

PHH CORP  
Form 11-K  
June 26, 2008

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Form 11-K**

þ **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the fiscal year ended December 31, 2007**

**OR**

o **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period from to**

**Commission File No. 1-7797**

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

**PHH Home Loans, LLC Employee Savings Plan**

B. Name of issuer of securities held pursuant to the plan and the address of its principal executive office:

**PHH Corporation**

**3000 Leadenhall Road**

**Mt. Laurel, New Jersey 08054**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the PHH Home Loans, LLC Employee Benefits Committee and Participants of the PHH Home Loans, LLC Employee Savings Plan:**

We have audited the accompanying statements of net assets available for benefits of the PHH Home Loans, LLC Employee Savings Plan (the Plan ) as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting.

Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2007 and 2006, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2007 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2007 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP  
Philadelphia, Pennsylvania  
June 25, 2008

**PHH HOME LOANS, LLC EMPLOYEE SAVINGS PLAN  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

|  | <b>December 31,</b>  |                      |
|--|----------------------|----------------------|
|  | <b>2007</b>          | <b>2006</b>          |
| <b>ASSETS:</b>   |                      |                      |
| Cash and cash equivalents  | \$ 54,784            | \$ 26,537            |
| Participant-directed investments, at fair value  | 66,444,411           | 60,213,180           |
| Receivables:   |                      |                      |
| Participant contributions  | 206,686              | 253,106              |
| Employer contributions   | 122,710              | 162,375              |
| Interest and dividends   | 6,805                | 2,188                |
| Total receivables  | 336,201              | 417,669              |
| <b>NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE</b>   | <b>66,835,396</b>    | <b>60,657,386</b>    |
| Adjustment from fair value to contract value for fully benefit responsive investment contracts | 91,737               | 162,912              |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>   | <b>\$ 66,927,133</b> | <b>\$ 60,820,298</b> |

See Notes to Financial Statements.

**PHH HOME LOANS, LLC EMPLOYEE SAVINGS PLAN  
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

|  | <b>Year Ended December 31,</b> |                      |
|--|--------------------------------|----------------------|
|  | <b>2007</b>                    | <b>2006</b>          |
| <b>ADDITIONS TO NET ASSETS:</b>                                      |                                |                      |
| Contributions:   |                                |                      |
| Participant  | \$ 5,661,652                   | \$ 5,985,350         |
| Employer   | 3,803,998                      | 3,998,973            |
| Rollovers  | 51,031                         | 149,868              |
| <b>Total contributions</b>   | <b>9,516,681</b>               | <b>10,134,191</b>    |
| Net investment income:   |                                |                      |
| Interest and dividends   | 4,866,042                      | 3,032,280            |
| Net appreciation in fair value of investments                        | 328,756                        | 3,153,539            |
| <b>Net investment income</b>   | <b>5,194,798</b>               | <b>6,185,819</b>     |
| Assets transferred in from the PHH Corporation Employee Savings Plan | 690,226                        | 929,781              |
| <b>Total additions</b>   | <b>15,401,705</b>              | <b>17,249,791</b>    |
| <b>DEDUCTIONS FROM NET ASSETS:</b>                                   |                                |                      |
| Benefits paid to participants  | 7,757,694                      | 2,550,766            |
| Assets transferred out to the PHH Corporation Employee Savings Plan  | 1,531,489                      | 1,331,849            |
| Administrative expenses  | 5,687                          | 6,450                |
| <b>Total deductions</b>  | <b>9,294,870</b>               | <b>3,889,065</b>     |
| <b>NET INCREASE IN NET ASSETS</b>                                    | <b>6,106,835</b>               | <b>13,360,726</b>    |
| <b>NET ASSETS AVAILABLE FOR BENEFITS:</b>                            |                                |                      |
| <b>BEGINNING OF YEAR</b>   | <b>60,820,298</b>              | <b>47,459,572</b>    |
| <b>END OF YEAR</b>   | <b>\$ 66,927,133</b>           | <b>\$ 60,820,298</b> |

See Notes to Financial Statements.

**PHH HOME LOANS, LLC EMPLOYEE SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS**

**1. Description of the Plan**

The following description of the PHH Home Loans, LLC Employee Savings Plan (the Plan) provides only general information. Participants should refer to the Summary Plan Description or the Plan Document, which are available from the plan sponsor, PHH Home Loans, LLC (the Company, Home Loans or the Plan Sponsor), for a more complete description of the Plan's provisions.

