

PHH CORP
Form 11-K
July 16, 2007

Table of Contents

**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, 2006

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**

TABLE OF CONTENTS

| Description | Page |
|---|-------------|
| <u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u> | 2 |
| FINANCIAL STATEMENTS: | |
| <u>Statements of Net Assets Available for Benefits as of December 31, 2006 and 2005</u> | 3 |
| <u>Statements of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2006 and for the Period from October 1, 2005 (inception) to December 31, 2005</u> | 4 |
| <u>Notes to Financial Statements</u> | 5 |
| SUPPLEMENTAL SCHEDULE: | |
| <u>Form 5500, Part IV, Schedule H, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2006</u> | 11 |
| <u>SIGNATURES</u> | 12 |
| EX-23-1: CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM | |
| <u>EX-23.1: CONSENT OF DELOITTE & TOUCHE LLP</u> | |

All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Table of Contents

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, 2006 and 2005, and the related statements of changes in net assets available for benefits for the year ended December 31, 2006 and for the period from October 1, 2005 (inception) to December 31, 2005. 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, 2006 and 2005, and the changes in net assets available for benefits for the year ended December 31, 2006 and for the period from October 1, 2005 (inception) to December 31, 2005 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, 2006 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 2006 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.

As discussed in Note 2 to the Plan's financial statements, during 2006 the Plan changed its method of accounting for fully benefit-responsive investment contracts to conform to FASB Staff Position Nos. 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 and Pension Plans*.

As discussed in Note 8 to the Plan's financial statements, on March 15, 2007, PHH Corporation, the 50.1% owner of PHH Home Loans, LLC, (the Plan's Sponsor), entered into a Merger Agreement.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania

July 13, 2007

Table of Contents

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

| | December 31, | |
|--|----------------------|----------------------|
| | 2006 | 2005 |
| ASSETS: | | |
| Cash and cash equivalents | \$ 26,537 | \$ 380,973 |
| Participant-directed investments, at fair value | 60,213,180 | 46,954,522 |
| Receivables: | | |
| Participant contributions | 253,106 | |
| Employer contributions | 162,375 | |
| Interest and dividends | 2,188 | 280 |
| Total receivables | 417,669 | 280 |
| NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE | 60,657,386 | 47,335,775 |
| Adjustment from fair value to contract value for fully benefit responsive investment contracts | 162,912 | 123,797 |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 60,820,298 | \$ 47,459,572 |

See Notes to Financial Statements.

Table of Contents

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

| | Year Ended December 31, 2006 | Period from October 1, 2005 (inception) to December 31, 2005 |
|--|---|---|
| ADDITIONS TO NET ASSETS: | | |
| Contributions: | | |
| Participant | \$ 5,985,350 | \$ 1,000,327 |
| Employer | 3,998,973 | 652,336 |
| Rollovers | 149,868 | 15,077 |
| Total contributions | 10,134,191 | 1,667,740 |
| Net investment income: | | |
| Interest and dividends | 3,032,280 | 1,346,070 |
| Net appreciation in fair value of investments | 3,153,539 | 44,747 |
| Net investment income | 6,185,819 | 1,390,817 |
| Assets transferred in from the PHH Corporation Employee Savings Plan | 929,781 | 44,849,302 |
| Total additions | 17,249,791 | 47,907,859 |
| DEDUCTIONS FROM NET ASSETS: | | |
| Benefits paid to participants | 2,550,766 | 446,817 |
| Assets transferred out to the PHH Corporation Employee Savings Plan | 1,331,849 | |
| Administrative expenses | 6,450 | 1,470 |
| Total deductions | 3,889,065 | 448,287 |
| NET INCREASE IN NET ASSETS | 13,360,726 | 47,459,572 |
| NET ASSETS AVAILABLE FOR BENEFITS: BEGINNING OF YEAR | 47,459,572 | |
| END OF YEAR | \$ 60,820,298 | \$ 47,459,572 |

See Notes to Financial Statements.

Table of Contents

**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 additional 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*'s 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 effective February 1, 2005 and commenced operations in October 2005. Effective July 31, 2006, Cendant Corporation 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.; however, within these Notes to Financial Statements, *PHH*'s former parent company, now known as Avis Budget Group, Inc. (NYSE: CAR) is referred to as *Cendant*. *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. During the period from October 1, 2005 (inception) to December 31, 2005, the *Plan* received a transfer of assets of approximately \$44.8 million from the *PHH Corporation Employee Savings Plan* representing account balances of the *Company*'s employees.

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* recently became aware that there were purchases of *PHH* common stock within the *Plan* during the blackout periods by certain *Plan* participants. *PHH* has evaluated these purchases and determined that they will not result in any impact on the financial statements of the *Plan*. On June 29, 2007, *PHH* continued the blackout period. See Note 8, *Subsequent Events* for details regarding this additional extension.

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.

Participant Contributions. Participants may elect to make pre-tax contributions up to 20% of pre-tax annual compensation up to the statutory maximum of \$15,000 for 2006. 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 \$20,000 for 2006. 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.

Table of Contents

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

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.

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.

