# Appendix D

## Mortgage Metrics First Quarter Report, June 2009

Comptroller of the Currency
Administrator of National Banks
US Department of the Treasury

Office of Thrift Supervision
US Department of the Treasury

# OCC and OTS Mortgage Metrics Report

**Disclosure of National Bank and Federal Thrift Mortgage Loan Data**

## First Quarter 2009

Office of the Comptroller of the Currency
Office of Thrift Supervision
Washington, D.C.

June 2009

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## Executive Summary

This *OCC and OTS Mortgage Metrics Report* for the first quarter of 2009 provides performance data on first lien residential mortgages serviced by national banks and federally regulated thrifts. The report provides a comprehensive picture of mortgage servicing activities of most of the industry's largest mortgage servicers, covering approximately 64 percent of all mortgages outstanding in the United States and incorporating information on all types of mortgages serviced, including subprime mortgages. The report covers more than 34 million loans totaling more than $6 trillion in principal balances and provides information on their performance from the beginning of 2008 through the end of the first quarter of 2009.

Negative trends continued for mortgage data for the first quarter of 2009, but with some hopeful signs on the modification front. Continued economic pressures, including rising levels of unemployment and a continuing decline in property values, resulted in an increased number of seriously delinquent mortgages and newly initiated foreclosure actions. The first quarter data also showed a relatively greater increase in seriously delinquent prime mortgages compared with other risk categories and a higher number of foreclosures in process across all risk categories as a variety of moratoria on foreclosures expired during the first quarter of 2009.

Early stage delinquencies declined and the overall delinquency rate for the mortgage portfolio did not materially change, but these seemingly positive developments are at least partially explained by seasonal effects and may not represent reliable trends. An unambiguously positive development was a significant increase in the number of modifications made by servicers. In addition to the increase in overall numbers of modifications, servicers implemented a higher percentage of modifications that reduced monthly payments than in previous quarters. Modifications with lower payments continued to show fewer delinquencies each month following modification than those that left payments unchanged or increased payments. The net result was that an overall worsening of conditions was met with a strong response in the form of increased modifications.

The impact of this increase in modifications, particularly those with reduced monthly payments, will only be seen in future data. Likewise, the number of modifications recorded in this report does not reflect actions taken under the Administration's "Making Home Affordable" program, which was announced in March and began to be implemented after this reporting period. The same is true of initiatives to enhance the Federal Housing Administration's (FHA) "Hope for Homeowners" program. Nor do these numbers reflect the OCC's and OTS's direction to servicers to review the modifications they had previously undertaken to ensure they are affordable and sustainable.

### *Mortgage Performance*

- About 90 percent of all mortgages in the portfolio were current and performing at the end of the first quarter of 2009, about the same percentage as the previous quarter. Despite that steady performance overall, serious delinquencies—loans 60 or more days past due and loans to delinquent bankrupt borrowers—increased by nearly 9 percent from the previous quarter to 5 percent of all mortgages in the portfolio at the end of the quarter. This increase in seriously delinquent mortgages was offset by a decline in early stage delinquencies—loans that were 30 to 59 days past due. However, the decline in early stage delinquencies during first quarter of 2009 is at least partially explained by seasonal effects typically seen in first quarter mortgage data and may not represent a sustainable trend, while rising serious delinquencies are a leading indicator of increased foreclosure actions in the future.
- Prime loans, which represented two-thirds of all mortgages in the portfolio, experienced the highest percentage increase in serious delinquencies, which climbed by more than 20 percent from the prior quarter to 2.9 percent of all prime mortgages. Subprime serious delinquencies increased by 1.5 percent from the previous quarter, to 16.7 percent of subprime mortgages. A number of factors contributed to the increase in seriously delinquent prime loans, including rising levels of unemployment, a continuing decline in property values, and high debt levels.

- Foreclosures in process rose to 844,389 and represented 2.5 percent of all serviced loans, as a variety of moratoria on foreclosures expired during the first quarter of 2009 and the recession continued to exert pressure on borrowers. The increase in the number of foreclosures in process represented a 21.8 percent jump from the previous quarter and 72.6 percent rise from the first quarter of 2008.

***Home Retention Actions: Loan Modifications and Payment Plans***

- Increased emphasis on loan modifications drove an overall increase in home retention actions, as shown in the table below. Newly initiated loan modifications reached 185,156 during the quarter—rising by 55.3 percent from the previous quarter and 172.3 percent from the first quarter of 2008. The impact of this increase in modifications on reducing foreclosures and enabling borrowers to remain current on their loans will only be seen in future data. Likewise, modification data through the first quarter do not reflect the impact of the Administration's "Making Home Affordable" program, which was announced in March and began to be implemented after this reporting period.

| Number of Home Retention Actions—New Loan Modifications and Payment Plans | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Loan Modifications | 68,001 | 127,940 | 114,142 | 119,220 | 185,156 | 55.3% | 172.3% |
| Payment Plans | 134,624 | 126,114 | 154,649 | 177,314 | 152,036 | -14.3% | 12.9% |
| Total | 202,625 | 254,054 | 268,791 | 296,534 | 337,192 | 13.7% | 66.4% |

- Modifications during the first quarter of 2009 resulted in lower monthly principal and interest payments on 54.1 percent of all modified loans, as servicers focused on achieving more sustainable mortgage payments. The percentage of modifications that reduced payments by 20 percent or more increased to 29.3 percent of all modifications made in the first quarter of 2009, up 19.2 percent from the previous quarter. Modifications that increased monthly payments declined to 18.5 percent of all modifications during the quarter, down from 25 percent in the fourth quarter and 33.5 percent in the third quarter. Actions that left payments unchanged increased slightly to 27.3 percent.[2]

- New to this report are data on the types of actions taken to modify loans. Nearly two-thirds of modifications were "combination modifications" that involved two or more changes to the terms of the loan. Capitalization of delinquent interest, fees, and advances, combined with interest rate reductions and extended maturities were the predominant combination of modifications made during the first quarter. Interest rate and payment freezes, principal reductions, and principal deferrals were less prevalent. Of the 185,156 mortgages that were modified in the first quarter of 2009, 70.2 percent included a capitalization of missed payments and fees, 63.2 percent reduced the interest rate, and 25.1 included an extended term. By comparison, 12.6 percent of the mortgages received modifications that froze the interest rate, 1.8 percent included a reduction of principal, and 1.1 percent included a deferral of principal.[3]

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[1] Tables throughout this report indicate the quarter using the last day of that quarter (i.e., 3/31/2009 represents the first quarter of 2009). Changes from quarter to quarter are shown under the "1Q %Change" column, and changes from year to year are shown under the "1Y %Change" column.

[2] As described in the fourth quarter 2008 report, modifications that increase or leave principal and interest payments unchanged may be appropriate in certain circumstances. An extended discussion of when servicers appropriately use these modification strategies occurs on page 25.

[3] These percentages total more than 100 percent because nearly two-thirds of the modifications were "combination modifications" that involved two or more changes to the terms of the loan.

- Home retention actions—loan modifications and payment plans—generally increased at a faster pace than new foreclosures during the first quarter. Subprime mortgages had more than twice as many new home retention actions as new foreclosures during the quarter. By contrast, prime mortgages had more new foreclosures than home retention actions during the quarter. Servicers report that in many cases, prime borrowers had income levels that declined too much or incurred too much debt to qualify for effective loan modification.

***Modified Loan Performance***

- Also new to the report are data on the longer term sustainability of modifications by vintage, comparing the performance of modifications implemented quarter by quarter during 2008 and in the first quarter of 2009 to date. The table below shows that older vintage modifications have higher delinquency and foreclosure rates, at least partially reflecting the normal increase in defaults over time. Obtaining additional performance data on more recent vintages in future reports will be especially important in assessing the changes made to loan modification programs since the beginning of 2008.

**Status of Loans Modifications as of March 31, 2009**
(Percentage of Modifications Made in Each Quarter)

| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 |
|---|---|---|---|---|---|
| Current and Performing | 29.5% | 31.6% | 35.5% | 48.2% | 64.0% |
| 30-59 days Delinquent | 9.4% | 9.7% | 11.3% | 14.3% | 10.3% |
| 60 or More Days Delinquent | 33.0% | 37.6% | 37.0% | 27.1% | 21.7% |
| In Process of Foreclosure | 12.6% | 11.7% | 9.4% | 5.4% | 2.4% |
| Completed Foreclosure | 4.2% | 1.8% | 0.5% | 0.2% | 0.1% |
| Short Sale or Deed-in-Lieu of Foreclosure | 0.1% | 0.1% | 0.1% | 0.03% | 0.01% |
| Paid in Full | 2.5% | 1.6% | 1.0% | 0.4% | 0.1% |
| Other Liquidation[4] | 8.9% | 6.0% | 5.7% | 4.5% | 1.3% |

[4] Other liquidations include loans sold, transferred, or otherwise removed from the servicing portfolios of reporting institutions that are not included in other categories.

- As shown below, the percentage of loans that were 60 or more days delinquent or in the process of foreclosure rose steadily in the months subsequent to modification for all vintages where data were available. It is noteworthy that modifications implemented in the first quarters of 2008 re-defaulted at a lower rate than those in the third quarter, measured at the same number of months after modification. Those modifications implemented in the fourth quarter of 2008 have re-defaulted at a slightly lower rate than the preceding quarter. It is too early to determine whether this early data from modifications made in the fourth quarter of 2008 portends a sustained improvement in the performance of recent modifications.

| Modified Loans 60 or More Days Delinquent (60+ Re-Default Rate for 2008 Modifications) | | | | |
|---|---|---|---|---|
| Modification Date | Three Months after Modification | Six Months after Modification | Nine Months after Modification | 12 Months after Modification[5] |
| First Quarter | 23.2% | 36.7% | 45.7% | 52.1% |
| Second Quarter | 28.2% | 44.0% | 49.8% | — |
| Third Quarter | 31.8% | 46.1% | — | — |
| Fourth Quarter | 29.1% | — | — | — |

- As noted in prior reports, modifications on loans held in the servicers' own portfolios continued to perform better than loans serviced for Fannie Mae, Freddie Mac, Ginnie Mae, or private investors. This difference in re-default rates may be attributable to servicers having greater flexibility to modify terms on loans held in their portfolios to achieve greater affordability and sustainability. These data do not reflect modifications made under the "Making Home Affordable" program, which began to be implemented after the end of this reporting period.

| Re-Default Rates for Portfolio Loans and Loans Serviced for Others (60 or More Days Delinquent) | | | | |
|---|---|---|---|---|
| | Three Months after Modification | Six Months after Modification | Nine Months after Modification | 12 Months after Modification |
| Fannie Mae | 29.4% | 43.4% | 50.1% | 52.5% |
| Freddie Mac | 23.0% | 43.9% | 47.1% | 49.9% |
| Ginnie Mae | 5.2% | 31.6% | 40.9% | 41.9% |
| Private | 33.3% | 46.8% | 52.7% | 58.1% |
| Portfolio Loans | 21.0% | 34.6% | 37.0% | 39.7% |

### *Modified Loan Performance, by Change in Monthly Payments*

- Modified loan performance included in this report provides additional support for the premise that lower payments produce more sustainable modifications, repeating the finding in the fourth quarter report. While delinquencies increased over time for all categories, delinquencies where payments were reduced by 20 percent or more were well below levels in the categories where modifications left payments unchanged or increased, across all vintages. For servicers and investors, determining the

[5] Re-default rates will be different from the March 31, 2009, loan status data reported in the previous table. The re-default data include only those modified loans that are still active at the end of the indicated number of months after the modification. The status table reflects the current status of all loans modified during the quarter, including those that are no longer active (repaid, foreclosed, or otherwise removed from the servicing system). In addition, there are various servicing system processing differences that may have a lesser effect on the reported data.

optimal type of modification often requires weighing a combination of loan terms that reduce monthly principal and interest payments against the potential for longer term sustainability of the payments. The table below shows re-default rates at three-month increments following modification for each of the different amounts of change in payments resulting from modification.

