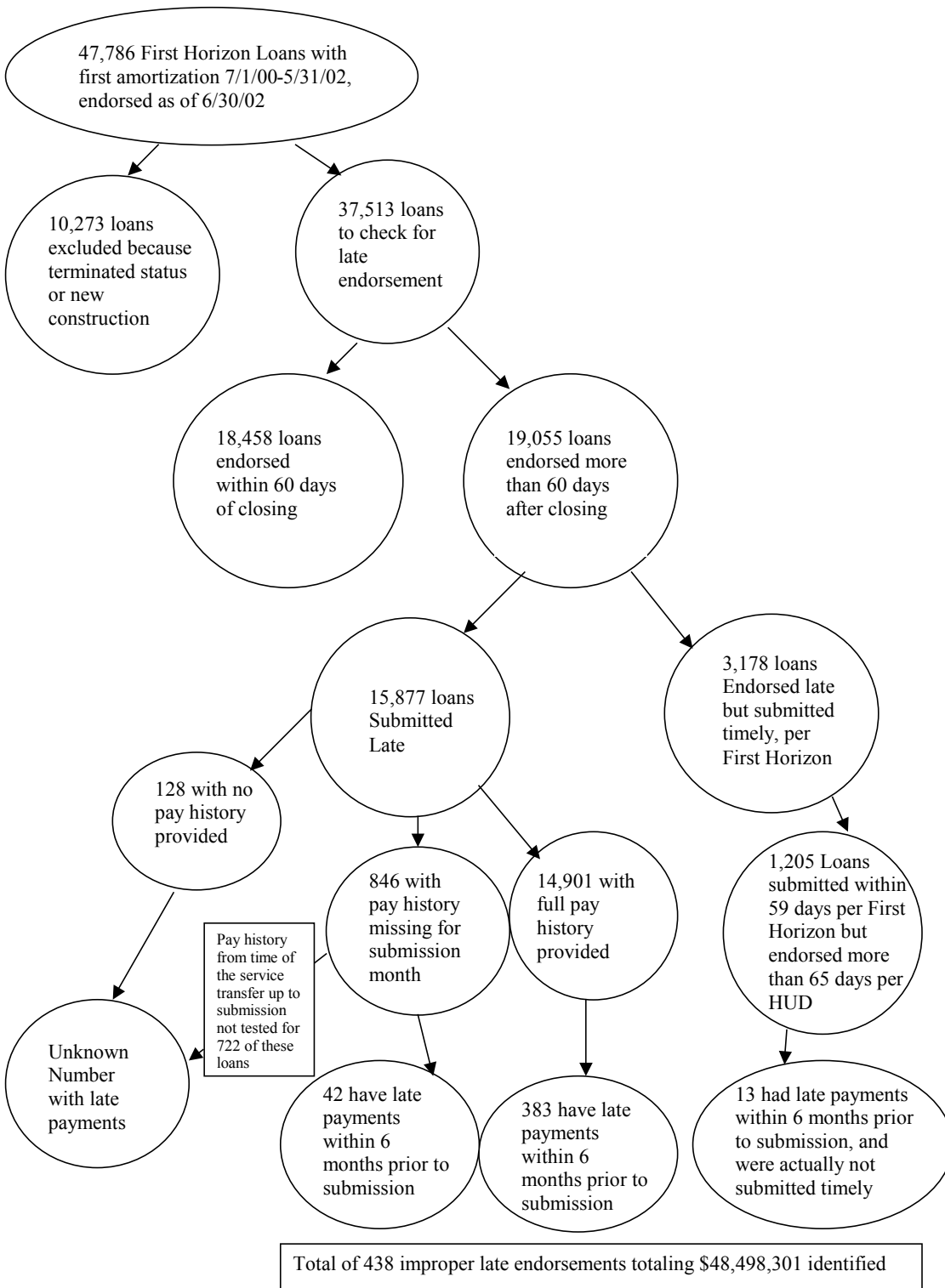
we were unable to fully test them for late payments prior to submission.

While following up on the loans that we identified in the previous step, we learned that the submission dates we received were not always reliable. First Horizon had downloaded from their Oracle database the submission date, and the resubmission date if there was a reject date. But, we found that sometimes that data we received was incomplete or inaccurate. In addition, sometimes the payment was coded as “174”, which was the code for escrow payment. Our original testing did not check for escrow payments made after the calendar month due. Therefore, to overcome these apparent deficiencies in the data, we performed an additional test on all of the 15,754 late submissions. This test rejected First Horizon's date if it was not within 5 days of HUD's receipt of the loan or within 10 days of endorsement. This was a means to detect a gap that might indicate the loan was rejected and subsequently resubmitted. We also tested for payments coded as escrow payments. After First Horizon researched the resulting list of loans, we determined that 8 of them were additional improper late submissions.

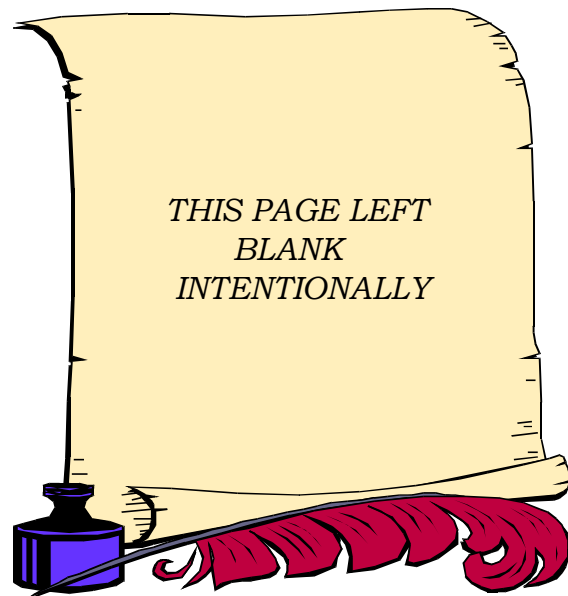
In total, we found that First Horizon submitted 438 loans for late endorsement even though the borrowers had delinquent payments prior to submission (see Appendix D for a complete list of the 438 loans). The mortgages on these improper submissions totaled \$48,498,301.



# Chart of Loans Examined







# Improper Late Submission Details

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
1	022-1529397	17462292	\$84,969	9/5/01	9/25/01	401	1556500045	15565	Santa Ana	Due for Current Month	6/1/01 5/1/01 4/1/01
2	022-1546871	22442677	\$88,886	5/2/01	5/3/01	155	1529400003	30141	Santa Ana		1/1/01
3	023-0320369	14771190	\$67,444	3/13/01	3/16/01	232	1556501209	15565	Santa Ana	30-59 Days	12/1/00 10/1/00
4	023-0325229	22305981	\$123,151	10/25/00	10/25/00	100	7674600001	15565	Santa Ana	Prepaid or Current	9/1/00
5	023-0428652	22887483	\$86,350	3/15/01	3/19/01	135	7912100006	30141	Santa Ana	Service Transfer	12/1/00
6	023-0449906	22889877	\$114,018	3/26/01	3/28/01	117	1191500035	15565	Santa Ana	30-59 Days	1/1/01
7	023-0506851	23165327	\$142,267	5/21/01	5/24/01	112	7749700003	30141	Santa Ana		4/1/01 3/1/01
8	023-0517775	23168487	\$92,892	4/12/01	4/17/01	71	1097100007	30141	Santa Ana		3/1/01
9	023-0646999	23418841	\$143,744	7/17/01	7/17/01	81	1556502023	15565	Santa Ana	30-59 Days	6/1/01
10	023-0651802	17971656	\$99,515	7/31/01	8/14/01	61	1556501209	15565	Santa Ana	Due for Current Month	7/1/01 6/1/01
11	023-0657962	23486640	\$105,117	9/18/01	9/21/01	81	1191500207	15565	Santa Ana	Foreclosure	9/1/01 8/1/01
12	023-0802983	27365840	\$118,146	3/21/02	3/25/02	220	1556502023	15565	Santa Ana	Due for Current Month	3/1/02
13	023-0829169	27327097	\$89,066	4/24/02	4/26/02	190	1665400004	15565	Santa Ana	Prepaid or Current	2/1/02 1/1/02
14	023-0961664	27943356	\$143,072	3/13/02	3/18/02	77	1335700001	15565	Santa Ana	60-89 Days	2/1/02
15	031-2754439	22989131	\$111,943	12/7/00	12/13/00	125	1556506229	15565	Denver	Due for Current Month	11/1/00
16	031-2811565	15303928	\$77,388	10/1/01	10/9/01	159	1556506229	30141	Denver		7/1/01
17	042-7650633	22961965	\$128,391	2/2/01	2/8/01	158	7281200002	15565	Santa Ana	Prepaid or Current	1/1/01 12/1/00 11/1/00 10/1/00
18	043-6719511	23425341	\$171,281	6/15/01	6/19/01	77	7402600004	15565	Santa Ana	Prepaid or Current	6/1/01 5/1/01
19	043-6738629	23523681	\$124,236	8/13/01	8/16/01	69	7992700109	15565	Santa Ana	Due for Current Month	7/1/01
20	043-6887915	28227593	\$118,838	4/26/02	4/30/02	109	7647700007	15565	Santa Ana	Due for Current Month	2/1/02
21	045-5471386	17409590	\$72,531	5/11/01	5/16/01	316	1072800005	15565	Santa Ana	Prepaid or Current	4/1/01
22	045-5548291	23195654	\$143,661	5/16/01	5/21/01	201	7992700088	15565	Santa Ana	Prepaid or Current	5/1/01 3/1/01 2/1/01 1/1/01