The Plan is a defined contribution plan that provides Internal Revenue Code (IRC) Section 401(k) employee salary deferral benefits and employer contributions for the Company's eligible employees. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan is administered by the Company and fiduciary responsibility for the Plan has been delegated by the Company's Board of Directors to the Employee Benefits Committee (the Plan Administrator). Merrill Lynch Trust Company FSB (the Trustee) is the Plan's trustee.

The Company was formed in connection with PHH Corporation's (PHH) (NYSE: PHH) spin-off from Cendant Corporation (Cendant) effective February 1, 2005 and commenced operations in October 2005. Effective July 31, 2006, Cendant completed the spin-off of its real estate services division into an independent publicly traded company, Realogy Corporation (Realogy). Also during 2006, Cendant Corporation changed its name to Avis Budget Group, Inc. (Avis). PHH Broker Partner Corporation, a wholly owned subsidiary of PHH, owns 50.1% of the Company and Realogy Services Venture Partner, Inc., a wholly owned subsidiary of Realogy, owns 49.9% of the Company. The Plan was formed effective October 1, 2005.

On March 1, 2006, the Trustee and all eligible Plan participants were instructed to suspend all further purchases of PHH common stock within the Plan until PHH filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2005. On November 9, 2006, all eligible Plan participants were notified that the suspension of purchases of PHH common stock within the Plan had been extended until PHH became a current filer with the Securities and Exchange Commission (SEC). Refer to PHH's Current Reports on Form 8-K filed on March 1, 2006 and November 9, 2006, which provide further details of these blackout periods. Notwithstanding the instructions having been given, PHH and the Plan Administrator became aware that there were purchases of PHH common stock within the Plan during the blackout periods by certain Plan participants. PHH evaluated these purchases and determined that they did not result in any impact on the financial statements of the Plan. On June 29, 2007, PHH further extended the blackout period until the earlier of the effective date of a definitive agreement (the Merger Agreement) with General Electric Capital Corporation (GE) and its wholly owned subsidiary, Jade Merger Sub, Inc. to be acquired or December 31, 2007. On January 1, 2008, PHH gave a notice of termination to GE pursuant to the Merger Agreement because the Merger was not completed by December 31, 2007.

On January 8, 2008, the Company informed Plan participants of its decision to permanently suspend all further purchases of PHH common stock within the Plan effective January 1, 2008. Participants holding PHH stock as of January 1, 2008 were permitted to hold, sell, redeem or transfer their current holdings of PHH stock subject to the applicable Plan provisions and Company policy.

The following is a summary of certain Plan provisions:

**Eligibility.** Each regular employee of the Company (as defined in the Plan Document) is eligible to participate in the Plan following the later of commencement of employment or the attainment of age eighteen. Each part-time employee of the Company (as defined in the Plan Document) is eligible to participate in the Plan following the later of one year of eligible service or the age of eighteen.

**PHH HOME LOANS, LLC EMPLOYEE SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**Participant Contributions.** Participants may elect to make pre-tax contributions up to 20% of pre-tax annual compensation up to the statutory maximum of \$15,500 for 2007. Certain eligible participants (age 50 and over) are permitted to contribute an additional \$5,000 as a catch up contribution, resulting in a total pre-tax contribution of \$20,500 for 2007. Participants may change their investment allocations between funds on a daily basis.

**Employer Contributions.** The Company makes matching contributions to the Plan equal to 100% of each eligible participant's salary deferral up to 6% of such participant's eligible compensation per pay period. Participants are eligible for the employer contribution following one year of service (as defined in the Plan Document) provided they are regularly scheduled to work at least 20 hours per week. Catch up contributions made by eligible participants (age 50 and over) are not matched by the Company.

**Rollovers.** All participants, upon commencement of employment, are provided the option of making a rollover contribution into the Plan in accordance with Internal Revenue Service ( IRS ) regulations and Plan provisions.

**Investments.** Participants direct the investment of contributions to various investment options and may reallocate investments among the various funds or change future contributions on a daily basis. The fund reallocation must be in 1% increments and include both employee and employer contributions. Only one reallocation is allowed each day. Participants should refer to each fund's prospectus for a more complete description of the risks associated with each fund. Participants may be subject to penalties imposed by certain funds due to a participant's failure to hold investments in such funds for specified periods of time.