| Re-Default Rates of Loans Modified in 2008 by Changes in Payment (60 or More Days Delinquent)[6] | | | | |
|---|---|---|---|---|
| | Three Months after Modification | Six Months after Modification | Nine Months after Modification | 12 Months after Modification |
| Decreased by 20% or More | 14.7% | 24.3% | 27.7% | 37.6% |
| Decreased by 10% to Less than 20% | 17.3% | 28.8% | 35.2% | 42.1% |
| Decreased by Less than 10% | 19.9% | 36.1% | 43.0% | 47.4% |
| Unchanged | 43.7% | 54.4% | 55.3% | 58.8% |
| Increased | 30.8% | 50.0% | 57.7% | 56.2% |

### *Foreclosures and Other Home Forfeiture Actions*

- The lifting of foreclosure moratoria during the quarter, continued economic weakness, and the migration of an increasing number of serious delinquencies into foreclosure resulted in a 10.8 percent increase, to 290,920, in newly initiated foreclosures. The number of newly initiated foreclosures dropped among subprime mortgages but increased for prime and Alt-A loans. Prime mortgages experienced the most significant increase, rising by 21.5 percent from the previous quarter, reflecting the increasing pressure on this largest group.[7]

- Completed foreclosures fell by 10,698 from the prior quarter, a decrease of nearly 12 percent, as shown below. This was the result of national, state, local, and servicer-imposed moratoria in effect for much of the first quarter of 2009 and the increasing number of new modifications being offered. New short sales increased and deed-in-lieu-of-foreclosure actions decreased during the quarter, both remaining a small percentage of total loss mitigation actions.

| Foreclosures, Short Sales, and Deeds-in-Lieu of Foreclosure | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1YQ %Change | 1Y %Change |
| Newly Initiated Foreclosures | 280,161 | 288,689 | 281,285 | 262,691 | 290,920 | 10.8% | 3.8% |
| Foreclosures in Process | 489,119 | 553,155 | 614,463 | 693,423 | 844,389 | 21.8% | 72.6% |
| Completed Foreclosures | 76,548 | 117,337 | 126,266 | 89,634 | 78,936 | -11.9% | 3.1% |
| New Short Sales | 5,523 | 9,072 | 13,051 | 14,546 | 17,036 | 17.1% | 208.5% |
| Deeds-in-Lieu-of Foreclosures | 1,065 | 842 | 836 | 2,147 | 1,158 | -46.1% | 8.7% |

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[6] Insufficient time has passed to measure loans originated in the third and fourth quarter at nine months or to measure loans originated in the fourth quarter after six months. Data include loans for those quarters only when they have had sufficient time to age the indicated number of months.

[7] Many newly initiated foreclosures and foreclosures in process never result in a completed foreclosure sale of the property because of the efforts of the homeowner and servicers to avoid foreclosure.

- Servicers continued to implement more home retention actions than newly initiated home forfeiture actions, as shown in the table below. Loan modifications and payment plans exceeded the number of completed foreclosures and other home forfeiture actions by almost three-and-a-half times during the first quarter.

| Newly Initiated Home Retention Actions, Newly Initiated Foreclosures, and Completed Foreclosures and Other Home Forfeiture Actions | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Newly Initiated Home Retention Actions | 202,625 | 254,054 | 268,791 | 296,534 | 337,192 | 13.7% | 66.4% |
| Newly Initiated Foreclosures | 280,161 | 288,689 | 281,285 | 262,691 | 290,920 | 10.8% | 3.8% |
| Completed Foreclosures and Other Home Forfeiture Actions | 83,136 | 127,251 | 140,153 | 106,327 | 97,130 | -8.7% | 16.8% |

## About Mortgage Metrics

The *OCC and OTS Mortgage Metrics Report* presents key data on first lien residential mortgages serviced by national banks and thrifts, focusing on credit performance, loan modifications, payment plans, foreclosures, short sales, and deed-in-lieu-of-foreclosure actions. The OCC and OTS collect these data from the nine national banks and four thrifts[8] that have the largest mortgage servicing portfolios among all national banks and thrifts. As a result of mergers and acquisitions, these 13 depository institutions are now owned by nine holding companies.[9] The data represent 64 percent of all first lien residential mortgages outstanding in the country. More than 91 percent of the mortgages in the portfolio are serviced for third parties as a result of loan sales and securitization by government-sponsored enterprises (GSEs), the originating banks, and other financial institutions. At the end of March 2009, the reporting institutions serviced more than 34 million first lien mortgage loans, totaling more than $6 trillion in outstanding balances.

The loans reflected in this report represent a large percentage of the overall mortgage industry, but they do not represent a statistically random sample of all mortgage loans. The characteristics of these loans differ in notable ways from the overall population of mortgages. This report does not attempt to quantify or adjust for known seasonal effects that occur within the mortgage industry.

In addition to providing information to the public, the data support the supervision of national bank and thrift mortgage practices. For example, the data provide an additional tool to help examiners assess emerging trends, identify anomalies, compare servicers with peers, evaluate asset quality and loan loss reserve needs, and evaluate loss mitigation actions.

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[8] The nine banks are Bank of America, JPMorgan Chase, Citibank, First Horizon, HSBC, National City, USBank, Wachovia, and Wells Fargo. Countrywide FSB, previously reporting as a separate institution through March 2009, was acquired by and merged into Bank of America in April 2009. The thrifts are Countrywide, OneWestBank (formerly IndyMac), Merrill Lynch, and Wachovia FSB.

[9] The holding companies are Bank of America Corp., JPMorgan Chase, Citigroup, First Horizon, HSBC, OneWest (formerly IndyMac), PNC, US Bancorp, and Wells Fargo Corp.

The report promotes a common reporting framework using standardized reporting terms and elements, which allow better comparisons across the industry and over time. The report uses standardized definitions for prime, Alt-A, and subprime mortgages based on commonly used credit score ranges.

The OCC, OTS, and the participating institutions devoted significant resources to validating the data to ensure that the information is reliable and accurate. Steps to ensure the validity of the data include comparisons with institutions' quarterly call and thrift financial reports and internal quality reviews conducted by the banks and thrifts as well as the external vendor who compiled the data. Data sets of this size and scope inevitably suffer from a degree of inconsistency, missing data, and other imperfections. This report notes cases in which data anomalies may have affected the results. The OCC and OTS require prior data submissions to be adjusted as errors and omissions are detected. In some cases, data presented in this report reflect resubmissions from institutions that restate and correct earlier information.

## New in this Report

Building on information on the affordability and sustainability of loan modifications in the fourth quarter 2008 report, this report expands the categories describing changes in monthly payments as a result of modifications. The new categories include modifications that increased principal and interest payments, left payments unchanged, decreased payments by less than 10 percent, decreased payments from 10 percent to less than 20 percent, and decreased payments by 20 percent or more. The amount of change in payment is then shown in relation to modification performance over time.

The report also presents new information on the types of modifications made on the loans in the servicing portfolio. The information shows whether a modification capitalized missed payments and fees, reduced or froze the interest rate, extended the term of the loan, deferred or reduced principal, or included a combination of these features.

As another indicator of modification performance, the report presents the status of all modifications implemented since the beginning of 2008 to show the number that were current, in various stages of delinquency, paid in full, or in foreclosure as of the end of the first quarter of 2009.

The report presents new performance data on loans serviced for Freddie Mac and Fannie Mae, and separately on the loans insured by the FHA and Department of Veterans Affairs (VA), which are mostly held within Ginnie Mae securities.

Because this is the first report to include five quarters of data, the report includes quarter-to-quarter and year-to-year comparisons where appropriate. In tables throughout this report, the quarters are indicated by the last day of the quarter (e.g., 3/31/2009), quarter-to-quarter changes are shown under the column "1Q %Change," and year-to-year changes are shown under the column "1Y %Change."

In addition to supporting bank and thrift supervision, the changes and additional information provided in this report are consistent with the requirements of the Helping Families Save Their Homes Act of 2009.

## Definitions and Methods

The report uses standardized definitions for three categories of mortgage creditworthiness based on the following ranges of borrowers' credit scores at the time of origination:

- **Prime**—660 and above.
- **Alt-A**—620 to 659.
- **Subprime**—below 620.

Approximately 14 percent of loans in the data were not accompanied by credit scores and are classified as "other." This group includes a mix of prime, Alt-A, and subprime loans. In large part, the lack of credit scores result from acquisitions of loan portfolios from third parties where borrower credit scores at the origination of the loans were not available. Additional definitions are as follows:

- **Seriously delinquent loans**—Mortgages that are 60 or more days past due and all mortgages held by bankrupt borrowers who are 30 or more days past due.
- **Home retention actions**—Loan modifications and payment plans. Home retention actions allow borrowers to retain ownership and occupancy of their homes while attempting to return the loans to a current and performing status.
- **Loan modifications**—Actions that contractually change the terms of mortgages with respect to interest rates, maturity, principal, or other terms of the loan.
- **Payment plans**—Short- to medium-term changes in scheduled terms and payments to return mortgages to a current and performing status. Payment plans also include loans that are in trial periods with respect to making revised payments under proposed loan modifications. The loans are reported as modifications after successful completion of the trial periods.
- **Re-default rates**—Percentage of modified loans that subsequently become delinquent or enter the foreclosure process. As alternative measures of delinquency, this report presents re-default rates using 30, 60, and 90 or more days delinquent and in process of foreclosure but focuses most frequently on the 60-day-delinquent measure.[10]
- **Short sales**—Sales of the mortgaged properties at prices that net less than the total amount due on the mortgages. Servicers and borrowers negotiate repayment programs, forbearance, and/or forgiveness for any remaining deficiency on the debt to lessen the adverse impact on borrowers' credit records. Short sales have less adverse impact on borrowers than foreclosure.
- **Deed-in-lieu-of-foreclosure actions**—Borrowers transfer ownership of the properties (deeds) to servicers in full satisfaction of the outstanding mortgage debt to lessen the adverse impact of the debt on borrowers' credit records. Deed-in-lieu-of-foreclosure actions typically have less adverse impact on borrowers than foreclosure.
- **Newly initiated foreclosures**—Mortgages for which the servicers initiate formal foreclosure proceedings during the month. Many newly initiated foreclosures do not result in the loss of borrowers' homes, because servicers simultaneously pursue other loss mitigation actions and borrowers may act to return their mortgages to current and performing status.
- **Foreclosures in process**—Number of mortgages for which servicers have begun formal foreclosure proceedings but have not yet completed the process resulting in the loss of borrowers' homes. The foreclosure process varies by state and can take 15 months or more to complete. Many foreclosures in process never result in the loss of borrowers' homes because servicers simultaneously pursue other loss mitigation actions and borrowers may act to return their mortgages to current and performing status.

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[10] Some servicers offer modification programs that do not reset or "re-age" delinquency status following modification. The number of loans in this category represents a small percentage of the total number of loan modifications.

- **Completed foreclosures**—Ownership of properties is transferred to servicers or investors and mortgage debts are extinguished. Completed foreclosures' ultimate result is the loss of borrowers' homes because of nonpayment.

Loan delinquencies are reported using the Mortgage Bankers Association (MBA) convention that a loan is past due when a scheduled payment is unpaid for 30 days or more. The statistics and calculated ratios in this report are based on the number of loans rather than on the dollar amount outstanding.

Percentages are rounded to one decimal place unless the result is less than 0.1 percent, in which case, percentages are rounded to two decimal places. When approximating, the report uses whole numbers.

## *PART I: Mortgage Performance*

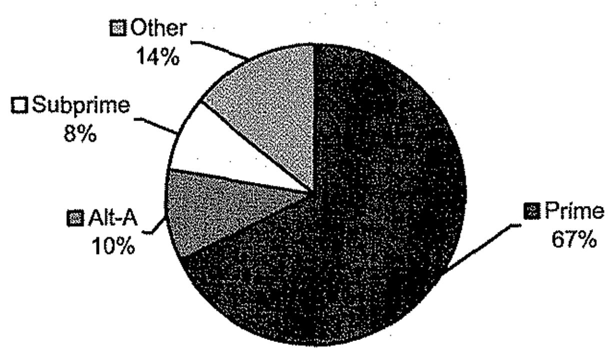
Part I describes the performance of mortgages in the portfolio in a variety of ways—on an overall portfolio basis, by government-guaranteed mortgages, by loans serviced for the GSEs, and by risk category of loan.