\*SEE LEGEND FOR THE STATUS COLUMN AT THE END OF THIS APPENDIX

Appendix D

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
23	045-5707014	23585359	\$88,763	9/5/01	9/10/01	65	7281200002	15565	Santa Ana	30-59 Days	8/1/01
24	045-5737363	28417368	\$127,760	4/4/02	4/8/02	62	7992700088	15565	Santa Ana	Prepaid or Current	3/1/02
25	045-5780899	27738624	\$142,100	5/20/02	5/22/02	192	7006400003	15565	Santa Ana	Prepaid or Current	3/1/02
26	045-5807747	27763523	\$124,971	2/14/02	2/20/02	72	1491800001	15565	Santa Ana	Due for Current Month	1/1/02
27	048-2458287	23146848	\$129,162	5/2/01	5/3/01	182	7281200002	15565	Santa Ana	Due for Current Month	4/1/01 3/1/01 2/1/01 1/1/01 12/1/00
28	048-2459513	23148216	\$96,266	4/12/01	4/16/01	146	7945300001	15565	Santa Ana	Foreclosure	2/1/01 1/1/01
29	048-2472430	23149776	\$83,313	7/16/01	7/17/01	231	1083600008	30141	Santa Ana	Service Transfer	3/1/01 2/1/01 1/1/01
30	048-2536218	23266091	\$169,066	5/15/01	5/18/01	133	7922100004	15565	Santa Ana	60-89 Days	5/1/01 4/1/01 3/1/01 2/1/01
31	048-2564181	23330962	\$113,970	5/3/01	5/7/01	97	7281200002	30141	Santa Ana		4/1/01
32	048-2807368	23582257	\$138,225	2/26/02	3/1/02	272	1083600008	30141	Santa Ana	Service Transfer	1/1/02
33	048-3052705	23623424	\$76,125	4/4/02	4/9/02	154	1083600008	30141	Santa Ana	Service Transfer	12/1/01
34	048-3107736	27782879	\$198,319	1/2/02	1/7/02	63	7454300028	30141	Santa Ana	Service Transfer	12/1/01
35	048-3194712	28123073	\$66,930	5/14/02	5/15/02	134	7597900006	15565	Santa Ana	Prepaid or Current	3/1/02 2/1/02
36	048-3210085	28187037	\$216,394	2/27/02	2/27/02	65	1294400008	15565	Santa Ana	Due for Current Month	2/1/02
37	052-1120343	22359087	\$172,844	9/5/00	9/12/00	92	1556502069	15565	Denver	Due for Current Month	8/1/00
38	052-1136264	22771901	\$65,914	12/15/00	12/21/00	171	1084700005	15565	Denver	Prepaid or Current	9/1/00
39	052-1208786	22670749	\$66,341	10/30/00	11/3/00	60	1556502312	5366	Denver		10/1/00
40	052-1320316	22691406	\$152,608	5/8/01	5/16/01	174	1556502069	15565	Denver	30-59 Days	4/1/01
41	052-1404728	17716739	\$165,935	4/20/01	4/30/01	79	1564900009	30141	Denver		3/1/01
42	052-1542371	27086925	\$92,150	3/22/02	3/26/02	308	1556502312	15565	Denver	Due for Current Month	2/1/02
43	052-1604254	27070689	\$136,852	9/6/01	9/12/01	99	1556502312	15565	Denver	30-59 Days	8/1/01
44	052-1722248	27334887	\$121,140	4/29/02	5/3/02	66	1556502312	15565	Denver	Due for Current Month	4/1/02
45	052-1723663	18639500	\$98,900	4/18/02	4/22/02	268	1556501215	15565	Denver	Prepaid or Current	11/1/01
46	052-1745101	27344159	\$133,980	1/24/02	1/28/02	148	1556502069	15565	Denver	Prepaid or Current	1/1/02 12/1/01
47	052-1826517	27531631	\$139,765	1/17/02	1/23/02	111	1556501215	15565	Denver	Foreclosure	12/1/01

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
48	052-1926127	28036457	\$204,143	3/6/02	3/6/02	96	1219100619	15565	Denver	30-59 Days	1/1/02
49	061-2149513	17421199	\$132,900	4/18/01	4/23/01	244	1376100005	15565	Philadelphia	30-59 Days	4/1/01 3/1/01 2/1/01
50	071-0849121	18328922	\$94,450	1/12/01	1/23/01	115	1556501057	15565	Philadelphia	Prepaid or Current	12/1/00 11/1/00
51	071-0851718	18349993	\$70,850	2/1/01	2/2/01	105	1556501092	15565	Philadelphia	Due for Current Month	12/1/00
52	071-0870991	18556324	\$109,000	10/9/01	10/11/01	131	1556501092	15565	Philadelphia	Prepaid or Current	7/1/01
53	071-0871163	18458869	\$113,050	9/18/01	9/20/01	116	1556501092	15565	Philadelphia	Due for Current Month	7/1/01
54	071-0872826	18579391	\$130,800	10/15/01	10/19/01	133	1556501092	15565	Philadelphia	Due for Current Month	8/1/01
55	071-0876420	18622589	\$72,850	11/20/01	11/26/01	144	1556501092	15565	Philadelphia	Due for Current Month	11/1/01 8/1/01
56	071-0880562	18632554	\$158,100	12/26/01	12/27/01	152	1556501092	15565	Philadelphia	Prepaid or Current	12/1/01 11/1/01
57	071-0884990	18670364	\$91,000	2/12/02	2/15/02	176	1556501092	15565	Philadelphia	Due for Current Month	12/1/01
58	081-0687159	27266014	\$123,123	10/29/01	11/6/01	67	1556500000	30141	Philadelphia	Service Transfer	9/1/01
59	081-0714878	18825091	\$239,750	5/31/02	6/4/02	210	7507300541	15565	Philadelphia	Due for Current Month	5/1/02 4/1/02 3/1/02 2/1/02 1/1/02
60	092-8852624	27683333	\$158,650	1/14/02	1/29/02	61	1556500000	15565	Atlanta	Prepaid or Current	12/1/01
61	092-8861705	27761972	\$110,455	1/24/02	1/30/02	70	1556500000	15565	Atlanta	Prepaid or Current	12/1/01
62	093-4814714	22227797	\$97,524	1/2/01	1/8/01	75	1556501323	38142	Atlanta		12/1/00
63	093-4928556	23171192	\$106,971	3/13/02	3/18/02	271	1556501323	15565	Atlanta	Prepaid or Current	2/1/02 1/1/02
64	093-4952771	17834284	\$78,623	7/20/01	7/27/01	119	1556500000	30141	Atlanta	Service Transfer	7/1/01 6/1/01 5/1/01
65	094-4211654	22332464	\$82,772	1/18/01	1/23/01	174	7974700003	15565	Atlanta	30-59 Days	10/1/00
66	094-4309730	23554710	\$86,457	10/5/01	10/16/01	72	1156400004	15565	Atlanta	30-59 Days	9/1/01
67	094-4339125	23172901	\$89,169	12/14/01	12/19/01	169	1556501323	38142	Atlanta	Service Transfer	8/1/01
68	094-4487036	28096592	\$111,942	2/6/02	2/14/02	72	7310500005	15565	Atlanta	Prepaid or Current	1/1/02
69	094-4523553	28184133	\$127,499	5/17/02	5/23/02	119	1363600002	15565	Atlanta	Prepaid or Current	3/1/02
70	101-9411585	22869804	\$48,549	12/8/00	12/12/00	128	7640300009	15565	Atlanta	60-89 Days	11/1/00 10/1/00 9/1/00
71	101-9484451	22871230	\$126,854	5/3/01	5/11/01	216	1564400004	15565	Atlanta	Due for Current Month	12/1/00

Appendix D

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating Servicer ID</i>	<i>ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
72	101-9562326	23214885	\$129,796	4/2/01	4/4/01	131	7769600009	30141	Atlanta	Service Transfer	2/1/01 1/1/01
73	101-9614627	23309404	\$117,063	6/14/01	6/22/01	134	7978900000	15565	Atlanta	Bankruptcy 120+ Days	4/1/01 3/1/01
74	101-9644402	23312697	\$130,935	8/8/01	8/16/01	196	1314600008	15565	Atlanta	Due for Current Month	3/1/01
75	101-9810595	17958117	\$77,658	12/28/01	1/3/02	192	1556500000	30141	Atlanta	Service Transfer	7/1/01
76	101-9916427	23565617	\$106,160	8/15/01	8/27/01	76	1314600008	15565	Atlanta	Foreclosure	8/1/01 7/1/01
77	105-0107061	23460579	\$169,424	11/2/01	11/7/01	67	1556500000	30141	Atlanta	Service Transfer	10/1/01
78	105-0108803	27344167	\$102,436	11/13/01	11/16/01	88	1556500000	30141	Atlanta	Service Transfer	9/1/01
79	105-0117358	27331438	\$123,063	10/29/01	11/2/01	66	1556500000	30141	Atlanta	Service Transfer	9/1/01
80	105-0128321	27378306	\$83,348	1/9/02	1/10/02	138	1556500000	30141	Atlanta	Service Transfer	12/1/01 11/1/01 10/1/01
81	105-0247032	27677137	\$105,993	2/5/02	2/8/02	74	1556500000	15565	Atlanta	Prepaid or Current	12/1/01
82	105-0264887	27734045	\$86,974	12/31/01	1/8/02	62	1556500000	15565	Atlanta	Prepaid or Current	11/1/01
83	105-0292763	27836568	\$82,042	3/14/02	3/19/02	89	1556500000	15565	Atlanta	Due for Current Month	2/1/02
84	105-0521333	28665354	\$83,396	5/28/02	5/31/02	64	1556500000	15565	Atlanta	Due for Current Month	4/1/02
85	121-1821775	17430620	\$110,787	9/16/00	9/20/00	78	1556500357	15565	Santa Ana	Paid in Full	8/1/00
86	121-1887884	17977521	\$93,433	6/30/01	7/5/01	64	1556500311	15565	Santa Ana	Foreclosure	6/1/01
87	121-1922100	27448638	\$61,139	6/12/02	6/12/02	249	1556500311	15565	Santa Ana	60-89 Days	5/1/02 4/1/02 3/1/02 1/1/02
88	132-1452700	17783028	\$72,044	5/17/01	5/24/01	85	1556501743	30141	Atlanta		5/1/01 4/1/01
89	132-1456993	17817941	\$118,349	5/17/01	5/24/01	62	1556501743	15565	Atlanta	30-59 Days	5/1/01
90	132-1497044	27161694	\$67,398	3/28/02	4/4/02	240	1556501743	15565	Atlanta	Due for Current Month	2/1/02
91	132-1499244	27039700	\$156,785	1/7/02	1/10/02	137	1556501743	15565	Atlanta	30-59 Days	12/1/01
92	132-1508221	27502178	\$69,875	11/26/01	11/29/01	60	1556501743	15565	Atlanta	30-59 Days	11/1/01
93	132-1514329	27700681	\$69,123	1/16/02	1/23/02	93	1556501743	30141	Atlanta	Service Transfer	1/1/02
94	132-1531362	28126100	\$61,407	2/19/02	2/25/02	67	1556501743	15565	Atlanta	Due for Current Month	2/1/02
95	137-1006312	27063999	\$57,700	7/17/01	7/20/01	75	1688800003	30141	Atlanta		7/1/01 6/1/01
96	137-1259789	27239763	\$96,691	12/11/01	12/17/01	106	1556501165	30141	Atlanta	Service Transfer	11/1/01
97	137-1407600	27063569	\$91,455	2/7/02	2/16/02	72	1556500646	15565	Atlanta	Due for Current Month	1/1/02
98	151-6041146	18252239	\$45,900	9/27/00	9/28/00	90	1556501244	15565	Atlanta	Foreclosure	8/1/00