**Qualified Default Investment Alternative.** On October 24, 2007, the United States of America ( U.S. ) Department of Labor published final regulations, effective December 24, 2007, which provided guidance to plan sponsors on the selection and use of a qualified default investment alternative ( QDIA ). As contemplated in the Pension Protection Act of 2006 (PL 109-280), the final regulation created a fiduciary safe harbor for plan sponsors to invest plan participants investments, in certain circumstances, where no investment direction is given by a plan participant. On December 4, 2007, the Plan Administrator designated the Oakmark Equity & Income Fund as the Plan's QDIA.

**Vesting Schedule.** At any time, participants are 100% vested in their participant, employer and rollover contributions.

**Loan Provision.** Participants may borrow from their fund accounts up to the lesser of \$50,000 or 50% of their vested balance, provided the vested balance is at least \$1,000. The loans are secured by the participant's vested account balance and bear interest at a rate equal to the prime rate plus one percent. Loan repayments are made through payroll deductions over a term not to exceed five years, unless the proceeds of the loan are used to purchase the principal residence of the participant, in which case the term is not to exceed 15 years.

**Participant Accounts.** A separate account is maintained for each participant. Each participant's account is credited with the participant's contributions and allocations of the Company's contributions and Plan earnings, including interest, dividends and net realized and unrealized appreciation in fair value of investments. Each participant's account is also charged an allocation of net realized and unrealized depreciation in fair value of investments and certain administrative expenses. Allocations are based on participant account balances, as defined in the Plan Document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Payment of Benefits to Participants.** Participants are entitled to withdraw all or any portion of their vested accounts in accordance with the terms of the Plan and applicable law. Participants may make full or partial withdrawals of their salary deferral or rollover accounts upon attaining age 59 1/2 or for a hardship in certain circumstances (as defined in the Plan Document) before that age. If a terminated participant's account balance is more than \$1,000 but does not exceed \$5,000, the account balance will automatically be rolled over to a Merrill Lynch Individual Retirement Rollover Account. If a terminated participant's account balance exceeds \$5,000, no distribution will be made unless the participant consents to a distribution. A terminated participant with an

**PHH HOME LOANS, LLC EMPLOYEE SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS (Continued)**

account balance of \$1,000 or less will automatically receive a lump sum distribution. There were no amounts to be paid to participants who had elected to withdraw from the Plan, but did not yet receive distributions from the Plan at December 31, 2007. Amounts to be paid to participants who have elected to withdraw from the Plan, but did not yet receive distributions from the Plan totaled \$25,000 at December 31, 2006.

**Transfers.** PHH sponsors a 401(k) plan for eligible employees of PHH and its wholly-owned subsidiaries. If participants change their employer between Home Loans and PHH (or a wholly-owned subsidiary of PHH) during the year, their account balances are transferred into the corresponding plan.

**Administrative Expenses.** Administrative expenses of the Plan may be paid by PHH at its discretion; otherwise, such expenses are paid by the Plan. During 2007 and 2006, all administrative expenses recorded by the Plan were primarily loan origination fees and associated expenses charged to applicable participant accounts. All other administrative expenses associated with the Plan were paid by PHH.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting.** The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ( GAAP ).

**Cash and Cash Equivalents.** The Plan considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Valuation of Investments and Income Recognition.** The Plan's investments in common stock, mutual funds and cash and cash equivalents are stated at fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan year. Shares of registered investment companies are valued at the quoted market price, which represents the net asset value of shares held by the Plan at year-end. Loans to participants are valued at cost, which approximates fair value. The Plan's investments in common/collective trusts consist of funds that invest primarily in fixed interest insurance investment contracts, money market funds, corporate and government bonds, mortgage-backed securities, bond funds, equity securities and fixed income securities. As required by FSP AAG INV-1 and SOP 94-4-1, Reporting of Fully Benefit-responsive Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare Pension Plans, the Plan's investments in these common/collective trusts are presented in the Statements of Net Assets Available for Benefits at the fair value of the underlying investments and Adjustments from fair value to contract value for fully benefit responsive investment contracts is presented as a separate line item. Contract values represent amounts contributed, plus the Plan's pro-rata share of interest income earned by such fund, less administrative expenses and withdrawals.

Management fees and operating expenses charged to the Plan for investments in mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date and interest is recorded when earned. The accompanying Statements of Changes in Net Assets Available for Benefits present net appreciation in fair value of investments, which includes unrealized gains and losses on investments held at December 31, 2007 and 2006 and realized gains and losses on investments sold during the years ended December 31, 2007 and 2006.