### *Overall Mortgage Portfolio*

The size of the combined national bank and thrift servicing portfolio decreased slightly during the first quarter of 2009, ending the period with just more than 34 million loans totaling about $6 trillion in unpaid principal balances. The portfolio included 67 percent prime, 10 percent Alt-A, 8 percent subprime, and 14 percent other loans.

| Overall Mortgage Portfolio | | | | | |
|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 |
| Total Servicing (Dollars in Millions) | $6,062,575 | $6,105,519 | $6,098,766 | $6,106,368 | $6,002,560 |
| Total Servicing (Number of Loans) | 34,470,175 | 34,599,881 | 34,491,229 | 34,549,215 | 34,037,912 |
| **Composition** (Percent of All Mortgage Loans in the Portfolio)[11] | | | | | |
| Prime | 66% | 66% | 66% | 66% | 67% |
| Alt-A | 10% | 10% | 10% | 10% | 10% |
| Subprime | 9% | 9% | 9% | 9% | 8% |
| Other | 15% | 14% | 14% | 14% | 14% |
| **Composition** (Number of Loans in Each Risk Category of the Portfolio) | | | | | |
| Prime | 22,578,914 | 22,961,297 | 22,925,217 | 22,963,412 | 22,829,365 |
| Alt-A | 3,565,993 | 3,587,910 | 3,567,861 | 3,566,709 | 3,510,201 |
| Subprime | 3,106,995 | 3,095,164 | 3,063,429 | 3,034,004 | 2,878,896 |
| Other | 5,218,273 | 4,955,510 | 4,934,722 | 4,985,090 | 4,819,450 |

**Portfolio Composition**
(Percent of All Mortgage Loans in the Portfolio)
First Quarter 2009

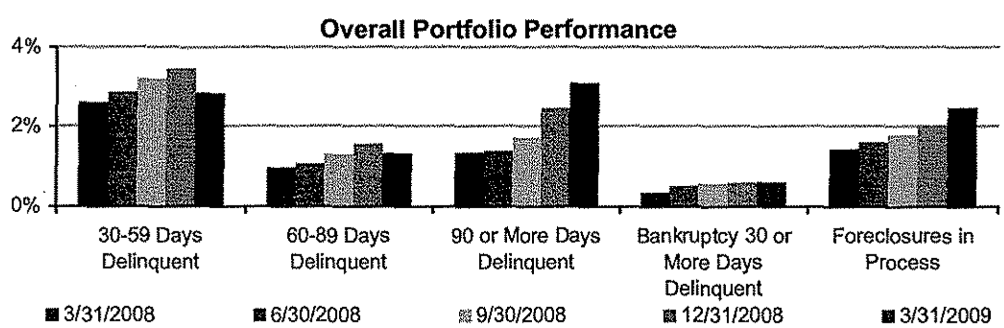



[11] Percentages may not add to 100 percent due to rounding.

## *Overall Mortgage Performance*

About 90 percent of all mortgages in the portfolio were current and performing at the end of the first quarter of 2009, about the same percentage as the previous quarter. Despite that steady performance overall, serious delinquencies—loans 60 or more days past due and loans to delinquent bankrupt borrowers—increased by nearly 9 percent from the previous quarter to 5 percent of all mortgages in the portfolio at the end of the quarter. This increase in seriously delinquent mortgages was offset by a decline in early stage delinquencies—loans that were 30 to 59 days past due. However, the decline in early stage delinquencies is at least partially explained by seasonal effects and may not represent a sustainable trend, while rising serious delinquencies are a leading indicator of increased foreclosure actions in the future. Foreclosures in process rose to 844,389 and represented 2.5 percent of all serviced loans, as a variety of moratoria on foreclosures expired during the first quarter of 2009 and the recession continued to exert pressure on borrowers. The increase in the number of foreclosures in process represented a 21.8 percent jump from the previous quarter and 72.6 percent rise from the first quarter of 2008.

| Overall Portfolio Performance (Percent of All Mortgages in the Portfolio) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Current and Performing | 93.3% | 92.6% | 91.5% | 89.9% | 89.7% | -0.3% | -3.9% |
| 30-59 Days Delinquent | 2.6% | 2.9% | 3.2% | 3.5% | 2.8% | -18.0% | 8.9% |
| The Following Three Categories Are Classified as Seriously Delinquent | | | | | | | |
| 60-89 Days Delinquent | 1.0% | 1.2% | 1.3% | 1.6% | 1.3% | -15.4% | 36.1% |
| 90 or More Days Delinquent | 1.3% | 1.4% | 1.7% | 2.7% | 3.1% | 25.6% | 130.6% |
| Bankruptcy 30 or More Days Delinquent | 0.4% | 0.5% | 0.6% | 0.6% | 0.6% | 1.7% | 74.3% |
| *Subtotal for Seriously Delinquent* | 2.7% | 3.0% | 3.6% | 4.6% | 5.0% | 8.7% | 88.0% |
| Foreclosures in Process | 1.4% | 1.6% | 1.9% | 2.0% | 2.5% | 23.4% | 74.7% |
| Overall Portfolio Performance (Number of Mortgages in the Portfolio) | | | | | | | |
| Current and Performing | 32,163,857 | 32,034,227 | 31,541,171 | 31,065,228 | 30,522,786 | -1.8% | -5.1% |
| 30-59 Days Delinquent | 896,412 | 990,084 | 1,108,309 | 1,193,476 | 962,020 | -19.4% | 7.3% |
| The Following Three Categories Are Classified as Seriously Delinquent | | | | | | | |
| 60-89 Days Delinquent | 335,440 | 368,415 | 446,167 | 539,972 | 449,801 | -16.7% | 34.1% |
| 90 or More Days Delinquent | 463,332 | 477,213 | 588,276 | 850,173 | 1,052,859 | 23.8% | 127.2% |
| Bankruptcy 30 or More Days Delinquent | 122,015 | 176,787 | 192,843 | 206,943 | 206,057 | -0.4% | 68.9% |
| *Subtotal for Seriously Delinquent* | 920,787 | 1,022,415 | 1,227,286 | 1,597,088 | 1,708,717 | 7.0% | 85.6% |
| Foreclosures in Process | 489,119 | 553,155 | 614,463 | 693,423 | 844,389 | 21.8% | 72.6% |

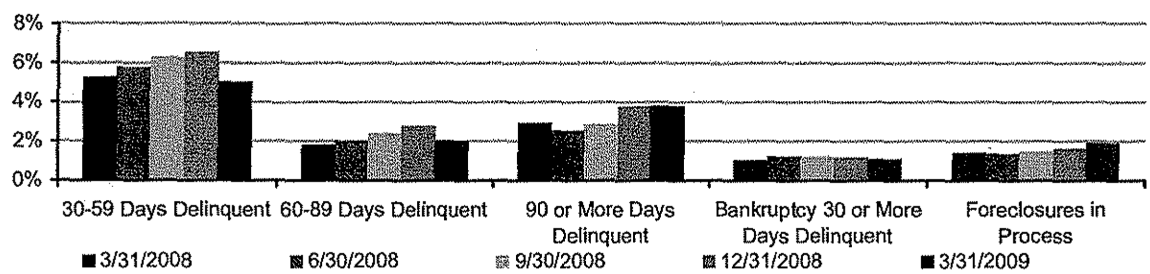


## *Performance of Government-Guaranteed Mortgages*

Overall delinquencies declined among loans guaranteed by the U.S. government. The percentage of current and performing FHA and VA mortgages increased to 86.0 percent in the first quarter of 2009 from 84.1 percent in the previous quarter. Serious delinquencies also dropped, falling to 7.0 percent from 7.7 percent in the previous quarter. The number of foreclosures in process grew to 1.9 percent from 1.6 percent. Government-guaranteed mortgages made up 12.8 percent of all mortgages in the portfolio, or approximately 4.4 million loans, an increase of 4.2 percent from the prior quarter and more than 21 percent from the first quarter of 2008. Of these loans, 78.9 percent were FHA loans and 21.1 percent were VA loans. More than 83 percent of FHA and VA loans are held in Ginnie Mae securities.

| Performance of Government-Guaranteed Loans (Percent)[12] | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Current and Performing | 87.5% | 87.0% | 85.6% | 84.1% | 86.0% | 2.3% | -1.6% |
| 30-59 Days Delinquent | 5.3% | 5.8% | 6.3% | 6.5% | 5.1% | -22.2% | -3.4% |
| The Following Three Categories Are Classified as Seriously Delinquent | | | | | | | |
| 60-89 Days Delinquent | 1.8% | 2.1% | 2.5% | 2.8% | 2.1% | -26.2 | 12.0% |
| 90 or More Days Delinquent | 2.9% | 2.6% | 2.9% | 3.8% | 3.8% | 0.5% | 29.7% |
| Bankruptcy 30 or More Days Delinquent | 1.1% | 1.3% | 1.2% | 1.2% | 1.1% | -5.9% | 5.7% |
| ***Subtotal for Seriously Delinquent*** | 5.8% | 5.9% | 6.6% | 7.7% | 7.0% | -10.0% | 20.2% |
| Foreclosures in Process | 1.5% | 1.4% | 1.5% | 1.6% | 1.9% | 17.2% | 30.8% |
| Performance Government-Guaranteed Loans (Number) | | | | | | | |
| Current and Performing | 3,157,317 | 3,302,739 | 3,406,083 | 3,528,546 | 3,759,791 | 6.6% | 19.1% |
| 30-59 Days Delinquent | 190,334 | 219,304 | 251,815 | 274,225 | 222,329 | -18.9% | 16.8% |
| The Following Three Categories Are Classified as Seriously Delinquent. | | | | | | | |
| 60-89 Days Delinquent | 66,026 | 77,690 | 97,466 | 116,671 | 89,809 | -23.0% | 36.0% |
| 90 or More Days Delinquent | 105,640 | 97,098 | 115,941 | 158,554 | 166,266 | 4.9% | 57.4% |
| Bankruptcy 30 or More Days Delinquent | 37,872 | 47,325 | 48,344 | 49,376 | 48,490 | -1.8% | 28.0% |
| ***Subtotal for Seriously Delinquent*** | 209,538 | 222,113 | 261,751 | 324,601 | 304,565 | -6.2% | 45.4% |
| Foreclosures in Process | 52,750 | 53,062 | 59,974 | 68,341 | 83,617 | 22.4% | 58.5% |

**Performance of Government-Guaranteed Loans**

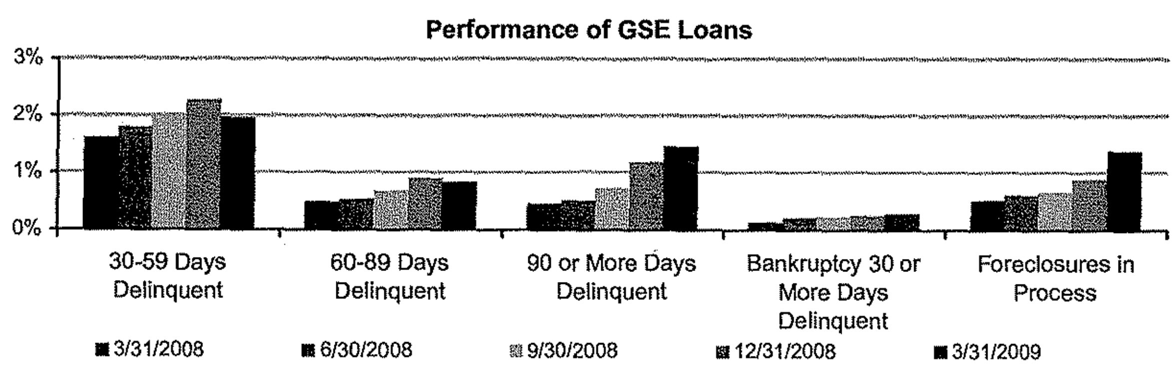



[12] Percentages may not add to 100 due to rounding.