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
99	151-6043980	18253096	\$74,250	9/6/00	10/3/00	76	1556501244	38142	Atlanta		8/1/00
100	151-6051290	18243071	\$74,800	3/6/01	3/9/01	249	1556501664	38142	Atlanta		2/1/01 1/1/01
101	151-6080006	18311241	\$68,400	10/18/00	10/19/00	64	1556501664	15565	Atlanta	Foreclosure	10/1/00
102	151-6084775	18295675	\$108,550	11/29/00	11/30/00	85	1556501664	15565	Atlanta	Foreclosed	11/1/00
103	151-6105158	18316430	\$57,500	11/14/00	11/15/00	75	1556501664	15565	Atlanta	Foreclosed	10/1/00
104	151-6119209	18302547	\$62,050	2/2/01	2/5/01	72	1556501244	30141	Atlanta		1/1/01
105	151-6122887	18269662	\$65,750	4/26/01	4/26/01	195	1556501664	15565	Atlanta	90-119 Days	4/1/01 3/1/01 2/1/01
106	151-6125726	18336677	\$119,000	2/12/01	2/13/01	76	1556501244	15565	Atlanta	Due for Current Month	1/1/01
107	151-6145107	18273755	\$89,700	1/30/01	1/31/01	74	1556501244	30141	Atlanta		1/1/01
108	151-6148677	18348417	\$75,850	4/23/01	4/23/01	175	1556501250	30141	Atlanta	Service Transfer	3/1/01 2/1/01 1/1/01 12/1/00
109	151-6160661	18372714	\$110,400	4/3/01	4/3/01	134	1556501244	15565	Atlanta	Prepaid or Current	1/1/01
110	151-6161831	18375402	\$74,800	4/6/01	4/9/01	128	1556501244	30141	Atlanta	Service Transfer	3/1/01
111	151-6191669	18405779	\$110,750	3/19/01	3/20/01	81	1556501664	30141	Atlanta	Service Transfer	3/1/01
112	151-6197191	18406371	\$81,100	7/6/01	8/4/01	168	1556501244	30141	Atlanta		6/1/01
113	151-6199968	18416511	\$103,050	4/26/01	4/26/01	90	1556501664	15565	Atlanta	Due for Current Month	4/1/01 3/1/01
114	151-6212390	18420497	\$144,350	8/17/01	9/29/01	95	1556501244	15565	Atlanta	120+ Days	7/1/01
115	151-6227836	18359893	\$146,400	6/23/01	6/23/01	115	1556501244	15565	Atlanta	Foreclosure	5/1/01
116	151-6232439	18437046	\$66,850	8/29/01	9/5/01	184	1556501244	30141	Atlanta		5/1/01
117	151-6260764	18471102	\$83,900	6/11/01	6/11/01	87	1556501244	15565	Atlanta	Due for Current Month	5/1/01
118	151-6274982	18353599	\$98,750	12/26/01	12/26/01	268	1556501244	30141	Atlanta		12/1/01 11/1/01 10/1/01 9/1/01 8/1/01
119	151-6280991	18504308	\$62,100	11/6/01	11/13/01	155	1556501244	15565	Atlanta	Prepaid or Current	9/1/01
120	151-6315352	18563882	\$119,200	10/24/01	10/24/01	153	1556501244	15565	Atlanta	Due for Current Month	9/1/01
121	151-6318631	18520650	\$104,300	8/31/01	9/13/01	106	1556501250	30141	Atlanta	Service Transfer	8/1/01 7/1/01
122	151-6354391	18532119	\$120,400	9/4/01	9/13/01	109	1556501244	30141	Atlanta	Service Transfer	8/1/01
123	151-6357107	18658492	\$137,000	3/8/02	3/13/02	245	1556501244	15565	Atlanta	60-89 Days	2/1/02

Appendix D

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
124	151-6366485	18602847	\$67,900	1/18/02	1/18/02	206	1556501250	15565	Atlanta	30-59 Days	1/1/02
125	151-6386957	18612630	\$89,100	2/14/02	2/14/02	226	1556501244	15565	Atlanta	Prepaid or Current	1/1/02
126	151-6390058	18634147	\$92,400	11/28/01	12/20/01	156	1556501244	15565	Atlanta	Foreclosure	8/1/01
127	151-6394486	18640409	\$54,150	12/21/01	12/26/01	168	1556501250	30141	Atlanta	Service Transfer	11/1/01 10/1/01
128	151-6402337	18655035	\$93,500	4/18/02	4/24/02	273	1556501664	15565	Atlanta	Prepaid or Current	4/1/02 3/1/02 2/1/02 1/1/02
129	151-6413766	18621235	\$126,250	5/31/02	6/4/02	302	1556501244	15565	Atlanta	Due for Current Month	2/1/02
130	151-6425469	18720110	\$68,850	2/14/02	2/14/02	170	1556501664	15565	Atlanta	30-59 Days	1/1/02
131	151-6428045	18646323	\$85,750	1/17/02	1/17/02	177	1556501244	15565	Atlanta	Due for Current Month	11/1/01 9/1/01
132	151-6465060	18709329	\$103,050	3/4/02	3/9/02	185	1556501244	15565	Atlanta	30-59 Days	11/1/01
133	151-6488435	18734079	\$79,250	11/26/01	11/30/01	62	1556501244	15565	Atlanta	Prepaid or Current	11/1/01
134	151-6638928	28332559	\$59,200	4/24/02	4/30/02	68	1556501250	15565	Atlanta	Due for Current Month	4/1/02
135	153-0086200	22023832	\$101,508	10/16/00	10/23/00	103	1556501492	15565	Atlanta	Prepaid or Current	10/1/00
136	181-1812054	17387820	\$51,125	1/12/01	1/18/01	200	1556501579	15565	Denver	Due for Current Month	8/1/00
137	181-1816713	17458522	\$31,799	1/3/01	1/9/01	138	7436900007	15565	Denver	Due for Current Month	10/1/00
138	181-1819052	17461260	\$29,059	3/6/01	3/9/01	218	1556501579	15565	Denver	Prepaid or Current	1/1/01
139	181-1820550	17473620	\$48,103	6/4/02	6/7/02	659	1227500017	15565	Denver	Prepaid or Current	4/1/02
140	181-1821418	17532144	\$85,900	1/18/01	1/23/01	140	7280700000	30141	Denver		1/1/01
141	181-1880133	27234434	\$71,004	1/24/02	1/29/02	170	1556501579	15565	Denver	Due for Current Month	1/1/02
142	181-1888006	27445055	\$61,209	5/23/02	5/29/02	244	1556501579	38142	Denver	Service Transfer	4/1/02
143	181-1892393	17610478	\$86,317	2/26/02	3/4/02	130	1556501579	15565	Denver	Prepaid or Current	2/1/02
144	181-1894155	17937319	\$79,230	1/11/02	1/17/02	77	1556501579	30141	Denver	Service Transfer	12/1/01
145	181-1897521	27646215	\$82,383	1/22/02	1/25/02	89	7436900007	30141	Denver	Service Transfer	12/1/01
146	181-1898171	27781046	\$124,971	3/15/02	3/21/02	126	1556501579	15565	Denver	120+ Days	3/1/02 2/1/02 1/1/02
147	182-0696337	28466225	\$151,922	4/29/02	5/2/02	75	1282801382	15565	Denver	Prepaid or Current	4/1/02
148	183-0028930	17429374	\$125,205	12/4/00	12/18/00	171	1556501165	15565	Denver	Foreclosure	11/1/00
149	197-1740448	22591887	\$219,822	12/7/00	12/11/00	162	1445900005	15565	Santa Ana	Paid in Full	10/1/00
150	197-1936077	23212491	\$121,136	3/13/01	3/15/01	103	7155400001	30141	Santa Ana	Service Transfer	2/1/01 1/1/01
151	197-2064292	23374200	\$42,439	7/27/01	7/31/01	148	7945300001	15565	Santa Ana	Prepaid or Current	7/1/01 6/1/01