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 59½ 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 (excluding any rollover contributions and related earnings thereon), 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 account balance of \$1,000 or less will automatically receive a lump sum distribution. 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 and \$30,000 at December 31, 2006 and 2005, respectively.

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 2006 and 2005, all administrative expenses recorded by the Plan were 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 United States of America.

Adoption of New Accounting Guidance. The financial statements reflect the retroactive adoption of Financial Accounting Standards Board Staff Position, 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 and Pension Plans (the FSP). As required by the FSP, the

Table of Contents

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

Statements of Net Assets Available for Benefits presents investment contracts at fair value as well as an additional line item showing an adjustment of fully benefit responsive investment contracts from fair value to contract value. The Statements of Changes in Net Assets Available for Benefits is presented on a contract value basis and was not affected by the adoption of the FSP. The adoption of the FSP did not impact the amount of Net assets available for benefits at December 31, 2006 and 2005.

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. The Plan's investments in these common/collective trusts are valued at fair value of the underlying investments and then adjusted to contract values. 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, 2006 and 2005 and realized gains and losses on investments sold during the year ended December 31, 2006 and the period from October 1, 2005 (inception) to December 31, 2005.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the amounts reported and related disclosures. Actual results could differ from those estimates.

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.

Table of Contents

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

3. Investments

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

| | December 31, | |
|--|---------------------|--------------|
| | 2006 | 2005 |
| Merrill Lynch Retirement Preservation Trust(1) | \$ 8,411,410 | \$ 6,753,819 |
| Goldman Sachs Growth Opportunities Fund | 3,851,243 | 991(2) |
| Pioneer Mid Cap Value Fund | 3,312,474 | 7,200(2) |
| Oppenheimer Developing Markets Fund | 4,943,409 | 3,883,277 |
| ING International Value Fund | 6,482,268 | 3,801,062 |
| MFS Mid Cap Growth Fund | (2) | 3,688,086 |
| Pimco Total Return Fund | 4,513,255 | 3,641,145 |
| Davis New York Venture Fund | 5,007,853 | 3,542,949 |
| Harbor Small Cap Value Fund | 3,501,467 | 3,310,723 |
| Oppenheimer Capital Appreciation Fund | 3,551,675 | 2,931,495 |
| Allianz OCC Renaissance Fund | (2) | 2,876,886 |

(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, 2006 or December 31, 2005, but included for comparative purposes.

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:

| | Year Ended December 31, 2006 | Period from October 1, 2005 (inception) to December 31, 2005 |
|--------------------------|---|---|
| Mutual funds | \$ 2,950,840 | \$ 61,455 |
| Common/collective trusts | 286,976 | 48,137 |
| Common stocks(1) | (84,277) | (64,845) |
| | \$ 3,153,539 | \$ 44,747 |

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

4. Federal Income Tax Status

The Plan is governed by a Plan Document which the Plan Administrator believes was drafted to satisfy the applicable provisions of the IRC and is intended to comply with those provisions. Due to the timing of the application of IRS plan determination letters, the Plan has not received a determination letter from the IRS. However, 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, if 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.

Table of Contents

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

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

| | December 31, | | 2005 | |
|--|--------------|------------|--------|------------|
| | 2006 | Cost | Shares | Cost |
| | Shares | Basis | | Basis |
| PHH Corporation common stock | 8,881 | \$ 248,851 | 8,558 | \$ 192,966 |
| Avis Budget Group, Inc. common stock | 4,778 | 429,419 | | |
| Realogy Corporation common stock | 10,701 | 166,909 | | |
| Wyndham Worldwide Corporation common stock | 9,664 | 196,595 | | |
| Cendant Corporation common stock | | | 81,161 | 1,317,813 |

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

| | Year Ended | | Period from | |
|--|----------------|----------|-----------------|----------|
| | December 31, | | October 1, 2005 | |
| | 2006 | | (inception) to | |
| | Net | Dividend | Net | Dividend |
| | Appreciation | Income | (Depreciation) | Income |
| | (Depreciation) | | in Fair | |
| | in Fair | | Value | |
| | Value | | Value | |
| PHH Corporation common stock | \$ 4,241 | \$ | \$ (685) | \$ |
| Avis Budget Group, Inc. common stock | (359,927) | | | |
| Realogy Corporation common stock | 194,178 | | | |
| Wyndham Worldwide Corporation common stock | 124,889 | | | |
| Cendant Corporation common stock | (47,658) | 7,235 | (64,160) | 8,959 |

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 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). These transactions qualify as exempt party-in-interest transactions.

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.