## *Performance of GSE Mortgages*

For the first time, this quarter's report provides data on the performance of mortgages serviced for Fannie Mae and Freddie Mac—government-sponsored enterprises or GSEs. Loans serviced for GSEs have a higher concentration of prime mortgages than mortgages serviced for private investors or held on the servicers' balance sheets and, as a result, have lower delinquencies and foreclosures in process. In the first quarter of 2009, 94.1 percent of these loans were current and performing. Seriously delinquent loans increased to 2.6 percent—rising by 8.5 percent from the previous quarter and by 119.7 percent from the first quarter of 2008 in volume. The percentage of these loans in the process of foreclosure increased to 1.4 percent—rising by 52.4 percent from the previous quarter and by 144.6 percent from the first quarter of 2008. Mortgages serviced for these agencies made up about 64 percent of all mortgages in the portfolio, or approximately 21.7 million loans. Of the total portfolio, 42.5 percent of the loans were serviced for Fannie Mae and 21.9 percent were serviced for Freddie Mac.

| Performance of GSE Loans (Percent) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Current and Performing | 96.8% | 96.3% | 95.7% | 94.5% | 94.1% | -0.4% | -2.8% |
| 30-59 Days Delinquent | 1.6% | 1.8% | 2.0% | 2.3% | 2.0% | -13.7% | 21.7% |
| The Following Three Categories Are Classified as Seriously Delinquent. | | | | | | | |
| 60-89 Days Delinquent | 0.5% | 0.5% | 0.7% | 0.9% | 0.8% | -6.7% | 71.4% |
| 90 or More Days Delinquent | 0.5% | 0.5% | 0.7% | 1.2% | 1.5% | 22.7% | 217.4% |
| Bankruptcy 30 or More Days Delinquent | 0.1% | 0.2% | 0.2% | 0.3% | 0.3% | 11.5% | 123.1% |
| *Subtotal for Seriously Delinquent* | 1.1% | 1.3% | 1.7% | 2.4% | 2.6% | 9.8% | 137.6% |
| Foreclosures in Process | 0.5% | 0.6% | 0.7% | 0.9% | 1.4% | 55.1% | 165.4% |
| **Performance of GSE Loans (Number)** | | | | | | | |
| Current and Performing | 22,860,640 | 23,181,987 | 22,356,503 | 20,887,595 | 20,492,424 | -1.9% | -10.4% |
| 30-59 Days Delinquent | 379,849 | 431,454 | 474,472 | 501,523 | 426,111 | -15.0% | 12.2% |
| The Following Three Categories Are Classified as Seriously Delinquent. | | | | | | | |
| 60-89 Days Delinquent | 116,148 | 130,493 | 162,317 | 199,477 | 184,019 | -7.8% | 58.4% |
| 90 or More Days Delinquent | 109,563 | 123,249 | 170,037 | 263,650 | 317,402 | 20.4% | 189.7% |
| Bankruptcy 30 or More Days Delinquent | 31,508 | 50,097 | 54,533 | 58,009 | 63,734 | 9.9% | 102.3% |
| *Subtotal for Seriously Delinquent* | 257,219 | 303,839 | 386,887 | 521,136 | 565,155 | 8.5% | 119.7% |
| Foreclosures in Process | 122,620 | 146,480 | 156,439 | 196,873 | 299,937 | 52.4% | 144.6% |



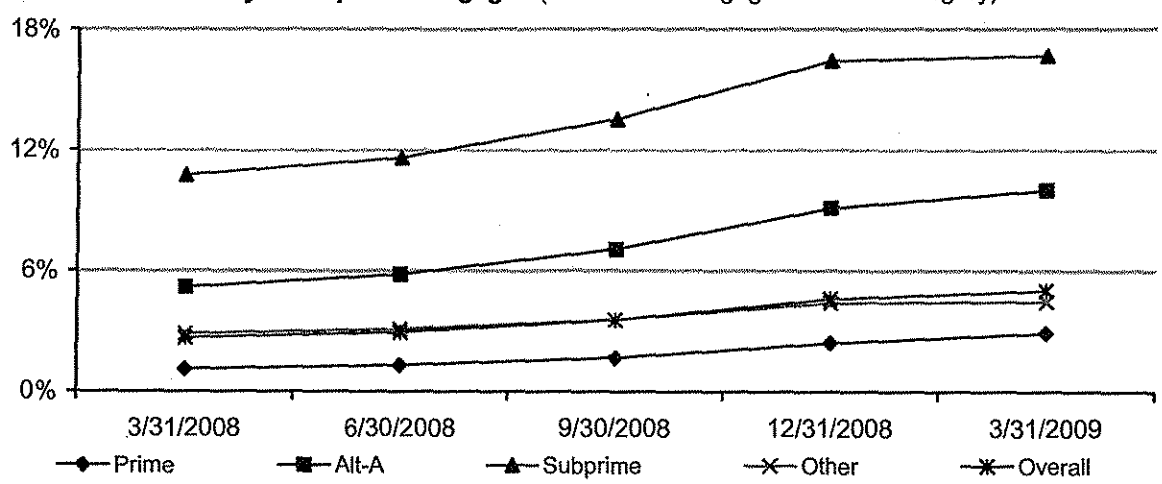
### *Seriously Delinquent Mortgages, by Risk Category*

Prime loans, which represented two-thirds of all mortgages in the portfolio, experienced the highest percentage increase in serious delinquencies, climbing by more than 20 percent from the prior quarter to 2.9 percent of prime mortgages. Subprime serious delinquencies increased by 1.5 percent from the previous quarter, to 16.7 percent of subprime mortgages. A number of factors contributed to the increase in seriously delinquent prime loans, including rising levels of unemployment, a continuing decline in property values, and high debt levels.

The actual number of seriously delinquent subprime loans decreased by 3.7 percent from the previous quarter but increased by 43.6 percent from the first quarter of 2008. However, as noted, the percentage of seriously delinquent subprime mortgages increased slightly during the quarter to 16.7 percent of those loans.

| Seriously Delinquent Mortgages (Percent of Mortgages in Each Category) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Prime | 1.1% | 1.3% | 1.7% | 2.4% | 2.9% | 20.3% | 161.3% |
| Alt-A | 5.2% | 5.8% | 7.1% | 9.1% | 10.0% | 9.8% | 92.9% |
| Subprime | 10.8% | 11.6% | 13.5% | 16.4% | 16.7% | 1.5% | 54.9% |
| Other | 2.9% | 3.1% | 3.6% | 4.4% | 4.5% | 1.1% | 55.2% |
| Overall | 2.7% | 3.0% | 3.6% | 4.6% | 5.0% | 8.7% | 88.0% |
| Seriously Delinquent Mortgages (Number of Mortgages) | | | | | | | |
| Prime | 250,986 | 300,896 | 384,486 | 553,288 | 661,914 | 19.6% | 163.7% |
| Alt-A | 185,014 | 208,737 | 252,259 | 325,355 | 351,415 | 8.0% | 89.9% |
| Subprime | 334,240 | 359,303 | 414,472 | 498,115 | 479,928 | -3.7% | 43.6% |
| Other | 150,547 | 153,479 | 176,069 | 220,330 | 215,460 | -2.2% | 43.1% |
| Total | 920,787 | 1,022,415 | 1,227,286 | 1,597,088 | 1,708,717 | 7.0% | 85.6% |

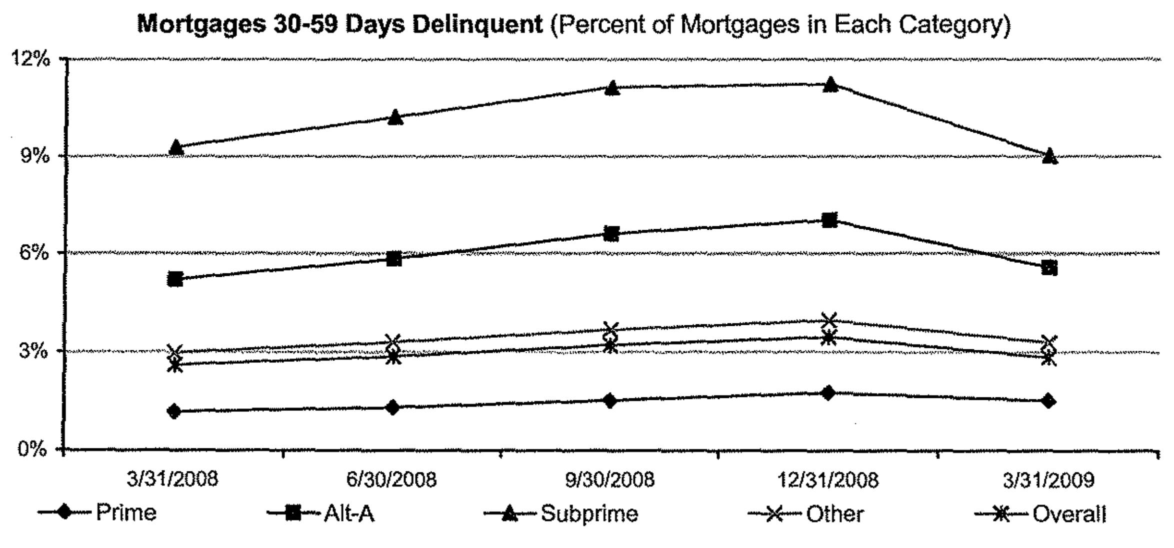
**Seriously Delinquent Mortgages** (Percent of Mortgages in Each Category)



## *Mortgages 30-59 Days Delinquent, by Risk Category*

The percentage of mortgages in the early stages of delinquency (30-59 days delinquent) fell across all risk categories during the first quarter of 2009, consistent with the known seasonal decline in delinquencies.[13] The actual number of mortgages in the early stages of delinquency fell by more than 230,000. Compared with the first quarter of 2008, early stage delinquencies have increased by 7.3 percent in volume with the percentage of prime loans rising from a low base by 30.4 percent in volume over that period. By contrast, the number of early stage delinquencies among subprime loans has decreased by 10.0 percent since the first quarter of 2008.

| Mortgages 30-59 Days Delinquent (Percent of Mortgages in Each Category) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Prime | 1.2% | 1.3% | 1.5% | 1.8% | 1.5% | -13.6% | 28.8% |
| Alt-A | 5.2% | 5.8% | 6.6% | 7.0% | 5.6% | -20.7% | 7.1% |
| Subprime | 9.3% | 10.2% | 11.1% | 11.3% | 9.0% | -19.7% | -2.9% |
| Other | 3.0% | 3.3% | 3.7% | 4.0% | 3.3% | -17.2% | 10.4% |
| Overall | 2.6% | 2.9% | 3.2% | 3.5% | 2.8% | -18.0% | 8.9% |
| **Mortgages 30-59 Days Delinquent (Number of Mortgages)** | | | | | | | |
| Prime | 266,740 | 301,127 | 350,015 | 403,630 | 347,761 | -13.8% | 30.4% |
| Alt-A | 185,770 | 209,524 | 235,723 | 251,016 | 196,013 | -21.9% | 5.5% |
| Subprime | 289,006 | 316,498 | 341,399 | 341,183 | 260,080 | -23.8% | -10.0% |
| Other | 154,896 | 162,935 | 181,172 | 197,647 | 158,166 | -20.0% | 2.1% |
| Total | 896,412 | 990,084 | 1,108,309 | 1,193,476 | 962,020 | -19.4% | 7.3% |




[13] A review of historical data maintained by the MBA shows a significant decline in delinquencies during the first quarter for every recorded year. This trend is generally attributed to a rise in delinquencies at the end of the year due to seasonal spending, followed by a decline in first quarter delinquencies as that increased spending subsides and tax refunds are received.