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
152	197-2080289	23377203	\$96,535	5/3/01	5/10/01	64	1404400001	30141	Santa Ana		4/1/01
153	197-2092728	23447410	\$78,777	7/23/01	8/14/01	112	7281200002	30141	Santa Ana		5/1/01
154	197-2198563	23512403	\$116,913	7/18/01	7/20/01	78	7281200002	30141	Santa Ana	Service Transfer	7/1/01
155	197-2219214	23545007	\$159,213	7/19/01	7/23/01	80	7891300003	30141	Santa Ana		6/1/01
156	197-2316470	23587355	\$126,760	11/14/01	11/14/01	126	1404400001	30141	Santa Ana	Service Transfer	10/1/01 9/1/01 8/1/01
157	197-2325183	23734049	\$231,369	3/21/02	4/8/02	168	7891300003	30141	Santa Ana	Service Transfer	11/1/01
158	197-2394715	23618820	\$205,640	12/26/01	12/28/01	112	7891300003	15565	Santa Ana	60-89 Days	12/1/01 11/1/01
159	197-2493835	27782812	\$242,838	2/25/02	3/1/02	110	7155400001	15565	Santa Ana	Due for Current Month	2/1/02 12/1/01
160	197-2577827	27852300	\$138,412	3/28/02	4/12/02	118	1491800001	15565	Santa Ana	Due for Current Month	2/1/02 1/1/02
161	201-2873925	22554232	\$31,900	5/3/01	5/11/01	245	1556501454	15565	Denver	Prepaid or Current	12/1/00 11/1/00
162	201-2953649	23028657	\$110,979	9/5/01	9/18/01	134	1556501337	30141	Denver	Service Transfer	7/1/01 6/1/01
163	201-2995655	23536923	\$130,965	3/28/02	4/3/02	240	1556501337	15565	Denver	Prepaid or Current	2/1/02
164	202-0172623	18311597	\$88,450	4/5/01	4/6/01	157	1556500879	30141	Denver	Service Transfer	3/1/01 2/1/01
165	202-0180505	18583922	\$108,550	10/1/01	10/10/01	123	1556500879	30141	Denver	Service Transfer	9/1/01
166	241-5840710	18240333	\$56,850	9/18/00	9/27/00	82	1556501028	15565	Philadelphia	Bankruptcy	120+ Days 9/1/00
167	241-5846923	18244442	\$60,450	11/1/00	11/9/00	124	1556501028	15565	Philadelphia	Foreclosure	10/1/00 9/1/00 8/1/00
168	241-5898359	18298711	\$45,950	12/1/00	12/1/00	93	1556501028	15565	Philadelphia	Prepaid or Current	11/1/00
169	241-5903363	18622597	\$175,400	1/2/02	1/2/02	187	1556501028	15565	Philadelphia	60-89 Days	11/1/01 10/1/01 9/1/01 8/1/01
170	241-5906642	18560458	\$176,500	5/8/02	5/13/02	251	1556501194	15565	Philadelphia	Prepaid or Current	11/1/01
171	241-5954184	18365247	\$164,750	2/12/01	2/12/01	74	1556501028	30141	Philadelphia		1/1/01
172	241-5957384	18380089	\$94,785	1/29/01	1/30/01	62	7507300541	15565	Philadelphia		1/1/01
173	241-5979423	18391037	\$92,650	3/28/01	3/29/01	118	1556501171	15565	Philadelphia	Foreclosure	3/1/01 2/1/01 1/1/01
174	241-6000161	18441352	\$115,700	4/24/01	4/24/01	83	7507300541	30141	Philadelphia		3/1/01
175	241-6077102	18603654	\$57,450	10/22/01	10/24/01	129	1556501028	15565	Philadelphia	Due for Current Month	9/1/01



Appendix D

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
176	241-6077568	23620024	\$175,780	10/10/01	10/12/01	110	7281200002	30141	Philadelphia	Service Transfer	9/1/01
177	241-6154414	18650325	\$177,750	12/19/01	12/20/01	181	7507300541	30141	Philadelphia	Service Transfer	10/1/01 8/1/01
178	241-6160592	18561480	\$71,050	8/16/01	8/18/01	100	1556502204	30141	Philadelphia	Service Transfer	8/1/01
179	241-6182211	18586230	\$101,500	1/24/02	1/30/02	197	1556501171	15565	Philadelphia	Due for Current Month	1/1/02 12/1/01 11/1/01
180	241-6183541	18584144	\$78,350	10/22/01	10/24/01	133	1556501028	15565	Philadelphia	Due for Current Month	10/1/01
181	241-6200889	18602276	\$168,600	9/19/01	9/20/01	118	1556501028	15565	Philadelphia	Bankruptcy 120+ Days	9/1/01
182	241-6207762	18608372	\$216,450	11/5/01	11/7/01	130	1556501171	30141	Philadelphia	Service Transfer	10/1/01
183	241-6219203	18649673	\$125,950	12/13/01	12/13/01	171	7507300541	15565	Philadelphia	30-59 Days	10/1/01
184	241-6220860	18580209	\$33,000	12/27/01	12/31/01	148	1556501028	30141	Philadelphia	Service Transfer	12/1/01 11/1/01
185	241-6228099	18473009	\$124,550	11/15/01	12/20/01	140	7799200002	15565	Philadelphia	Prepaid or Current	10/1/01
186	241-6237078	18642561	\$84,250	12/18/01	12/20/01	147	1556501057	15565	Philadelphia	30-59 Days	12/1/01
187	241-6241737	18666263	\$84,750	11/26/01	11/28/01	143	7842500000	15565	Philadelphia	Due for Current Month	11/1/01
188	241-6245748	18631150	\$80,300	12/21/01	12/29/01	154	1556502204	15565	Philadelphia	Due for Current Month	12/1/01 11/1/01 10/1/01 9/1/01
189	241-6246953	18643593	\$110,550	12/26/01	12/27/01	148	1556501040	15565	Philadelphia	Due for Current Month	12/1/01 9/1/01
190	241-6251976	18644773	\$151,750	2/4/02	2/4/02	189	1556502204	30141	Philadelphia	Service Transfer	10/1/01
191	241-6260593	18662080	\$45,050	1/9/02	1/14/02	162	1556501028	30141	Philadelphia	Service Transfer	10/1/01
192	241-6278985	18678565	\$113,850	12/26/01	12/31/01	152	1556502204	15565	Philadelphia	60-89 Days	12/1/01 11/1/01 10/1/01
193	241-6285254	18671479	\$27,750	1/25/02	1/30/02	148	1556501028	30141	Philadelphia	Service Transfer	12/1/01 11/1/01 10/1/01
194	241-6288687	27386341	\$49,999	11/16/01	11/21/01	81	7507300541	15565	Philadelphia	Prepaid or Current	11/1/01
195	241-6295881	18700245	\$114,050	4/2/02	4/4/02	214	1556501159	15565	Philadelphia	Prepaid or Current	2/1/02
196	241-6305704	18709105	\$109,850	1/4/02	1/9/02	135	7507300541	15565	Philadelphia	90-119 Days	12/1/01 11/1/01 10/1/01
197	241-6316771	23608623	\$142,537	1/16/02	1/23/02	110	7281200002	15565	Philadelphia	30-59 Days	1/1/02 11/1/01

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
198	241-6322051	18643189	\$96,050	1/9/02	1/9/02	140	1556501057	30141	Philadelphia	Service Transfer	12/1/01 11/1/01 10/1/01
199	241-6323670	18724773	\$101,250	6/7/02	6/12/02	284	1556501028	15565	Philadelphia	Due for Current Month	2/1/02 1/1/02 12/1/01
200	241-6333229	27472828	\$88,142	2/11/02	2/14/02	150	1155000004	30141	Philadelphia	Service Transfer	1/1/02 12/1/01
201	241-6382221	18782755	\$111,000	4/16/02	4/18/02	148	1422600007	15565	Philadelphia	30-59 Days	4/1/02 3/1/02 2/1/02
202	241-6393629	18829341	\$41,900	3/19/02	3/21/02	126	7822500004	15565	Philadelphia	Prepaid or Current	1/1/02
203	241-6424114	18806273	\$107,200	3/5/02	3/8/02	76	1556501028	15565	Philadelphia	Due for Current Month	2/1/02
204	241-6445972	18858704	\$145,850	4/25/02	4/26/02	154	1556501194	15565	Philadelphia	Due for Current Month	2/1/02 1/1/02
205	242-0004434	18498261	\$128,400	1/15/02	1/18/02	148	1556501092	15565	Philadelphia	Prepaid or Current	10/1/01
206	243-0060662	27992403	\$165,037	2/12/02	2/14/02	78	1367500007	15565	Philadelphia	60-89 Days	1/1/02
207	249-3993247	18244699	\$98,400	12/15/00	12/19/00	169	1556505990	15565	Philadelphia	Due for Current Month	11/1/00
208	249-4027354	18313312	\$132,850	1/25/01	1/26/01	120	7507300541	15565	Philadelphia	30-59 Days	1/1/01 12/1/00
209	249-4038392	18332700	\$157,750	12/18/00	12/19/00	80	7507300541	15565	Philadelphia	Prepaid or Current	12/1/00 11/1/00
210	249-4063771	18383356	\$127,800	1/19/01	1/22/01	70	7507300541	15565	Philadelphia	Bankruptcy 120+ Days	1/1/01
211	249-4081985	18386524	\$93,900	5/22/01	6/1/01	144	1556501822	30141	Philadelphia	Service Transfer	4/1/01
212	249-4095512	18413336	\$147,050	5/16/01	5/18/01	105	1556501076	15565	Philadelphia	Prepaid or Current	5/1/01
213	249-4102540	18573188	\$128,150	11/8/01	11/13/01	136	1556501063	15565	Philadelphia	Prepaid or Current	9/1/01
214	249-4115675	18460980	\$119,850	5/29/01	5/29/01	71	7507300541	30141	Philadelphia		5/1/01
215	249-4137113	23622715	\$135,748	6/12/02	6/12/02	315	1556502358	15565	Philadelphia	30-59 Days	12/1/01
216	249-4139360	18474908	\$238,150	4/18/02	4/22/02	405	1556505990	15565	Philadelphia	Prepaid or Current	2/1/02
217	249-4173320	18608695	\$133,900	3/14/02	3/18/02	258	1556505990	15565	Philadelphia	30-59 Days	2/1/02 1/1/02
218	249-4221744	18616771	\$155,750	9/19/01	9/20/01	118	7507300541	30141	Philadelphia	Service Transfer	9/1/01 8/1/01
219	249-4227085	18634402	\$159,750	1/11/02	1/11/02	205	7507300541	30141	Philadelphia	Service Transfer	10/1/01 8/1/01
220	249-4236262	23620487	\$145,905	9/28/01	10/3/01	84	7281200002	30141	Philadelphia	Service Transfer	9/1/01
221	249-4255459	18677187	\$139,500	1/10/02	1/14/02	163	1185200000	30141	Philadelphia	Service Transfer	9/1/01
222	249-4260022	23622798	\$130,607	2/5/02	2/19/02	97	7281200002	15565	Philadelphia	Prepaid or Current	12/1/01
223	249-4281442	27395961	\$146,840	2/15/02	2/20/02	147	7507300541	30141	Philadelphia	Service Transfer	1/1/02 12/1/01