Table of Contents

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

7. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for Plan benefits as presented in these financial statements to the balance per Form 5500 as of and for the year ended December 31, 2006:

| | |
|--|---------------|
| Statement of net assets available for benefits: | |
| Net assets available for benefits per the financial statements | \$ 60,820,298 |
| Adjustment from fair value to contract value for fully benefit responsive investment contracts | (162,912) |
| Net assets available for benefits per the Form 5500, at fair value | \$ 60,657,386 |
| Statement of changes in net assets available for benefits: | |
| Net increase in net assets per the financial statements | \$ 13,360,726 |
| Adjustment from fair value to contract value for fully benefit responsive investment contracts | (162,912) |
| Assets transferred in from the PHH Corporation Employee Savings Plan | (929,781) |
| Assets transferred out to the PHH Corporation Employee Savings Plan | 1,331,849 |
| Net income per Form 5500 | \$ 13,599,882 |

8. Subsequent Events

On March 15, 2007, PHH entered into a definitive agreement (the **Merger Agreement**) with General Electric Capital Corporation (**GE**) and its wholly owned subsidiary, Jade Merger Sub, Inc. to be acquired (the **Merger**). In conjunction with the Merger, GE entered into an agreement to sell the mortgage operations of PHH to an affiliate of The Blackstone Group, a global investment and advisory firm. On March 14, 2007, prior to the execution of the Merger Agreement, the Company entered into an amendment to the Rights Agreement, originally dated as of January 28, 2005 and between the Company and The Bank of New York (the **Rights Agreement**). The amendment revises certain terms of the Rights Agreement to render it inapplicable to the Merger and the other transactions contemplated by the Merger Agreement. The Merger is subject to approval by PHH's stockholders and state licensing and other regulatory approvals, as well as various other closing conditions. Under the terms of the Merger Agreement, at closing, PHH's stockholders will receive \$31.50 per share in cash and shares of PHH's common stock will no longer be listed on the NYSE. The Merger Agreement contains certain restrictions on PHH's ability to incur new indebtedness and to pay dividends on its common stock as well as on the payment of intercompany dividends by certain of its subsidiaries without the prior written consent of GE.

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 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 investment.

On June 29, 2007, PHH further extended the blackout period to restrict the purchase of PHH common stock as previously requested of the Plan Administrator and eligible Plan participants on March 1, 2006 and November 9, 2006. See Note 1, **Description of the Plan** for discussion of restrictions. The blackout period will terminate upon the

earlier of the effective date of the Merger Agreement or December 31, 2007. Refer to PHH's Current Report on Form 8-K filed on July 2, 2007, which provides further details of the extended blackout period restrictions.

Table of Contents

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, 2006

| Identity of Issue, Borrower, Current Lessor or Similar Party | Description of Investment | Number of Shares, Units or Par Value | Cost(1) | Current Value |
|---|------------------------------|---|-----------|-------------------|
| PHH Corporation Common Stock(2) | Common stock | 8,881 | \$ | 256,398 |
| Avis Budget Group, Inc. | Common stock | 4,778 | | 103,638 |
| Realogy Corporation | Common stock | 10,701 | | 324,462 |
| Wyndham Worldwide Corporation | Common stock | 9,664 | | 309,428 |
| Merrill Lynch Equity Index Trust I(2) | Common/collective trust | 20,392 | | 2,191,360 |
| Merrill Lynch Retirement Preservation Trust(2) | Common/collective trust | 8,574,322 | | 8,411,410 |
| American Growth Fund of America | Mutual fund | 1,722 | | 55,884 |
| The Oakmark Equity and Income Fund | Mutual fund | 80,191 | | 2,068,115 |
| The Managers Special Equity Fund | Mutual fund | 11,060 | | 917,526 |
| Pioneer Mid-Cap Value Fund | Mutual fund | 145,475 | | 3,312,474 |
| Lord Abbett Bond Debenture Fund | Mutual fund | 84,297 | | 687,018 |
| DWS RReef Real Estate Securities Fund | Mutual fund | 62,848 | | 1,667,353 |
| ING International Value Fund | Mutual fund | 314,979 | | 6,482,268 |
| Goldman Sachs Growth Opportunities Fund | Mutual fund | 177,232 | | 3,851,243 |
| Harbor Small Cap Value Fund | Mutual fund | 165,241 | | 3,501,467 |
| Oppenheimer Quest Balanced Fund | Mutual fund | 27,158 | | 511,666 |
| Oppenheimer Capital Appreciation Fund | Mutual fund | 76,993 | | 3,551,675 |
| Allianz CCM Capital Appreciation Fund | Mutual fund | 22,876 | | 439,457 |
| Oppenheimer International Growth Fund | Mutual fund | 49,851 | | 1,388,849 |
| Pimco Total Return Fund | Mutual fund | 434,803 | | 4,513,255 |
| Davis New York Venture Fund | Mutual fund | 130,007 | | 5,007,853 |
| Oppenheimer Developing Markets Fund | Mutual fund | 119,957 | | 4,943,409 |
| MFS Value Fund Class R5 | Mutual fund | 48,861 | | 1,308,013 |
| Massachusetts Investors Growth Stock Fund Class A | Mutual fund | 156,314 | | 2,157,129 |
| Loans to participants(3) | | | | 2,251,830 |
| Cash and cash equivalents | | | | 26,537 |
| Total | | | \$ | 60,239,717 |

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

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

(3) Maturity dates range principally from January 2007 to October 2021. Interest rates range from 5.0% to 10.5%.

Table of Contents

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

Name: Clair M. Raubenstine

By: /s/ Clair M. Raubenstine

Title: Member, Employee Benefits Committee

Date: July 16, 2007

12