## *PART II: Home Retention Actions*

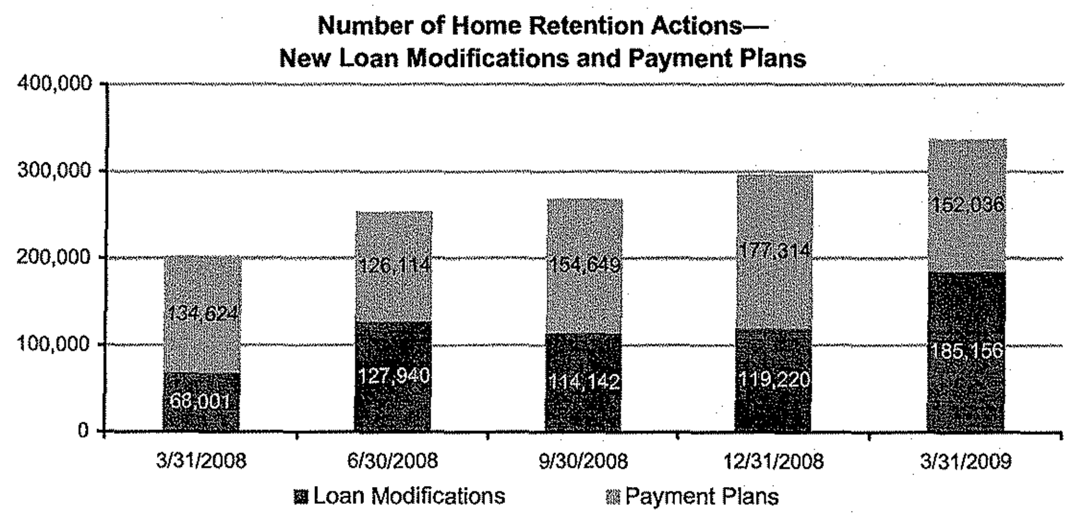
Home retention actions seek to help keep borrowers in their homes while mitigating risk for servicers and investors. One type of home retention action is loan modification, in which servicers modify one or more mortgage terms. Another type is a payment plan.. In this case, no terms are contractually modified, but borrowers are given time to catch up on missed payments or are allowed to demonstrate the ability to meet amended terms in anticipation of a formal modification.

## A. Loan Modifications and Payment Plans

### *Newly Initiated Home Retention Actions*

Increased emphasis on loan modifications drove an overall increase in home retention actions. Newly initiated loan modifications reached 185,156 during the quarter—rising by 55.3 percent from the previous quarter and 172.3 percent from the first quarter of 2008. The impact of this increase in modifications on reducing foreclosures and enabling borrowers to remain current on their loans will only be seen in future data. Likewise, modification data through the first quarter do not reflect the impact of the Administration's "Making Home Affordable" program, which was announced in March and began to be implemented after this reporting period. Overall, newly initiated home retention actions increased to 337,192 during the quarter—rising by 13.7 percent from the previous quarter and by 66.4 percent from the first quarter of 2008 in volume. Modifications accounted for 54.9 percent of all newly initiated home retention actions during the quarter, compared with 37.8 percent during the previous quarter.[14]

| Number of Home Retention Actions—New Loan Modifications and Payment Plans | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y % Change |
| Loan Modifications | 68,001 | 127,940 | 114,142 | 119,220 | 185,156 | 55.3% | 172.3% |
| Payment Plans | 134,624 | 126,114 | 154,649 | 177,314 | 152,036 | -14.3% | 12.9% |
| Total | 202,625 | 254,054 | 268,791 | 296,534 | 337,192 | 13.7% | 66.4% |




[14] Modifications and trial period payment plans under the Administration's "Making Home Affordable" program are not included in these data because most institutions did not begin implementing the program until after March 31, 2009.

### *Newly Initiated Home Retention Actions Relative to Newly Initiated Foreclosures*

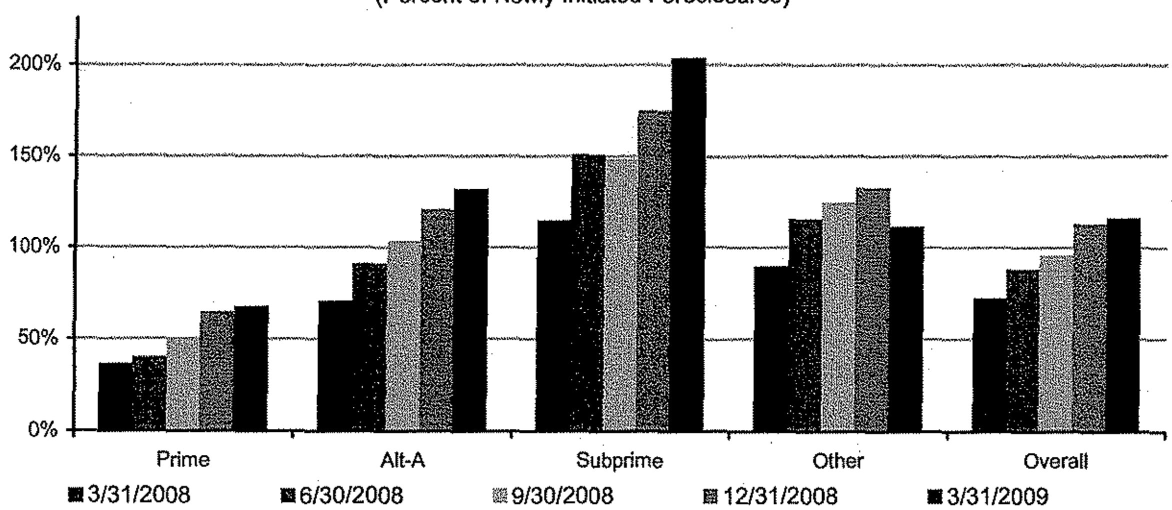
The following data showed newly initiated home retention actions as a percentage of newly initiated foreclosures during each quarter. For any given risk category, a percentage exceeding 100 percent means the number of newly initiated home retention actions exceeded the number of newly initiated foreclosures.

Home retention actions—loan modifications and payment plans—generally increased at a faster pace than new foreclosures during the first quarter. Subprime mortgages received more than twice as many new home retention actions as new foreclosures during the quarter. By contrast, prime mortgages received more new foreclosures than home retention actions during the quarter. Servicers report that in many cases, prime borrowers have lost too much income or incurred too much debt to allow for effective loan modification.

Newly initiated foreclosures are described in more detail later in the report.

| Newly Initiated Home Retention Actions (Percent of Newly Initiated Foreclosures) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Prime | 36.5% | 40.2% | 50.1% | 64.9% | 67.7% | 4.4% | 85.4% |
| Alt-A | 70.7% | 91.2% | 103.2% | 120.5% | 131.8% | 9.4% | 86.3% |
| Subprime | 114.4% | 150.9% | 148.6% | 174.9% | 203.4% | 16.3% | 77.9% |
| Other | 89.7% | 115.4% | 124.2% | 132.5% | 111.4% | -15.9% | 24.2% |
| Overall | 72.3% | 88.0% | 95.7% | 112.9% | 115.9% | 2.7% | 60.3% |
| Newly Initiated Home Retention Actions | 202,625 | 254,054 | 268,791 | 296,534 | 337,192 | 13.7% | 66.4% |
| Newly Initiated Foreclosures | 280,161 | 288,689 | 281,285 | 262,691 | 290,920 | 10.8% | 3.8% |

**Newly Initiated Home Retention Actions**
(Percent of Newly Initiated Foreclosures)



## *Types of Modifications*

New to this report are data on the types of actions taken to modify loans. While 185,156 mortgages were modified in the first quarter of 2009, 122,398 were "combination modifications" that changed more than one term of the loan. Of the modifications made in the first quarter of 2009, 70.2 percent included a capitalization of missed payments and fees, 63.2 percent included a reduction in interest rate, and 25.1 included an extended term. By comparison, 12.6 percent of the mortgages received modifications that froze the interest rate, 1.8 percent included a reduction of principal, and 1.1 percent included a deferral of principal. All modification actions during the quarter are indicated in the table below. Since nearly two-thirds of the modifications changed more than one loan term, the sum of the percentages in the table exceeds 100 percent.

The types of actions taken have different effects on the borrower's principal and interest payments and may, over time, have different effects on the long-term sustainability of the loan.

**Changes in Loan Terms Made by Modifications Made during the First Quarter of 2009**

| | Total Number of Changes in Each Category | Percentage of 185,156 Modifications Made in the First Quarter of 2009 |
|---|---|---|
| Capitalization | 129,929 | 70.2% |
| Rate Reduction | 117,067 | 63.2% |
| Rate Freeze | 23,346 | 12.6% |
| Term Extension | 46,488 | 25.1% |
| Principal Reduction | 3,398 | 1.8% |
| Principal Deferral | 1,979 | 1.1% |
| Unknown[15] | 12,962 | 7.0% |

Of the nearly two-thirds of modifications that were combination modifications that involved two or more changes to the terms of the loan, 83.4 percent of them included capitalization of missed payments and fees, 86.1 percent included reduced interest rates, 36.3 percent included extended maturities, 12.4 percent included interest rate freezes, 2.8 percent included principal reductions, and 1.6 percent included principal deferrals. Additional detail on combination modifications is included in Appendix C.

[15] Processing constraints at some servicers prevented them from aggregating and reporting specific modified term(s).

### *Types of Modifications, by Risk Category*

The types of risk modifications implemented in the first quarter of 2009 did not vary greatly among prime, Alt-A, and subprime borrowers. The following tables show the distribution of the types of modification actions by risk category. Because modifications may change more than one term, the number of features changed exceeds the number of modified loans in each risk category.

| Numbers of Each Type of Modification by Risk Category in the First Quarter of 2009 | | | | | |
|---|---|---|---|---|---|
| | Prime | Alt-A | Subprime | Other | Total |
| Total Mortgages Modified | 49,439 | 43,218 | 77,280 | 15,219 | 185,156 |
| Capitalization | 34,943 | 29,865 | 52,633 | 12,488 | 129,929 |
| Rate Reduction | 33,008 | 27,516 | 48,861 | 7,682 | 117,067 |
| Rate Freeze | 4,964 | 5,460 | 10,083 | 2,839 | 23,346 |
| Term Extension | 13,083 | 11,695 | 16,962 | 4,748 | 46,488 |
| Principal Reduction | 778 | 961 | 1,534 | 125 | 3,398 |
| Principal Deferral | 790 | 475 | 495 | 219 | 1,979 |
| Unknown | 3,990 | 3,088 | 4,612 | 1,272 | 12,962 |

The percentage of each type of change for modifications in each risk category roughly tracked the overall portfolio with the exception of modifications made to mortgages in the other risk category. Those modifications more often featured capitalization of missed fees and payments, a freeze in interest rates, and term extensions while featuring interest rate reductions less frequently.

| Percentage of Each Type of Modification by Risk Category in the First Quarter of 2009 | | | | | |
|---|---|---|---|---|---|
| | Prime | Alt-A | Subprime | Other | Overall |
| Capitalization | 70.7% | 69.1% | 68.1% | 82.1% | 70.2% |
| Rate Reduction | 66.8% | 63.7% | 63.2% | 50.5% | 63.2% |
| Rate Freeze | 10.0% | 12.6% | 13.0% | 18.7% | 12.6% |
| Term Extension | 26.5% | 27.1% | 21.9% | 31.2% | 25.1% |
| Principal Reduction | 1.6% | 2.2% | 2.0% | 0.8% | 1.8% |
| Principal Deferral | 1.6% | 1.1% | 0.6% | 1.4% | 1.1% |
| Unknown | 8.1% | 7.1% | 6.0% | 8.4% | 7.0% |

### *Types of Modifications, by Investor*

The types of modifications implemented in the first quarter of 2009 varied significantly among investors with the majority of all modifications going to loans held by the reporting servicers or private investors. Servicers report that Fannie Mae, Freddie Mac, and Ginnie Mae were in the process of revising their programs to work with troubled borrowers during the first quarter, including new modification guidelines.