Appendix D

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
224	249-4285631	18721712	\$167,100	4/15/02	4/17/02	231	7507300541	15565	Philadelphia	30-59 Days	2/1/02 1/1/02 12/1/01 11/1/01
225	249-4290694	18718882	\$120,900	1/22/02	1/25/02	147	7507300541	15565	Philadelphia	30-59 Days	12/1/01
226	249-4342479	18796003	\$112,450	2/1/02	2/5/02	100	1282801108	15565	Philadelphia	Due for Current Month	12/1/01
227	251-2479344	17447566	\$144,813	3/5/01	3/6/01	222	1171900003	15565	Philadelphia	Due for Current Month	12/1/00
228	251-2481109	17431503	\$138,037	11/17/00	11/21/00	108	1556500794	15565	Philadelphia	30-59 Days	11/1/00 10/1/00
229	251-2637641	27140235	\$141,382	1/2/02	1/8/02	209	7941000003	15565	Philadelphia	Prepaid or Current	9/1/01
230	251-2722648	27795608	\$371,500	2/27/02	3/4/02	75	7621100007	15565	Philadelphia	Prepaid or Current	2/1/02
231	261-7532655	22471445	\$131,038	10/4/00	10/12/00	75	1556502102	15565	Philadelphia	Foreclosed	9/1/00
232	261-7796003	27054394	\$100,884	10/1/01	10/3/01	101	1556502102	30141	Philadelphia	Service Transfer	9/1/01
233	261-7858763	27213123	\$85,325	2/27/02	3/4/02	212	1556502262	15565	Philadelphia	Prepaid or Current	1/1/02 12/1/01 11/1/01
234	261-7975523	27664937	\$142,353	4/17/02	4/19/02	134	1556502262	15565	Philadelphia	30-59 Days	2/1/02
235	263-3225372	27140953	\$42,097	3/6/02	3/11/02	230	1556502364	15565	Philadelphia	Prepaid or Current	12/1/01
236	291-2718324	17489071	\$121,933	5/9/02	5/15/02	649	1556501165	15565	Denver	30-59 Days	4/1/02
237	291-2734900	17420803	\$84,656	12/4/00	12/4/00	84	1556501165	15565	Denver	90-119 Days	11/1/00
238	291-2736040	17536632	\$71,832	2/6/01	2/12/01	120	1556500000	15565	Denver	120+ Days	12/1/00
239	291-2746690	17558727	\$64,950	2/23/01	2/23/01	115	1556501165	13797	Denver	Service Transfer	2/1/01
240	291-2841484	27223304	\$47,817	9/28/01	10/3/01	65	1556500000	15565	Denver	Due for Current Month	9/1/01
241	291-2862902	27402270	\$47,051	10/29/01	11/1/01	66	1556500000	30141	Denver	Service Transfer	10/1/01
242	291-2864150	27357623	\$67,835	4/9/02	4/16/02	207	1556501901	15565	Denver	Prepaid or Current	1/1/02
243	291-2877023	27572338	\$122,853	3/22/02	3/27/02	179	1556500000	15565	Denver	Prepaid or Current	12/1/01 11/1/01
244	291-2886967	27285782	\$65,619	3/5/02	3/8/02	125	1556501165	15565	Denver	30-59 Days	1/1/02 12/1/01
245	291-2887299	27645860	\$247,224	2/28/02	3/5/02	126	1556501165	15565	Denver	Prepaid or Current	11/1/01
246	291-2894304	27749761	\$59,529	2/6/02	2/12/02	79	1556500000	15565	Denver	Due for Current Month	1/1/02
247	291-2898834	27911809	\$79,170	6/7/02	6/11/02	163	1556500000	15565	Denver	Due for Current Month	5/1/02 3/1/02
248	291-2902627	28058527	\$68,820	4/16/02	4/22/02	152	1556500000	15565	Denver	Due for Current Month	4/1/02
249	291-2914546	28020139	\$48,940	2/26/02	3/4/02	60	1556500000	15565	Denver	Prepaid or Current	2/1/02
250	291-2920978	28010031	\$62,748	3/9/02	3/14/02	66	1556500000	15565	Denver	Prepaid or Current	2/1/02
251	291-2926340	28254951	\$55,134	3/19/02	3/26/02	61	1556501901	15565	Denver	120+ Days	3/1/02

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
252	291-2953556	28898443	\$119,938	6/24/02	6/27/02	63	1556500000	15565	Denver	Prepaid or Current	6/1/02
253	292-3887983	17316548	\$111,912	10/2/00	10/2/00	94	1556500646	15565	Denver	30-59 Days	9/1/00 8/1/00
254	292-3891564	17419482	\$85,429	1/16/01	1/23/01	165	1556500646	15565	Denver	Foreclosure	12/1/00 11/1/00
255	292-3894344	17427089	\$77,579	3/17/01	3/26/01	239	1556500646	15565	Denver	90-119 Days	3/1/01 2/1/01 1/1/01 12/1/00 11/1/00 10/1/00 9/1/00
256	292-3904697	17482951	\$66,697	1/22/01	1/25/01	157	1556500646	15565	Denver	Due for Current Month	1/1/01
257	292-3919309	17519224	\$55,368	3/26/01	4/2/01	157	1556500646	30141	Denver	Service Transfer	2/1/01
258	292-3925595	17544677	\$71,050	6/15/01	6/22/01	66	1556500646	15565	Denver	Bankruptcy 120+ Days	6/1/01
259	292-3926555	17572264	\$68,916	1/30/01	2/1/01	91	1556500646	13797	Denver	Service Transfer	1/1/01 12/1/00
260	292-3931482	17587411	\$60,928	1/30/01	2/6/01	67	1556500646	30141	Denver	Service Transfer	12/1/00
261	292-3931692	17526989	\$44,973	4/9/01	4/9/01	132	1556500646	13797	Denver	Service Transfer	2/1/01 1/1/01
262	292-3936211	17565656	\$51,973	9/5/01	9/10/01	279	1556500646	30141	Denver	Service Transfer	4/1/01
263	292-4023898	27132935	\$62,406	4/17/02	4/24/02	288	1556500646	15565	Denver	Prepaid or Current	4/1/02 10/1/01
264	292-4026763	17941345	\$72,327	10/19/01	10/23/01	109	1556500646	30141	Denver	Service Transfer	9/1/01
265	292-4069072	27492883	\$78,764	3/21/02	3/25/02	190	1556500646	30141	Denver	Service Transfer	11/1/01
266	292-4075525	27454297	\$92,261	2/8/02	2/13/02	140	1556500646	15565	Denver	Prepaid or Current	1/1/02
267	292-4085574	27593219	\$107,711	1/23/02	1/29/02	63	1556500646	15565	Denver	Prepaid or Current	1/1/02
268	292-4086297	27412592	\$120,448	1/24/02	1/28/02	86	1556500646	30141	Denver	Service Transfer	1/1/02 12/1/01
269	292-4091245	27183284	\$89,331	1/24/02	1/29/02	91	1556500646	15565	Denver	60-89 Days	1/1/02 12/1/01 11/1/01
270	292-4092496	27143320	\$106,981	2/15/02	2/28/02	113	1556500646	15565	Denver	Due for Current Month	2/1/02 1/1/02
271	292-4107380	28009512	\$76,709	3/15/02	3/19/02	109	1556500646	15565	Denver	Prepaid or Current	12/1/01
272	292-4108278	27941418	\$103,530	2/13/02	2/19/02	84	1556500646	15565	Denver	Due for Current Month	12/1/01
273	292-4110741	28002921	\$56,060	1/23/02	1/29/02	63	1556500646	15565	Denver	Prepaid or Current	1/1/02
274	292-4116087	27584671	\$41,200	1/30/02	2/4/02	61	1556500646	15565	Denver	30-59 Days	1/1/02