**Use of Estimates.** The preparation of financial statements in conformity with GAAP requires the Plan Administrator to make estimates and assumptions that affect the amounts reported and related disclosures. Actual results could differ from those estimates.



**PHH HOME LOANS, LLC EMPLOYEE SAVINGS PLAN**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**Risks and Uncertainties.** The Plan invests in various securities including mutual funds, common/collective trusts and common stock. Investment securities are exposed to various risks, such as interest rate and credit risks and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that those changes could materially affect the amounts reported in the financial statements.

**Payment of Benefits.** Benefits to participants are recorded upon distribution.

**Recently Issued Accounting Pronouncements.** In September 2006, the Financial Accounting Standards Board (the FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 157, Fair Value Measurements ( SFAS No. 157 ). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. The changes to current practice resulting from the application of SFAS No. 157 relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 with earlier application permitted, subject to certain conditions. The provisions of SFAS No. 157 should be applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for certain financial instruments which require retrospective application as of the beginning of the fiscal year of initial application (a limited form of retrospective application). The transition adjustment, measured as the difference between the carrying amounts and the fair values of those financial instruments at the date SFAS No. 157 is initially applied, should be recognized as a cumulative-effect adjustment to the opening balance of retained earnings (or net assets available for benefits). The Plan Administrator does not expect the adoption of SFAS No. 157 to have an impact on the Statement of Net Assets Available for Benefits or the Statement of Changes in Net Assets Available for Benefits.

### 3. Investments

The following table presents investments that represent five percent or more of the Plan's net assets available for benefits:

|  | <b>December 31,</b> |             |
|--|---------------------|-------------|
|  | <b>2007</b>         | <b>2006</b> |
| Merrill Lynch Retirement Preservation Trust <sup>(1)</sup> | \$9,900,534         | \$8,411,410 |
| ING International Value Fund                               | 6,902,527           | 6,482,268   |
| Oppenheimer Developing Markets Fund                        | 6,530,655           | 4,943,409   |
| Davis New York Venture Fund                                | 5,749,260           | 5,007,853   |
| Pimco Total Return Fund                                    | 5,204,285           | 4,513,255   |
| Goldman Sachs Growth Opportunities Fund                    | 4,339,424           | 3,851,243   |
| Oppenheimer Capital Appreciation Fund                      | 4,238,445           | 3,551,675   |
| Pioneer Mid Cap Value Fund                                 | 3,530,807           | 3,312,474   |
| Harbor Small Cap Value Fund <sup>(2)</sup>                 | 2,975,509           | 3,501,467   |

(1) Exempt party-in-interest transaction (See Note 5, Exempt Party-in-Interest Transactions ).

(2) Less than 5% of net assets available for

benefits as of  
December 31,  
2007, but  
included for  
comparative  
purposes.

**PHH HOME LOANS, LLC EMPLOYEE SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS (Continued)**

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

|                              | <b>Year Ended December 31,</b> |                     |
|------------------------------|--------------------------------|---------------------|
|                              | <b>2007</b>                    | <b>2006</b>         |
| Mutual funds                 | \$ 393,945                     | \$ 2,950,840        |
| Common/collective trusts     | 113,117                        | 286,976             |
| Common stocks <sup>(1)</sup> | (178,306)                      | (84,277)            |
|                              | <b>\$ 328,756</b>              | <b>\$ 3,153,539</b> |

<sup>(1)</sup> Exempt party-in-interest transaction (See Note 5, Exempt Party-in-Interest Transactions ).

**4. Federal Income Tax Status**

The IRS has determined and informed the Plan Administrator, by a letter dated October 11, 2007, that the plan is designed to operate in accordance with applicable provisions of the IRC. This determination was subject to the Plan Administrator's adoption of certain amendments, which occurred subsequent to the date of the IRS determination letter. The Plan Administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC and may be amended, as necessary, to continue to comply with applicable requirements. Therefore, no provision for income tax has been included in the Plan's financial statements.

**5. Exempt Party-in-Interest Transactions**

A portion of the Plan's investments represent shares in funds managed by the Trustee. These transactions qualify as exempt party-in-interest transactions.