The following tables show the distribution of the types of modification actions by investor. Because modifications may change more than one term, the number of features changed exceeds the number of modified loans for each investor.

| Numbers of Each Type of Modification by Investor in the First Quarter of 2009 | | | | | | |
|---|---|---|---|---|---|---|
| | Fannie Mae | Freddie Mac | Ginnie Mae | Portfolio[16] | Private Investor | Total |
| Total Mortgages Modified | 13,412 | 11,852 | 80 | 57,733 | 102,079 | 185,156 |
| Capitalization | 10,435 | 10,383 | 77 | 28,936 | 80,098 | 129,929 |
| Rate Reduction | 6,789 | 7,266 | 63 | 34,426 | 68,523 | 117,067 |
| Rate Freeze | 307 | 598 | 0 | 7,219 | 15,222 | 23,346 |
| Term Extension | 6,816 | 7,257 | 14 | 28,399 | 4,002 | 46,488 |
| Principal Reduction | 0 | 1 | 0 | 3394 | 3 | 3,398 |
| Principal Deferral | 8 | 0 | 0 | 1,858 | 113 | 1,979 |
| Unknown | 2,831 | 1,426 | 3 | 6,281 | 2,421 | 12,962 |

The percentage of each type of change varied greatly by investor. Modifications made to Fannie Mae and Freddie Mac mortgages and mortgages held on servicers' books featured term extensions much more often than modifications overall. Modifications on Fannie Mae, Freddie Mac, and private investor mortgages capitalized missed fees and payments more often than modifications overall, while modifications on mortgages held on the books of servicers capitalized missed payments and fees much less frequently.

| Percentage of Each Type of Modification by Investor in the First Quarter of 2009 | | | | | | |
|---|---|---|---|---|---|---|
| | Fannie Mae | Freddie Mac | Ginnie Mae | Portfolio | Private Investor | Overall |
| Capitalization | 77.8% | 87.6% | 96.3% | 50.1% | 78.5% | 70.2% |
| Rate Reduction | 50.6% | 61.3% | 78.8% | 59.6% | 67.1% | 63.2% |
| Rate Freeze | 2.3% | 5.0% | 0.0% | 12.5% | 14.9% | 12.6% |
| Term Extension | 50.8% | 61.2% | 17.5% | 49.2% | 3.9% | 25.1% |
| Principal Reduction | 0.0% | 0.0% | 0.0% | 5.9% | 0.0% | 1.8% |
| Principal Deferral | 0.1% | 0.0% | 0.0% | 3.2% | 0.1% | 1.1% |
| Unknown | 21.1% | 12.0% | 3.8% | 10.9% | 2.4% | 7.0% |

[16] Portfolio loans are those loans held by the reporting servicer.

### *Changes to Monthly Payments Due to Modification*

In the previous sections, the report described the various types of modifications and modified loan terms. This section describes the effect those changes had on monthly principal and interest payments and how those changes in payments affected re-default rates.

This report builds on the sustainability information presented in previous reports to include information on modifications that decrease payments by 20 percent or more, decrease by 10 percent to less than 20 percent, decrease by less than 10 percent, leave payments unchanged, or increase payments. Of the loans modified between January 1, 2008, and March 31, 2009, 45.5 percent reduced monthly principal and interest payments; 27.5 percent left payments unchanged; and 27.1 percent increased monthly payments.

Loan modifications may result in an increase in monthly payments when borrowers and servicers agree to add past due interest, advances for taxes or insurance, and other fees to the balance of the loans and re-amortize the new balances over the remaining life of the loans. The interest rate on the loans may or may not be changed in these situations. Modifications may also result in an increased monthly payment for adjustable rate mortgages about to reset where the interest rate is increased but not by as much as contractually required.

Modifications that increase payments may be appropriate when borrowers experience temporary cash flow or liquidity problems but have reasonable prospects to make the higher payments and repay the debt over time. In the past, such modifications were done in low volume and were effective loss mitigation strategies. However, during periods of economic stress, the data showed this strategy can carry additional risk and underscores the importance of verifying, on a case-by-case basis, borrowers' incomes, so that servicers can have confidence that the modifications are likely to be sustainable.

Servicers also modify some loans that leave principal and interest payments unchanged. One example is in cases where servicers "freeze" the current interest rate and payment instead of allowing the rate and payment to increase to the level otherwise required by the original mortgage contract.

Modifications that result in a decrease in payments occur when servicers elect to lower interest rates, extend the amortization period, or forgive or defer principal. Reduced payments make loans more affordable and more likely to be sustainable over time. The lower payments also result in less monthly cash flow and interest income to the mortgage investor, who often compares this reduced cash flow with the potentially greater sustainability of receiving the modified payments over time.

Servicers' modification activities often are dictated by servicing agreements that, in many cases, define the type and the amount of modification action(s) that can be executed. These pooling and servicing agreements often encouraged the capitalization and recapitalization of missed interest payments, fees, and advances in an attempt to recapture all contractual cash flow and income for the mortgage investor. Moreover, pooling and servicing agreements tended to allow modifications only for severely delinquent borrowers rather than allow servicers to work with borrowers who are current but facing an imminent default. Servicers report that recent changes in government and private investor servicing standards provide greater flexibility to structure more effective loan modifications.[17]

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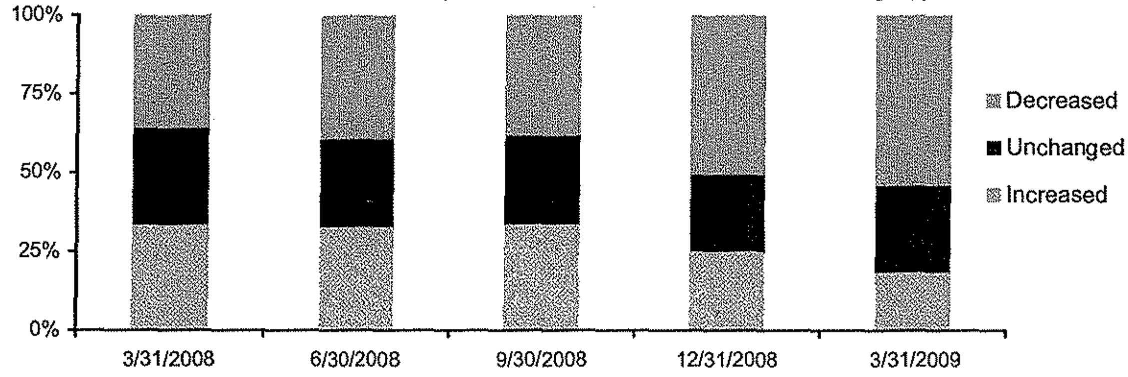
[17] Some servicers were unable to report the change in monthly payment for all modifications due to system limitations and processing lag times. Payment change information was not reported on 2,846 modifications in the first quarter 2008, 6,319 in the second quarter 2008, 6,852 in the third quarter 2008, 6,623 in the fourth quarter 2008, and 5,255 in the first quarter 2009.

## *Changes to Monthly Payments Due to Modifications, by Quarter*

Modifications during the first quarter of 2009 resulted in lower monthly principal and interest payments on 54.1 percent of all modified loans, as servicers focused on achieving more sustainable mortgage payments. The number of modifications that reduced payments by 20 percent or more nearly doubled in the first quarter compared with the previous quarter, increasing to 29.3 of all first quarter modifications and exceeding all other categories. Modifications that increased monthly payments declined to 18.5 percent of all modifications during the quarter, down from 25 percent in the fourth quarter and 33.5 percent in the third quarter. Actions that left payments unchanged increased to 27.3 percent.

| Change in Monthly Principal and Interest Payments Due to Modification (Number of Modifications) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Decreased by 20% or More | 9,469 | 20,762 | 15,988 | 27,695 | 52,751 | 90.5% | 457.1% |
| Decreased by 10% to Less than 20% | 6,576 | 12,407 | 12,041 | 14,340 | 21,885 | 52.6% | 232.8% |
| Decreased Less than 10% | 7,258 | 14,773 | 13,115 | 14,993 | 22,743 | 51.7% | 213.4% |
| **Subtotal for Decreased** | **23,303** | **47,942** | **41,144** | **57,028** | **97,379** | **70.8%** | **317.9%** |
| Unchanged | 20,199 | 34,041 | 30,255 | 27,431 | 49,180 | 79.3% | 143.5% |
| Increased | 21,654 | 39,638 | 35,892 | 28,138 | 33,342 | 18.5% | 54.0% |
| **Subtotal for Unchanged and Increased** | **41,853** | **73,679** | **66,147** | **55,569** | **82,522** | **48.5%** | **97.2%** |
| Total | 65,156 | 121,621 | 107,291 | 112,597 | 179,901 | 59.8% | 176.1% |
| **Change in Monthly Principal and Interest Payments Due to Modification (Percent of Modifications)** | | | | | | | |
| Decreased by 20% or More | 14.5% | 17.1% | 14.9% | 24.6% | 29.3% | 19.2% | 101.8% |
| Decreased by 10% to Less than 20% | 10.1% | 10.2% | 11.2% | 12.7% | 12.2% | -4.5% | 20.5% |
| Decreased Less than 10% | 11.1% | 12.2% | 12.2% | 13.3% | 12.6% | -5.1% | 13.5% |
| **Subtotal for Decreased** | **35.70%** | **39.50%** | **38.30%** | **50.60%** | **54.10%** | **6.9%** | **51.5%** |
| Unchanged | 31.0% | 28.0% | 28.2% | 24.4% | 27.3% | 12.2% | -11.8% |
| Increased | 33.2% | 32.6% | 33.5% | 25.0% | 18.5% | -25.8% | -44.2% |
| **Subtotal for Unchanged and Increased** | **64.20%** | **60.60%** | **61.70%** | **49.40%** | **45.80%** | **-7.3%** | **-28.7%** |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | -- | -- |

**Change in Monthly Principal and Interest Payments**
**Due to Modification** (Number of Modifications in Each Category)



## B. Modified Loan Performance

### *Status of Modified Loans*

Also new to the report are data on the sustainability of modifications by vintage, comparing the performance of modifications implemented quarter by quarter during 2008 and in the first quarter of 2009. Thus, this data show the status after 12 months of modifications implemented in the first quarter 2008—29.5 percent current; 33 percent severely delinquent; and 17 percent gone to foreclosure—and the status after 90 days of modifications implemented in the fourth quarter of 2008—48.2 percent current; 27.1 percent severely delinquent; and 5.4 percent going to foreclosure. The higher delinquencies and foreclosures noted for older vintage modifications at least partially reflect the normal increase in defaults over time. As we obtain additional performance data on more recent loan modifications we will be able to determine if they compare favorably with older vintage modifications. This is especially important given the number of changes made to loan modification programs since the beginning of 2008.