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<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating Servicer ID</i>	<i>ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
275	321-2058738	17345042	\$113,650	5/23/01	5/25/01	341	1556500039	15565	Denver	Bankruptcy 90-119 Days	5/1/01 4/1/01 3/1/01 2/1/01 1/1/01 12/1/00
276	321-2176358	28242055	\$119,059	4/5/02	5/2/02	64	1556500039	15565	Denver	Prepaid or Current	3/1/02
277	331-1097876	23478050	\$118,525	9/20/01	9/25/01	83	1556501483	15565	Santa Ana	60-89 Days	9/1/01
278	331-1112422	27614585	\$64,800	3/6/02	3/8/02	99	1556501483	15565	Santa Ana	Due for Current Month	2/1/02
279	332-3708164	23449580	\$84,390	11/15/01	12/4/01	100	7922100033	30141	Santa Ana	Service Transfer	11/1/01 10/1/01
280	332-3730603	27371442	\$118,835	3/22/02	3/27/02	197	1184900000	15565	Santa Ana	Prepaid or Current	10/1/01
281	332-3735162	27542125	\$141,186	5/2/02	5/8/02	199	7922100033	30141	Santa Ana	Service Transfer	1/1/02
282	341-0688565	17356189	\$166,872	9/29/00	10/3/00	66	1556500794	15565	Philadelphia	Due for Current Month	9/1/00
283	351-3846632	18254383	\$139,850	10/30/00	10/31/00	62	1556501136	15565	Philadelphia	Due for Current Month	10/1/00
284	351-3881896	18335760	\$91,700	1/29/01	1/30/01	105	1556501124	15565	Philadelphia	30-59 Days	1/1/01
285	351-3889089	18370171	\$118,900	3/6/01	3/12/01	96	1556501124	30323	Philadelphia	Service Transfer	1/1/01
286	351-4025602	18637454	\$92,800	11/15/01	12/27/01	139	1556501124	15565	Philadelphia	Paid in Full	11/1/01
287	352-4085003	17504523	\$138,855	11/29/00	12/4/00	99	1299300009	15565	Philadelphia	Foreclosure	11/1/00 10/1/00
288	352-4095580	18252031	\$210,000	1/12/01	1/16/01	169	1556501136	15565	Philadelphia	Due for Current Month	12/1/00 11/1/00
289	352-4106438	18310938	\$143,150	12/18/00	12/19/00	104	1556501136	15565	Philadelphia	Paid in Full	12/1/00
290	352-4223568	18714717	\$164,650	1/2/02	1/4/02	132	7752100001	30141	Philadelphia	Service Transfer	12/1/01 11/1/01
291	352-4248967	18473157	\$123,300	11/13/01	11/15/01	141	1556501136	15565	Philadelphia	Due for Current Month	8/1/01
292	352-4304358	18573162	\$108,150	9/26/01	9/27/01	140	7951900001	15565	Philadelphia	Foreclosure	9/1/01 8/1/01
293	352-4308896	18559294	\$165,200	8/2/01	8/8/01	73	1556501136	15565	Philadelphia	30-59 Days	7/1/01
294	352-4324462	18609305	\$128,900	11/2/01	11/7/01	129	7724100007	15565	Philadelphia	90-119 Days	9/1/01
295	352-4333021	18575977	\$99,900	11/27/01	11/30/01	151	1556501136	15565	Philadelphia	Bankruptcy 120+ Days	11/1/01 10/1/01
296	381-5887874	22524680	\$104,806	11/20/00	11/30/00	143	1556502472	35234	Atlanta		11/1/00 10/1/00 9/1/00 8/1/00
297	381-5902636	22412894	\$121,003	2/12/01	2/13/01	222	1556502119	15565	Atlanta	120+ Days	1/1/01 12/1/00 11/1/00 10/1/00

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
298	381-5920199	14806343	\$97,532	5/9/01	5/18/01	314	1556502509	15565	Atlanta	Due for Current Month	4/1/01 3/1/01 2/1/01
299	381-5926501	22526628	\$122,043	10/18/00	10/25/00	92	1556502472	15565	Atlanta	Foreclosure	10/1/00
300	381-5937816	22526644	\$104,141	10/2/00	10/11/00	74	1556502472	15565	Atlanta	Foreclosure	9/1/00
301	381-5939449	22210173	\$44,000	12/22/00	1/2/01	154	1556502509	15565	Atlanta	Foreclosure	12/1/00
302	381-5939461	22414379	\$116,940	11/13/00	11/17/00	108	1556502119	15565	Atlanta	Foreclosure	10/1/00
303	381-5942982	22412860	\$111,113	1/11/01	1/16/01	167	1556502119	15565	Atlanta	60-89 Days	12/1/00 10/1/00
304	381-5991461	22525984	\$106,635	1/18/01	1/22/01	113	1556502472	15565	Atlanta	Prepaid or Current	11/1/00
305	381-5996916	22855530	\$103,439	5/18/01	5/30/01	224	1556502119	35234	Atlanta		1/1/01
306	381-6013593	18349027	\$136,850	1/26/01	1/29/01	91	1556501188	30141	Atlanta	Service Transfer	1/1/01
307	381-6013949	22615405	\$85,197	1/5/01	1/10/01	67	1556502472	15565	Atlanta	Due for Current Month	12/1/00
308	381-6056095	22982680	\$102,353	6/11/01	6/20/01	131	1556502472	15565	Atlanta	Prepaid or Current	5/1/01
309	381-6080155	23258692	\$149,458	6/11/01	6/18/01	132	1556502472	30141	Atlanta		3/1/01
310	381-6083332	17728809	\$143,863	6/15/01	6/25/01	78	1556502119	30141	Atlanta		6/1/01
311	381-6086208	23260003	\$121,001	5/15/01	5/30/01	99	1556502472	15565	Atlanta	Due for Current Month	3/1/01
312	381-6133099	23116312	\$69,351	6/20/01	6/27/01	77	1556502443	15565	Atlanta	Bankruptcy 120+ Days	6/1/01
313	381-6206014	27025675	\$126,669	11/2/01	11/2/01	134	1556502119	30141	Atlanta	Service Transfer	8/1/01
314	381-6208406	27062819	\$63,527	8/15/01	8/28/01	61	1556502443	15565	Atlanta	Bankruptcy 120+ Days	8/1/01
315	381-6214243	27116425	\$111,164	8/3/01	8/13/01	70	1556502509	30141	Atlanta	Service Transfer	7/1/01
316	381-6217703	17906512	\$138,902	9/6/01	9/19/01	91	1556502119	15565	Atlanta	Prepaid or Current	7/1/01
317	381-6218563	23591167	\$105,051	10/23/01	10/29/01	145	1556502472	30141	Atlanta	Service Transfer	10/1/01 9/1/01
318	381-6247264	27138668	\$104,342	10/10/01	10/20/01	103	1556502509	15565	Atlanta	Prepaid or Current	9/1/01
319	381-6261112	27114255	\$132,419	6/27/02	6/27/02	342	1556502119	15565	Atlanta	Bankruptcy 16-29 Days	5/1/02
320	381-6413959	27986041	\$102,939	4/17/02	4/22/02	119	1556502472	15565	Atlanta	Prepaid or Current	2/1/02
321	411-3305166	18651661	\$104,500	12/6/01	12/10/01	154	1556500879	30141	Philadelphia	Service Transfer	10/1/01
322	412-4471420	17470733	\$69,836	12/5/00	12/8/00	112	7864500000	15565	Philadelphia	Due for Current Month	11/1/00 10/1/00
323	421-3642398	13573555	\$31,300	12/21/00	1/2/01	195	1556502125	15565	Denver	Prepaid or Current	12/1/00 11/1/00

Appendix D

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
324	421-3648650	14873335	\$50,414	3/16/01	3/21/01	260	1556501431	15565	Denver	Prepaid or Current	12/1/00 11/1/00 10/1/00
325	421-3666473	22492037	\$51,973	4/17/01	4/24/01	200	1556502125	15565	Denver	60-89 Days	4/1/01
326	421-3712220	17922204	\$45,004	8/14/01	8/23/01	116	1353400002	30141	Denver		6/1/01
327	421-3735533	27245075	\$89,167	2/28/02	3/7/02	218	7436900007	15565	Denver	Due for Current Month	2/1/02
328	421-3746312	27302363	\$37,987	10/15/01	1/7/02	81	1556501431	30141	Denver	Service Transfer	9/1/01
329	431-3414318	17225517	\$116,053	10/31/01	11/5/01	485	1156500005	15565	Santa Ana	Prepaid or Current	7/1/01
330	431-3448935	17347642	\$51,920	9/14/00	9/20/00	78	1354400009	15565	Santa Ana	Foreclosure	8/1/00
331	431-3471242	17454968	\$109,100	7/17/01	7/19/01	351	7894400017	15565	Santa Ana	Due for Current Month	2/1/01
332	431-3479535	17552118	\$97,546	3/12/01	3/13/01	166	1530200002	30141	Santa Ana	Service Transfer	2/1/01 12/1/00 11/1/00
333	431-3484926	17547647	\$117,220	3/26/01	3/28/01	179	1214800006	30141	Santa Ana	Service Transfer	12/1/00 11/1/00
334	431-3509354	17632027	\$174,195	4/16/01	4/19/01	110	7427100008	30141	Santa Ana		4/1/01
335	431-3515938	17661927	\$130,452	4/12/01	4/16/01	79	1573300005	15565	Santa Ana	Prepaid or Current	3/1/01
336	431-3550062	27175694	\$90,402	9/17/01	10/15/01	80	1556500255	15565	Santa Ana	Due for Current Month	9/1/01
337	431-3586674	17986282	\$82,702	10/24/01	10/24/01	152	1060400017	30141	Santa Ana	Service Transfer	8/1/01
338	431-3593810	27121771	\$136,923	10/22/01	10/30/01	136	1530200002	15565	Santa Ana	60-89 Days	10/1/01 9/1/01 8/1/01
339	431-3629110	27412642	\$139,035	11/20/01	11/26/01	84	7805000002	30141	Santa Ana	Service Transfer	10/1/01
340	431-3629865	27405075	\$146,789	10/31/01	11/5/01	61	1556500000	30141	Santa Ana	Service Transfer	9/1/01
341	431-3644045	27842871	\$146,676	2/27/02	3/1/02	117	7805000002	15565	Santa Ana	Due for Current Month	12/1/01
342	431-3647796	27565621	\$127,700	12/17/01	12/20/01	80	1556500255	30141	Santa Ana	Service Transfer	12/1/01
343	431-3660366	27677186	\$155,914	1/25/02	1/25/02	86	1556500255	15565	Santa Ana	Prepaid or Current	1/1/02 12/1/01
344	431-3662980	27754324	\$122,084	4/1/02	4/3/02	116	7805000002	15565	Santa Ana	Prepaid or Current	2/1/02
345	431-3666527	27531847	\$129,666	1/17/02	1/23/02	78	1556500255	15565	Santa Ana	Due for Current Month	1/1/02
346	431-3672387	27767367	\$134,883	3/5/02	3/7/02	96	1765200006	15565	Santa Ana	Due for Current Month	2/1/02
347	431-3685010	28261683	\$114,836	5/14/02	5/17/02	134	1573300005	15565	Santa Ana	Prepaid or Current	3/1/02
348	431-3704995	28380368	\$223,475	5/14/02	5/15/02	75	1556500255	15565	Santa Ana	30-59 Days	4/1/02
349	441-6354529	18260083	\$104,600	11/2/00	11/3/00	64	1556501194	15565	Philadelphia	Prepaid or Current	10/1/00
350	441-6587593	18613570	\$61,100	12/12/01	12/14/01	153	1556501142	30141	Philadelphia	Service Transfer	9/1/01