Additionally, the Plan's investments included the following common stock of PHH and its former affiliates:

|  | <b>December 31,</b> |                   |               |                   |
|--|---------------------|-------------------|---------------|-------------------|
|  | <b>2007</b>         |                   | <b>2006</b>   |                   |
|  | <b>Shares</b>       | <b>Cost Basis</b> | <b>Shares</b> | <b>Cost Basis</b> |
| PHH Corporation common stock               | 6,622               | \$ 192,092        | 8,881         | \$ 248,851        |
| Avis Budget Group, Inc. common stock       | 3,814               | 94,293            | 4,778         | 429,419           |
| Wyndham Worldwide Corporation common stock | 7,785               | 246,583           | 9,664         | 196,595           |
| Realogy Corporation common stock           |                     |                   | 10,701        | 166,909           |

The Plan recorded the following activity in Net investment income for the above common stock investments:

|  | <b>Year Ended December 31,</b>                    |                            |  |                            |
|--|---|----------------------------|--|----------------------------|
|  | <b>2007</b>                                       |                            | <b>2006</b>  |                            |
|  | <b>Net<br/>Depreciation<br/>in Fair<br/>Value</b> | <b>Dividend<br/>Income</b> | <b>Net<br/>Appreciation<br/>(Depreciation)<br/>in Fair Value</b> | <b>Dividend<br/>Income</b> |

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|  |            |     |           |       |
|--|------------|-----|-----------|-------|
| PHH Corporation common stock               | \$(76,298) | \$  | \$ 4,241  | \$    |
| Avis Budget Group, Inc. common stock       | (37,389)   |     | (359,927) |       |
| Realogy Corporation common stock           | (3,739)    |     | 194,178   |       |
| Wyndham Worldwide Corporation common stock | (60,880)   | 646 | 124,889   |       |
| Cendant Corporation common stock           |            |     | (47,658)  | 7,235 |

Effective July 31, 2006, Cendant spun-off its real estate services division, Realogy, and hospitality services division, Wyndham Worldwide Corporation ( Wyndham ), in which Cendant distributed 100% of the common stock of its Realogy Corporation and Wyndham subsidiaries to Cendant stockholders of record as of

**PHH HOME LOANS, LLC EMPLOYEE SAVINGS PLAN**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

July 21, 2006. During 2006, Cendant changed its name to Avis Budget Group, Inc., effectuated a one-for-ten reverse stock split and changed its trading symbol on the New York Stock Exchange ( NYSE ). On March 30, 2007, Realogy announced the approval of the acquisition of it by an affiliate of Apollo Management VI, L.P., which closed on April 10, 2007, and shares of Realogy ceased trading on the NYSE. Plan participants holding shares of Realogy common stock received \$30 in cash per share of common stock held, which, in turn, was deposited in the participants accounts in the Merrill Lynch Retirement Preservation Trust. These transactions qualify as exempt party-in-interest transactions.

See Note 8, Subsequent Events for discussion regarding the elimination of investment in non-employer stock funds within the Plan effective December 31, 2008.

**6. Plan Termination**

Although it has not expressed any intention to do so, the Company reserves the right to modify, suspend, amend or terminate the Plan in whole or in part at any time subject to the provisions of ERISA.

**7. Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of net assets available for benefits as presented in these financial statements to the balance per Form 5500 as of December 31, 2007:

Statement of Net Assets Available for Benefits:

|  |               |
|--|---------------|
| Net assets available for benefits per the financial statements   | \$ 66,927,133 |
| Adjustment from fair value to contract value for fully benefit responsive investment contracts as of December 31, 2007 | (91,737)      |
| Net assets available for benefits per the Form 5500, at fair value   | \$ 66,835,396 |

The following is a reconciliation of net increase in net assets as presented in the Statement of Changes in Net Assets Available for Benefits to net income per Form 5500 for the year ended December 31, 2007:

Statement of Changes in Net Assets Available for Benefits:

|  |              |
|--|--------------|
| Net increase in net assets per the financial statements  | \$ 6,106,835 |
| Adjustment from fair value to contract value for fully benefit responsive investment contracts as of December 31, 2007 | (91,737)     |
| Adjustment from fair value to contract value for fully benefit responsive investment contracts as of December 31, 2006 | 162,912      |
| Assets transferred in from the PHH Corporation Employee Savings Plan   | (690,226)    |
| Assets transferred out to the PHH Corporation Employee Savings Plan  | 1,531,489    |
| Net income per Form 5500   | \$ 7,019,273 |

**8. Subsequent Events**

See Note 1, Description of the Plan for a discussion regarding the termination of the Merger Agreement on January 1, 2008 and the permanent suspension of the trading of PHH common stock within the Plan.