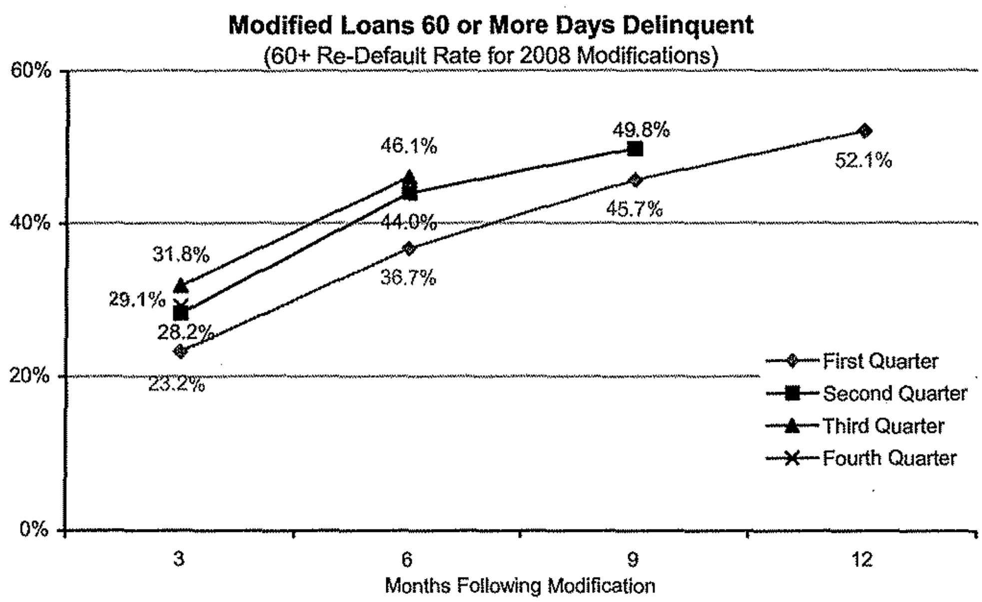
| Status of Loans Modifications as of March 31, 2009 (Percentage of Modifications Made in Each Quarter) | | | | | |
|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 |
| Current and Performing | 29.5% | 31.6% | 35.5% | 48.2% | 64.0% |
| 30-59 days Delinquent | 9.4% | 9.7% | 11.3% | 14.3% | 10.3% |
| 60 or More Days Delinquent | 33.0% | 37.6% | 37.0% | 27.1% | 21.7% |
| In Process of Foreclosure | 12.6% | 11.7% | 9.4% | 5.4% | 2.4% |
| Completed Foreclosure | 4.2% | 1.8% | 0.5% | 0.2% | 0.1% |
| Short Sale or Deed-in-Lieu of Foreclosure | 0.1% | 0.1% | 0.1% | 0.03% | 0.01% |
| Paid in Full | 2.5% | 1.6% | 1.0% | 0.4% | 0.1% |
| Other Liquidation[18] | 8.9% | 6.0% | 5.7% | 4.5% | 1.3% |
| **Status of Loans Modified in Each Quarter of 2008 as of March 31, 2009 (Number of Modifications Made in Each Quarter)** | | | | | |
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 |
| Total | 68,001 | 127,940 | 114,142 | 119,220 | 185,156 |
| Current and Performing | 20,022 | 40,439 | 40,556 | 57,403 | 118,542 |
| 30-59 days Delinquent | 6,364 | 12,395 | 12,947 | 17,023 | 19,132 |
| 60 or More Days Delinquent | 22,460 | 48,061 | 42,203 | 32,311 | 40,255 |
| In Process of Foreclosure | 8,546 | 14,921 | 10,729 | 6,469 | 4,525 |
| Completed Foreclosure | 2,836 | 2,338 | 594 | 212 | 140 |
| Short Sale or Deed-in-Lieu of Foreclosure | 54 | 99 | 72 | 31 | 10 |
| Paid in Full | 1,672 | 2,011 | 1,152 | 467 | 101 |
| Other Liquidation | 6,047 | 7,676 | 5,889 | 5,304 | 2,451 |

[18] Other liquidations include loans sold, transferred, or otherwise removed from the servicing portfolios of reporting institutions that are not included in other categories.

## *Re-Default Rates of Modified Loans: 60 or More Days Delinquent*

The percentage of loans that were 60 or more days delinquent or in the process of foreclosure rose steadily in the months subsequent to modification for all vintages where data were available.[19] It is noteworthy that modifications implemented in the first two quarters of 2008 re-defaulted at a lower rate than those in the third quarter, measured at the same number of months after modification. Those modifications implemented in the fourth quarter of 2008 have re-defaulted at a slightly lower rate than the preceding quarter. However, it is too early to determine whether the data for the fourth quarter portend a sustained improvement in performance resulting from recent changes to modification practices.

| | Modified Loans 60 or More Days Delinquent (60+ Re-Default Rate for 2008 Modifications) | | | |
|---|---|---|---|---|
| Modification Date | Three Months after Modification | Six Months after Modification | Nine Months after Modification | 12 Months after Modification[20] |
| First Quarter | 23.2% | 36.7% | 45.7% | 52.1% |
| Second Quarter | 28.2% | 44.0% | 49.8% | -- |
| Third Quarter | 31.8% | 46.1% | -- | -- |
| Fourth Quarter | 29.1% | -- | -- | -- |



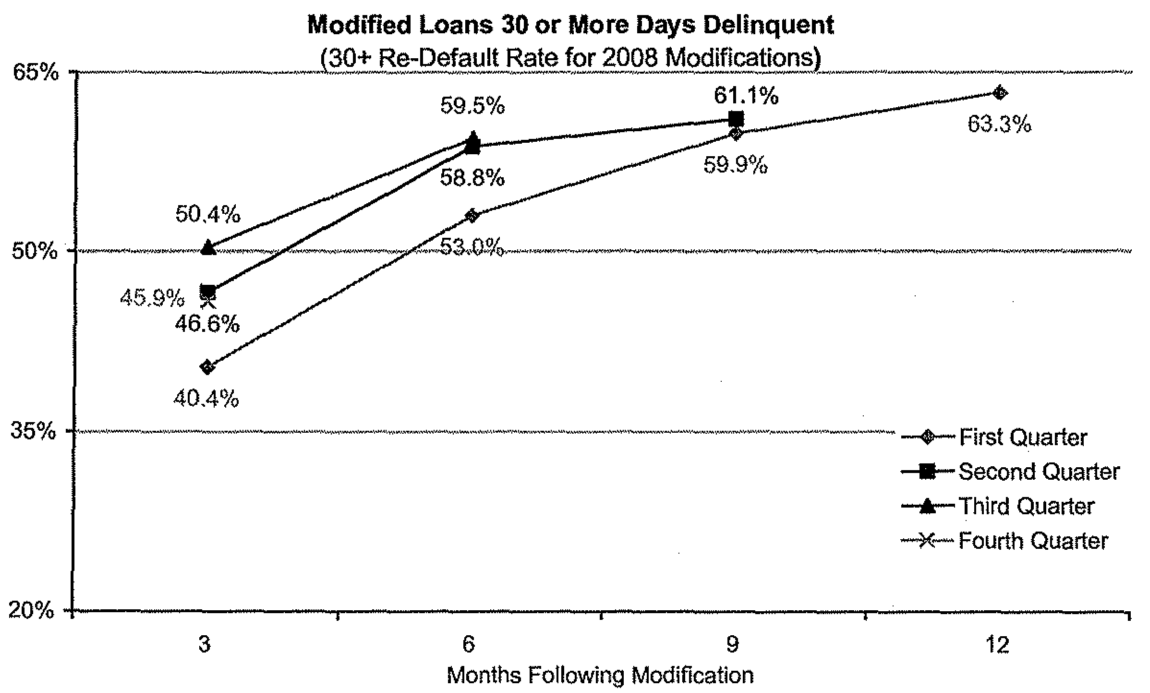

[19] Data include only those modifications that have had sufficient time to age the indicated number of months.

[20] Re-default rates will be different from the March 31, 2009, loan status data reported on page 27. The re-default data include only those modified loans that are still active at the end of the indicated number of months after the modification. The status table reflects the current status of all loans modified during the quarter, including those that are no longer active (repaid, foreclosed, or otherwise removed from the servicing system). In addition, there are various servicing system processing differences that may have a lesser effect on the reported data.

## *Re-Default Rates of Modified Loans: 30 or More Days Delinquent*

Modification re-default measured as 30 or more days delinquent or in the process of foreclosure is an early indicator of loans that may need additional attention to prevent more serious delinquency or foreclosure.[21] The data showed that re-defaults measured as 30 or more days delinquent have continued to increase over time, with more than 60 percent of all modifications implemented in the first and second quarters of 2008 delinquent at nine and 12 months after the modification, respectively. Modifications implemented in the fourth quarter of 2008 showed lower delinquencies after three months than modifications implemented in the second and third quarters.

| Modified Loans 30 or More Days Delinquent (30+ Re-Default Rate for 2008 Modifications) | | | | |
|---|---|---|---|---|
| Modification Date | Three Months after Modification | Six Months after Modification | Nine Months after Modification | 12 Months after Modification |
| First Quarter | 40.4% | 53.0% | 59.9% | 63.3% |
| Second Quarter | 46.6% | 58.8% | 61.1% | -- |
| Third Quarter | 50.4% | 59.5% | -- | -- |
| Fourth Quarter | 45.9% | -- | -- | -- |

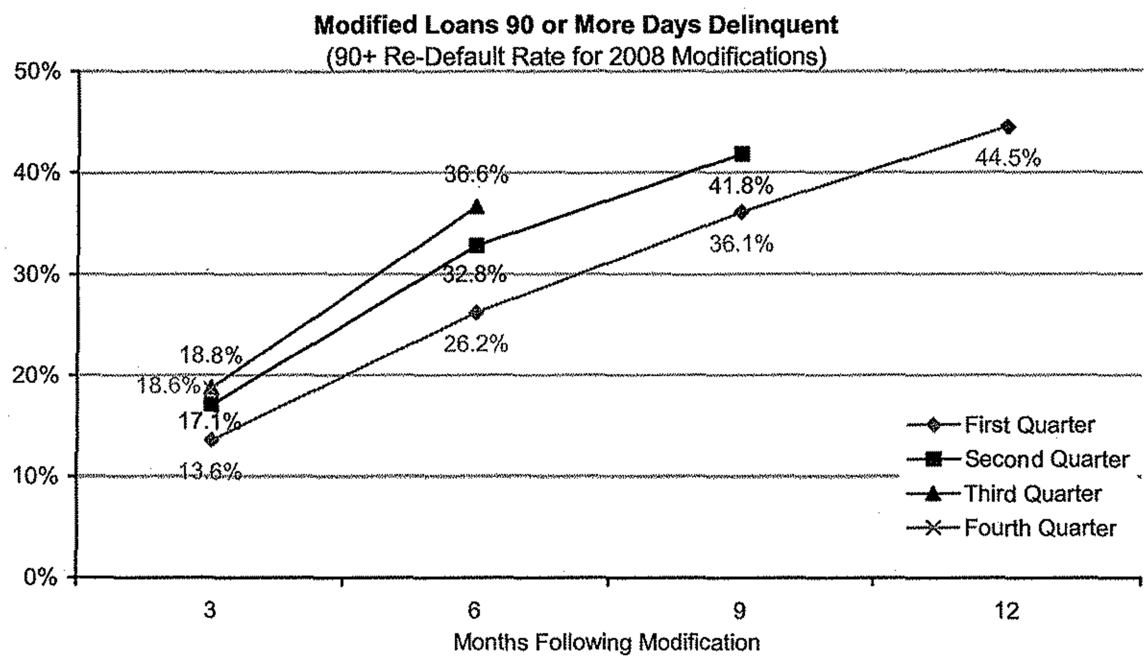



[21] Data include only those modifications that have had sufficient time to age the indicated number of months.

### *Re-Default Rates of Modified Loans: 90 or More Days Delinquent*

Using the re-default measure of 90 or more days delinquent or in the process of foreclosure, the rates of re-default were lower, as would be expected. Nevertheless, re-defaults measured as 90 or more days delinquent have continued to increase over time subsequent to modification, with more recent quarterly vintages of modifications showing higher re-default rates at the same length of time after the modification than earlier vintages.

| Modified Loans 90 or More Days Delinquent (90+ Re-Default Rate for 2008 Modifications) | | | | |
|---|---|---|---|---|
| Modification Date | Three Months after Modification | Six Months after Modification | Nine Months after Modification | 12 Months after Modification |
| First Quarter | 13.6% | 26.2% | 36.1% | 44.5% |
| Second Quarter | 17.1% | 32.8% | 41.8% | — |
| Third Quarter | 18.8% | 36.6% | — | — |
| Fourth Quarter | 18.6% | — | — | — |



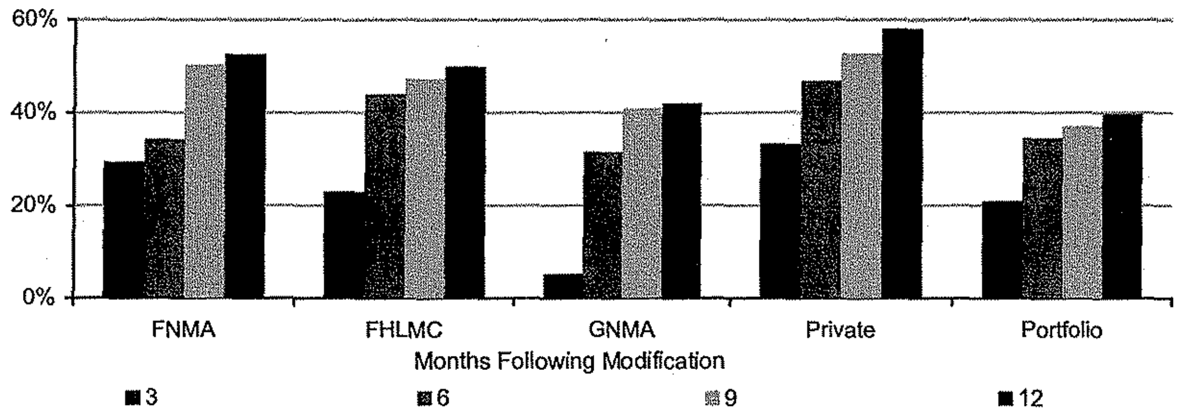
## Re-Default Rate, by Investor (60 or More Days Delinquent)