<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
351	441-6595396	18589408	\$73,100	11/27/01	11/30/01	158	1556501142	30141	Philadelphia	Service Transfer	9/1/01
352	441-6623060	18602128	\$104,900	1/30/02	2/7/02	190	1556501194	15565	Philadelphia	30-59 Days	12/1/01 10/1/01
353	441-6648923	18676122	\$121,000	1/22/02	1/24/02	155	1556501194	15565	Philadelphia	Due for Current Month	1/1/02
354	441-6689470	18727594	\$110,850	1/30/02	1/30/02	117	1556501142	15565	Philadelphia	120+ Days	1/1/02
355	451-0670734	17447889	\$100,700	12/5/00	12/7/00	111	1057900001	15565	Philadelphia	30-59 Days	11/1/00
356	461-3536633	22870125	\$67,433	7/10/01	7/17/01	341	7259200009	15565	Atlanta	60-89 Days	1/1/01
357	481-2267986	27298397	\$127,991	1/4/02	1/9/02	127	1556506337	15565	Atlanta	Prepaid or Current	11/1/01
358	481-2270066	27415355	\$116,082	1/7/02	1/9/02	136	1556506264	15565	Atlanta	Prepaid or Current	12/1/01
359	481-2277455	27386507	\$84,643	2/1/02	2/1/02	115	1556506264	15565	Atlanta	Prepaid or Current	1/1/02 12/1/01
360	482-3307408	15218647	\$124,024	12/15/00	12/26/00	135	1556506308	15565	Atlanta	30-59 Days	12/1/00
361	482-3422602	15272792	\$107,153	12/1/01	12/4/01	162	1556500754	15565	Atlanta	Prepaid or Current	11/1/01 10/1/01 9/1/01
362	482-3441072	27410315	\$114,098	1/16/02	1/22/02	139	1556500754	15565	Atlanta	Prepaid or Current	11/1/01
363	483-2841229	22539696	\$117,587	10/20/00	4/10/02	67	1556501289	15565	Atlanta	Due for Current Month	10/1/00
364	483-2851210	22547616	\$81,427	6/1/01	6/11/01	266	1556502190	15565	Atlanta	Prepaid or Current	3/1/01
365	483-2909379	23203862	\$87,899	5/16/01	6/11/01	65	1556502190	15565	Atlanta	30-59 Days	5/1/01
366	483-2917346	23202278	\$93,495	5/30/01	6/7/01	61	1556502190	15565	Atlanta	Prepaid or Current	5/1/01
367	483-2931774	23043391	\$92,717	8/20/01	8/30/01	108	1556501289	15565	Atlanta	Foreclosure	8/1/01
368	483-2945158	23504863	\$137,910	12/6/01	12/10/01	196	1556502190	15565	Atlanta	Due for Current Month	9/1/01
369	483-2971189	23044944	\$209,345	5/31/02	6/4/02	309	1556501289	15565	Atlanta	Due for Current Month	5/1/02 4/1/02 2/1/02 1/1/02
370	483-3026999	27827203	\$144,890	6/13/02	6/17/02	204	1556501289	15565	Atlanta	Prepaid or Current	1/1/02
371	491-6965974	22314314	\$68,464	11/4/00	11/14/00	143	1556502248	15565	Denver	30-59 Days	10/1/00 9/1/00 8/1/00
372	491-6982581	22448807	\$53,425	9/28/00	10/17/00	72	1556502125	15565	Denver	Due for Current Month	9/1/00
373	491-6984270	22448823	\$64,417	11/28/00	12/5/00	144	1556502125	15565	Denver	120+ Days	11/1/00
374	491-7038035	22973440	\$66,360	6/16/01	6/20/01	260	1556502125	15565	Denver	Prepaid or Current	5/1/01
375	491-7290486	27272350	\$62,651	11/15/01	3/26/02	80	1556500000	15565	Denver	Prepaid or Current	10/1/01 9/1/01
376	491-7293969	27334184	\$131,333	10/4/01	10/12/01	70	1556501273	30141	Denver	Service Transfer	9/1/01
377	491-7345167	27201763	\$115,979	2/4/02	2/7/02	129	1556501273	15565	Denver	Foreclosure	1/1/02



Appendix D

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
378	492-5860348	22535777	\$129,525	10/11/00	10/11/00	105	1556501273	15565	Denver	120+ Days	9/1/00
379	492-5894653	22534978	\$63,139	10/16/00	10/23/00	66	1556501273	15565	Denver	60-89 Days	10/1/00
380	492-6109649	27234202	\$86,063	1/4/02	1/10/02	182	1556501273	30141	Denver	Service Transfer	11/1/01
381	493-6671740	13856471	\$44,368	11/27/00	11/27/00	168	1556501448	15565	Denver	Foreclosed	10/1/00 9/1/00
382	495-5899343	18680140	\$115,600	6/5/02	6/11/02	315	7507300541	15565	Denver	Due for Current Month	5/1/02 2/1/02 1/1/02 12/1/01
383	495-5917187	18789826	\$142,350	2/27/02	3/6/02	128	7507300541	15565	Denver	Paid in Full	2/1/02
384	495-5921347	18700815	\$111,800	2/18/02	2/25/02	178	7507300541	30141	Denver	Service Transfer	1/1/02 12/1/01 11/1/01 10/1/01
385	495-5956122	27545466	\$141,335	12/31/01	1/23/02	98	1556500912	30141	Denver	Service Transfer	12/1/01
386	541-5867846	18217240	\$89,800	4/11/01	4/16/01	105	1556505990	15565	Philadelphia	Prepaid or Current	3/1/01
387	541-5875083	18365585	\$110,350	2/12/01	2/15/01	101	1556505029	30141	Philadelphia	Service Transfer	1/1/01
388	541-5919908	18427591	\$58,250	4/13/01	4/18/01	77	1556501801	30141	Philadelphia		3/1/01
389	541-5921497	18416685	\$95,300	4/5/01	4/9/01	77	1556505029	30141	Philadelphia		3/1/01
390	541-5995775	18661272	\$109,400	11/2/01	11/6/01	67	1556505990	30141	Philadelphia	Service Transfer	10/1/01
391	541-6009389	27105519	\$65,956	10/31/01	11/1/01	138	1344700003	15565	Philadelphia	60-89 Days	10/1/01 9/1/01
392	541-6089857	18643999	\$124,300	10/3/01	10/9/01	64	1556501801	30141	Philadelphia	Service Transfer	9/1/01
393	541-6112416	18675090	\$107,600	12/24/01	12/31/01	153	7507300541	15565	Philadelphia	Due for Current Month	12/1/01
394	541-6118425	18671966	\$92,100	11/19/01	11/23/01	112	1556501801	15565	Philadelphia	60-89 Days	11/1/01
395	541-6150256	18715359	\$82,550	1/7/02	1/10/02	130	1556505029	15565	Philadelphia	Prepaid or Current	12/1/01
396	541-6156895	18641142	\$67,350	12/17/01	12/20/01	95	1556505059	30141	Philadelphia	Service Transfer	12/1/01 11/1/01
397	541-6224292	18819300	\$101,150	2/22/02	2/27/02	88	1422600007	15565	Philadelphia	Prepaid or Current	1/1/02
398	541-6247235	18861799	\$61,450	3/26/02	3/28/02	67	1556505029	15565	Philadelphia	Due for Current Month	3/1/02
399	543-0117854	18529776	\$112,200	1/12/02	1/23/02	138	1620400007	30141	Philadelphia	Service Transfer	12/1/01
400	548-3618072	17440405	\$75,267	12/4/00	12/7/00	129	7701900001	15565	Philadelphia	Prepaid or Current	10/1/00
401	548-3671026	18368431	\$149,800	1/24/01	1/25/01	85	7649600009	30141	Philadelphia	Service Transfer	12/1/00
402	548-3747504	18531657	\$134,600	6/27/01	6/29/01	65	1088600009	15565	Philadelphia	Prepaid or Current	6/1/01 5/1/01
403	548-3757104	18540104	\$181,300	9/24/01	9/26/01	153	1556505990	15565	Philadelphia	Due for Current Month	9/1/01 8/1/01
404	548-3780274	18590554	\$192,150	11/6/01	4/1/02	165	7909000001	15565	Philadelphia	Prepaid or Current	9/1/01