On April 18, 2008, the Company informed Plan participants that, effective January 1, 2009, all non-employer stock funds, specifically the common stocks of Avis and Wyndham, would be eliminated as Plan investments and all Plan assets held in such investments would be liquidated as of December 31, 2008. At this time, participants were also informed that if action is not taken prior to December 31, 2008 to transfer any remaining shares held in either of the non-employer stock funds to another investment, the Plan Administrator will be instructed to sell those shares and transfer the proceeds from the sale into The Oakmark Equity and Income Fund, the Plan's QDIA.



**PHH HOME LOANS, LLC EMPLOYEE SAVINGS PLAN**  
**FORM 5500, PART IV, SCHEDULE H, LINE 4i SCHEDULE OF ASSETS (HELD AT END OF YEAR)**  
**AS OF DECEMBER 31, 2007**

| Identity of Issue, Borrower, Current<br>Lessor or Similar Party | Description<br>of Investment | Number<br>of Shares,<br>Units or<br>Par Value | Cost <sup>(1)</sup> | Current<br>Value     |
|---|------------------------------|---|---------------------|----------------------|
| PHH Corporation Common Stock <sup>(2)</sup>                     | Common stock                 | 6,622   |                     | \$ 116,804           |
| Avis Budget Group, Inc.   | Common stock                 | 3,814   |                     | 49,579               |
| Wyndham Worldwide Corporation                                   | Common stock                 | 7,785   |                     | 183,410              |
| Merrill Lynch Equity Index Trust I <sup>(2)</sup>               | Common/collective<br>trust   | 18,822  |                     | 2,128,745            |
| Merrill Lynch Retirement Preservation Trust <sup>(2)</sup>      | Common/collective<br>trust   | 9,992,271                                     |                     | 9,900,534            |
| American Growth Fund of America                                 | Mutual fund                  | 81,050  |                     | 2,716,793            |
| The Oakmark Equity and Income Fund                              | Mutual fund                  | 121,507                                       |                     | 3,252,745            |
| The Managers Special Equity Fund                                | Mutual fund                  | 13,773  |                     | 885,072              |
| Pioneer Mid-Cap Value Fund                                      | Mutual fund                  | 158,759                                       |                     | 3,530,807            |
| Lord Abbett Bond Debenture Fund                                 | Mutual fund                  | 76,280  |                     | 614,819              |
| DWS RReef Real Estate Securities Fund                           | Mutual fund                  | 49,888  |                     | 950,866              |
| ING International Value Fund                                    | Mutual fund                  | 371,303                                       |                     | 6,902,527            |
| Goldman Sachs Growth Opportunities Fund                         | Mutual fund                  | 192,095                                       |                     | 4,339,424            |
| Harbor Small Cap Value Fund                                     | Mutual fund                  | 151,271                                       |                     | 2,975,509            |
| Oppenheimer Capital Appreciation Fund                           | Mutual fund                  | 82,460  |                     | 4,238,445            |
| Allianz CCM Capital Appreciation Fund                           | Mutual fund                  | 29,278  |                     | 601,653              |
| Oppenheimer International Growth Fund                           | Mutual fund                  | 56,578  |                     | 1,758,444            |
| Pimco Total Return Fund   | Mutual fund                  | 486,837                                       |                     | 5,204,285            |
| Davis New York Venture Fund                                     | Mutual fund                  | 143,696                                       |                     | 5,749,260            |
| Oppenheimer Developing Markets Fund                             | Mutual fund                  | 134,238                                       |                     | 6,530,655            |
| MFS Value Fund Class R5   | Mutual fund                  | 57,461  |                     | 1,524,428            |
| Loans to participants <sup>(3)</sup>                            |                              |   |                     | 2,289,607            |
| Cash and cash equivalents                                       |                              |   |                     | 54,784               |
| <b>Total</b>  |                              |   |                     | <b>\$ 66,499,195</b> |

(1) Cost information is not required for participant-directed investments.

(2) Represents an exempt party-in-interest transaction.

(3)

Maturity dates  
range from  
January 2008 to  
September 2022.  
Interest rates range  
from 5.0% to  
10.5%.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

PHH Home Loans, LLC Employee Savings  
Plan

By: /s/ William F. Brown

Name: William F. Brown

Title: Member, Employee Benefits  
Committee

Date: June 26, 2008