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
405	548-3795192	18611475	\$77,400	5/9/02	5/14/02	349	1195600002	30141	Philadelphia		11/1/01
406	548-3809276	18616359	\$161,250	4/24/02	4/26/02	299	1556505990	15565	Philadelphia	Prepaid or Current	12/1/01 11/1/01
407	548-3812173	18625772	\$116,850	10/8/01	10/12/01	102	1556505990	15565	Philadelphia	Prepaid or Current	9/1/01
408	548-3833949	18657270	\$168,600	1/22/02	1/25/02	175	1195600002	30141	Philadelphia		11/1/01
409	548-3836400	18710541	\$97,750	1/29/02	2/1/02	172	1088600009	15565	Philadelphia	Prepaid or Current	1/1/02
410	548-3845976	18705137	\$63,500	1/11/02	1/16/02	137	1195600002	30141	Philadelphia		10/1/01
411	548-3854882	18706556	\$102,600	1/7/02	1/9/02	129	1556505990	15565	Philadelphia	Prepaid or Current	12/1/01
412	548-3924478	18857755	\$172,550	4/1/02	4/1/02	95	1088600009	15565	Philadelphia	Prepaid or Current	3/1/02
413	548-3947167	18911115	\$189,000	4/5/02	4/11/02	71	1088600009	15565	Philadelphia	30-59 Days	3/1/02
414	561-7096548	22735443	\$143,560	5/11/01	5/18/01	338	1556502545	15565	Santa Ana	Due for Current Month	1/1/01 11/1/00
415	561-7111857	22254908	\$208,894	11/6/00	11/9/00	95	1556502408	15565	Santa Ana	Foreclosed	10/1/00
416	561-7121253	22808943	\$185,948	12/6/00	12/8/00	99	1556502408	15565	Santa Ana	30-59 Days	10/1/00
417	561-7145721	22736748	\$153,630	2/10/01	2/14/01	130	1556502545	15565	Santa Ana	Due for Current Month	11/1/00
418	561-7149330	23102304	\$163,837	1/31/01	2/6/01	107	1556502408	15565	Santa Ana	Prepaid or Current	12/1/00
419	561-7156512	22985154	\$111,095	3/20/01	3/27/01	144	1556501585	15565	Santa Ana	Prepaid or Current	2/1/01
420	561-7160155	23101793	\$218,511	2/1/01	2/9/01	66	1556502408	30141	Santa Ana	Service Transfer	1/1/01
421	561-7168795	22943195	\$213,384	4/16/01	4/24/01	131	1556502545	30141	Santa Ana		3/1/01
422	561-7205222	17737925	\$174,252	5/2/01	5/8/01	63	1556502545	15565	Santa Ana	Foreclosure	4/1/01
423	561-7238881	17717935	\$146,667	6/22/01	6/26/01	77	1556502545	15565	Santa Ana	Prepaid or Current	6/1/01
424	561-7299207	27052588	\$187,775	8/31/01	9/5/01	72	1556502408	15565	Santa Ana	Due for Current Month	8/1/01
425	561-7310217	27092014	\$162,907	10/3/01	10/9/01	93	1556502408	15565	Santa Ana	30-59 Days	9/1/01 8/1/01
426	561-7310319	27138387	\$137,837	10/9/01	11/8/01	102	1556502408	15565	Santa Ana	30-59 Days	8/1/01
427	561-7321130	23620503	\$139,734	10/3/01	10/5/01	93	7281200002	30141	Santa Ana	Service Transfer	8/1/01
428	561-7325103	27298819	\$191,839	10/3/01	10/9/01	64	1556502451	15565	Santa Ana	Due for Current Month	9/1/01
429	561-7357476	23698475	\$140,120	2/27/02	3/1/02	180	7281200002	15565	Santa Ana	30-59 Days	2/1/02
430	561-7395258	27678143	\$170,134	1/18/02	1/24/02	79	7945000015	30141	Santa Ana	Service Transfer	1/1/02 12/1/01
431	561-7398073	27691088	\$107,330	4/9/02	4/12/02	161	1556502408	15565	Santa Ana	Prepaid or Current	3/1/02 2/1/02
432	561-7406367	27831601	\$179,342	1/2/02	1/4/02	63	1482400004	30141	Santa Ana	Service Transfer	12/1/01
433	561-7407487	27769330	\$128,632	3/14/02	3/19/02	105	1556502545	15565	Santa Ana	Prepaid or Current	2/1/02
434	561-7410139	27633205	\$200,000	3/28/02	4/1/02	148	1556502408	15565	Santa Ana	90-119 Days	3/1/02 2/1/02 1/1/02 12/1/01

<i>OIG No</i>	<i>FHA Case Number</i>	<i>First Horizon Loan Number</i>	<i>Mortgage Amount</i>	<i>Date Submitted</i>	<i>Date Endorsed</i>	<i>Days from Closing to Submitted</i>	<i>Originating ID</i>	<i>Servicer ID</i>	<i>HOC</i>	<i>Status as of 7/25/02*</i>	<i>Due Date of Missed Payment</i>
435	561-7423450	27935766	\$179,680	3/18/02	3/21/02	97	1556501585	15565	Santa Ana	Prepaid or Current	3/1/02 2/1/02
436	561-7453220	28191864	\$64,990	4/25/02	4/30/02	113	1556501585	15565	Santa Ana	Prepaid or Current	4/1/02
437	565-0024415	17587338	\$81,230	5/15/01	5/15/01	174	7805000002	30141	Santa Ana		4/1/01 3/1/01
438	569-0470162	17267295	\$160,737	5/11/01	5/29/01	318	1556500255	15565	Santa Ana	30-59 Days	2/1/01 1/1/01 12/1/00

**LEGEND FOR STATUS AS OF 7/25/02 COLUMN:**

- No status listed—Current status is not contained in First Horizon’s system*
- Prepaid or Current—Loan payments are current*
- Due for Current Month—As of 7/25/02, the July2002 payment was due*
- Paid in Full—The loan has been paid in full/refinanced*
- Service Transfer—The loan has been transferred to another lender for collecting and recording the payments*
- 30-59 Days—Payments are between 30 and59 days past due*
- 60-89 Days—Payments are between 60 and 89 days past due*
- 90-119 Days—Payments are between 90 and 119 days past due*
- 120+ Days—Payments are 120 or more days past due*
- Bankruptcy 16-29 Days—Borrower is in bankruptcy and due for the current month*
- Bankruptcy90-119 Days—Borrower is in bankruptcy and payments are between 90 and 119 days past due*
- Bankruptcy 120+ Days—Borrower is in bankruptcy and payments are 120 or more days past due*
- Foreclosure—Loan is in the foreclosure process*
- Foreclosed—Foreclosure has been completed*

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# Auditee Comments

## Audit Response

First Horizon appreciates the opportunity to respond to the Office of Inspector General – Audit. We realize the importance of submitting loans for endorsement that meet all FHA requirements and have enhanced our procedures to ensure compliance. To this end you have our strongest commitment.

We believe it is important to put the period subject to the Audit in context. During this period First Horizon experienced record volumes of FHA loan origination due to, among other things, the low interest rate environment and high number of refinanced loans. In fact, First Horizon's endorsement of 37,513 loans from July 2000 to May 2002 was a record for the company. Even with this volume of origination we are not suggesting that we are satisfied with the result, although there were only 438 loans in question, or 1.18%.

Important steps have been taken to insure we improve our performance going forward.

In addition to enhancing our existing procedures and quality control checks, a new training position has been created to audit files before they are submitted to HUD. This procedure will allow for continued training of insurers.

To further ensure that loans are submitted timely and that no loans are submitted with delinquent pay history we are developing automation at the insurer's desktop to alert as to the payment status of each loan. If the loan is delinquent, it will prevent the insurer from submitting the loan to HUD. This enhancement should be implemented by end of the first quarter 2003, and will greatly increase the controls, as well as reduce the risk of submitting a delinquent loan.

Monthly report cards have been developed for the insurers, showing the number of submissions, rejects, and loans submitted within 60 days. With the new training position and training materials completed the focus will be to continue training throughout the year based on the audits and insurers' report cards.

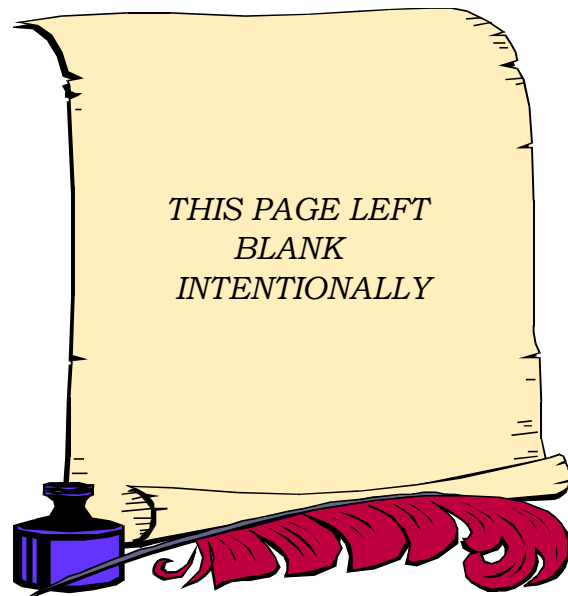
Training has been and will continue to be a major focus in the Government Insuring department. During January through September 2002, we submitted 16,295 loans for endorsement to HUD. 90% were submitted within 60 days. Our interim goal is to have 95% submitted within 60 days and 98% within 75 days (actual performance was 95% submitted within 75 days). With the volumes processed, we are pleased but not satisfied with 2002 performance, however we believe in the short term we will reach at least 95% submission within 60 days. We are striving to reach 100% compliance.

First Horizon is anxious to resolve the findings identified in the Inspector General's audit. We understand the need for compliance and are committed to eliminating these issues on a going forward basis. In that regard, First Horizon believes a fair and appropriate settlement would be to indemnify (reimburse) HUD for losses on the 15 loans that have gone to claim.

First Horizon agrees to indemnify HUD for its losses of \$83,050.00 on the three loans where the property has been sold. Additionally, we agree to indemnify HUD on the 12 loans where claims have paid although losses cannot be determined at this time. Many of the remaining loans are current or have been paid in full.

We do not believe for loans where foreclosure has not been completed or loans that have been transferred, that indemnification is warranted. The remaining loans are being worked aggressively and loss mitigation used wherever possible to help borrowers maintain their homes and many of the loans are current.

We appreciate the opportunity to respond to the audit. Based upon your feedback, First Horizon has already improved its procedures. First Horizon's strategy continues to focus on first time homebuyers and be a partner with HUD to originate FHA loans. We strongly believe the controls to eliminate the risk to HUD are in place.



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# Distribution Outside of HUD

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