As noted in prior reports, modifications on loans held in the servicers' own portfolios continued to perform better than loans serviced for Fannie Mae, Freddie Mac, Ginnie Mae, or private investors. This difference in re-default rates may be attributable to servicers having greater flexibility to modify terms on loans held in their portfolios to achieve greater affordability and sustainability. These data do not reflect modifications made under the "Making Home Affordable" program, which began to be implemented after the end of this reporting period

Loans serviced for third parties represented more than 91 percent of all serviced loans.[22] Ginnie Mae loans experienced better early performance, but represented only a small fraction of modified loans.

| Re-Default Rates for Portfolio Loans and Loans Serviced for Others (60 or More Days Delinquent)[23] | Three Months after Modification | Six Months after Modification | Nine Months after Modification | 12 Months after Modification |
|---|---|---|---|---|
| Fannie Mae | 29.4% | 43.4% | 50.1% | 52.5% |
| Freddie Mac | 23.0% | 43.9% | 47.1% | 49.9% |
| Ginnie Mae | 5.2% | 31.6% | 40.9% | 41.9% |
| Private | 33.3% | 46.8% | 52.7% | 58.1% |
| Portfolio Loans | 21.0% | 34.6% | 37.0% | 39.7% |

**60 or More Days Delinquent by Investor after Modification** (Loans Modified in 2008)




[22] Of the loans serviced for others that were modified during 2008, 5.0 percent were serviced for Freddie Mac, 10.5 percent were serviced for Fannie Mae, 0.9 percent were serviced for Ginnie Mae, and 83.7 percent were serviced for private investors.

[23] Data include only those modifications that have had sufficient time to age the indicated number of months. Only modifications implemented during the first quarter 2008 have been in effect 12 months. Only those modifications implemented in first and second quarter 2008 have been in effect at least nine months. Only those modifications implemented in first, second, and third quarter 2008 have been in effect at least six months. Loans modified throughout 2008 have all been in effect at least three months.

## C. Modified Loan Performance, by Change in Monthly Payments

The reasons borrowers re-default on modified loans at such a high rate remain unclear but likely result from a combination of such factors as declining property values, reduced income due to underemployment or unemployment, excessive borrower leverage, issues affecting consumer willingness to pay, and poor initial underwriting. The stage of delinquency in which a modification is implemented is another key driver—the more serious the delinquency, the less likely the borrower will remain current after modification. None of these factors can be easily captured in the type of data gathered by this report.

The data presented in this section of the report consistently show that re-default rates were lowest and payments most sustainable for modifications that reduced monthly payments. Re-defaults were highest for modifications that resulted in no change or an increase in the monthly payment. Further, the greater the percentage decrease in the monthly payment, the lower the subsequent rate of re-default. However, the data also showed that re-default rates were higher for modifications that left monthly payments unchanged than for modifications that increased monthly payments. The reasons for this apparent anomaly are unclear. According to servicers, one explanation is that modifications in which the payments were unchanged often resulted from freezing the interest rate on adjustable rate mortgages prior to the loans resetting to higher payments. While the servicers have determined that these borrowers were at risk of imminent default, the action to freeze the rate and payment was often taken as part of a systemic program that did not involve a full assessment of the borrowers' capacity to continue making their payments.

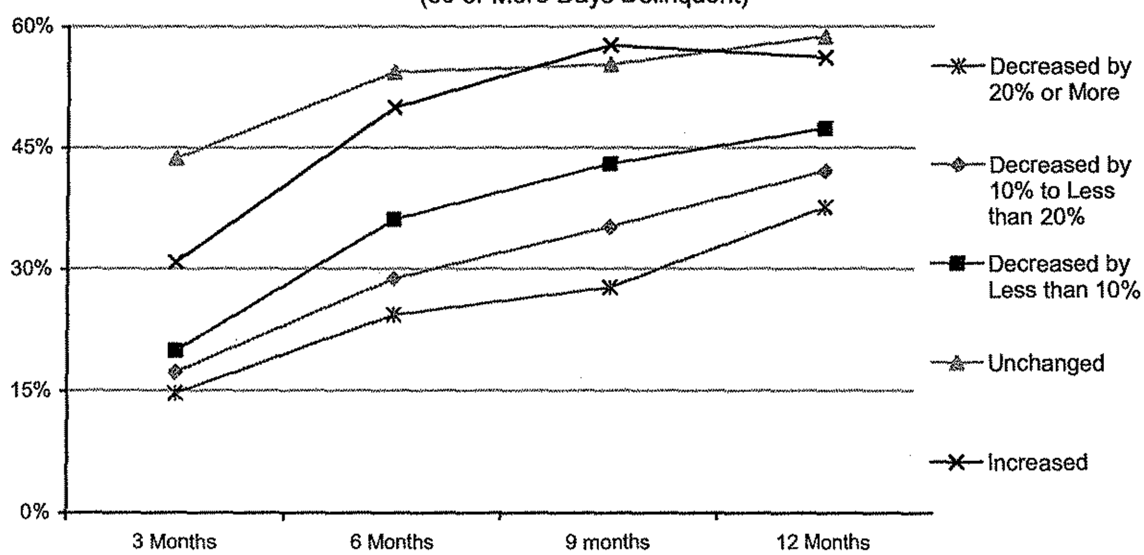
Modified loan performance included in this report supported the premise that lower payments produce more sustainable modifications, repeating the finding in the fourth quarter report. While delinquencies increased over time for all categories, delinquencies resulting in payments reduced by 20 percent or more were well below delinquencies for categories involving payments that were unchanged or increased. This was true across all vintages. For servicers and investors, determining the optimal type of modification often requires weighing a combination of loan terms that reduce monthly principal and interest payments against the potential for longer term sustainability of the payments.

## *Modified Loans 60 or More Days Delinquent, by Changes to Monthly Payments: Re-Default Rate at Three, Six, Nine, and 12 Months after Modification*

Modifications that decreased monthly payments had consistently lower re-default rates, with greater percentage decreases resulting in lower subsequent re-default rates. While lower payments reduce monthly cash flows, they may also result in longer term sustainability of the mortgage payments. After 12 months, 37.6 percent of modifications that decreased monthly payments by 20 percent or more were seriously delinquent. In contrast, 58.8 percent of modifications that left payments unchanged and 56.2 percent of modifications that increased payments were seriously delinquent after 12 months.

| Re-Default Rates of Loans Modified in 2008 by Changes in Payment (60 or More Days Delinquent)[24] | | | | |
|---|---|---|---|---|
| | Three Months after Modification | Six Months after Modification | Nine Months after Modification | 12 Months after Modification |
| Decreased by 20% or More | 14.7% | 24.3% | 27.7% | 37.6% |
| Decreased by 10% to Less than 20% | 17.3% | 28.8% | 35.2% | 42.1% |
| Decreased by Less than 10% | 19.9% | 36.1% | 43.0% | 47.4% |
| Unchanged | 43.7% | 54.4% | 55.3% | 58.8% |
| Increased | 30.8% | 50.0% | 57.7% | 56.2% |

**Re-Default Rates of Loans Modified in 2008, by Changes in Payment**
(60 or More Days Delinquent)

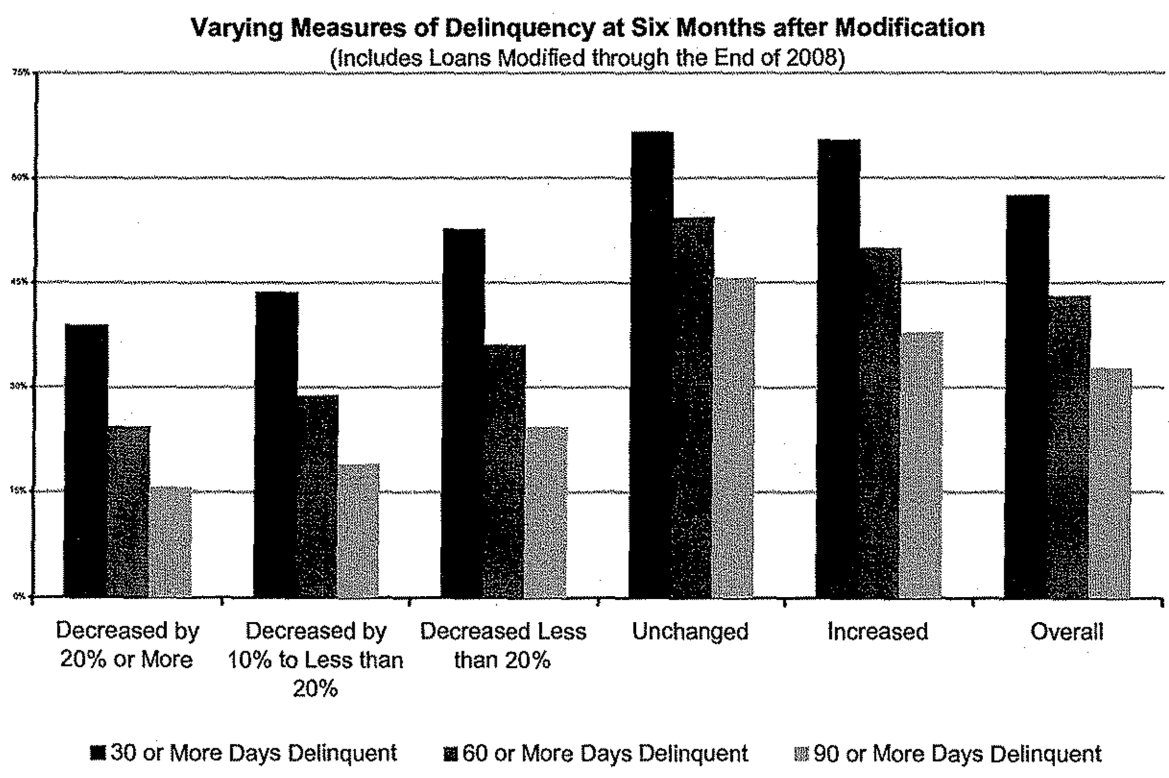



[24] Data include only those modifications that have had sufficient time to age the indicated number of months. For example, only modifications implemented during the first quarter 2008 have been in effect 12 months. Only those modifications implemented in first and second quarter 2008 have been in effect at least nine months. Only those modifications implemented in first, second, and third quarter 2008 have been in effect at least six months. Loans modified throughout 2008 have all been in effect at least three months.

## *Modified Loans Delinquent after Six Months, by Changes to Monthly Payments: Re-Default Rates Using Varying Definitions*

The amount of payment reduction varied with significantly lower re-default rates six months after modification using varying measures of re-default—30 or more days, 60 or more days, and 90 or more days delinquent or in the process of foreclosure. Re-default rates measured as 60 or 90 or more days past due after six months were less than 30 percent when monthly payments were reduced by 10 percent or more, but were considerably higher when payments were left unchanged or increased.

| Varying Measures of Delinquency at Six Months after Modification (Includes Loans Modified during 2008) | | | | | | |
|---|---|---|---|---|---|---|
| | Decreased by 20% or More | Decreased by 10% to Less than 20% | Decreased by Less than 10% | Unchanged | Increased | Overall |
| 30 or More Days Delinquent | 38.9% | 43.7% | 52.7% | 66.6% | 65.5% | 57.6% |
| 60 or more Days Delinquent | 24.3% | 28.8% | 36.1% | 54.4% | 50.0% | 43.1% |
| 90 or More Days Delinquent | 15.6% | 19.0% | 24.2% | 45.7% | 37.9% | 32.7% |



## Part III: Home Forfeiture Actions: Foreclosures, Short Sales, and Deed-in-Lieu-of-Foreclosure Actions

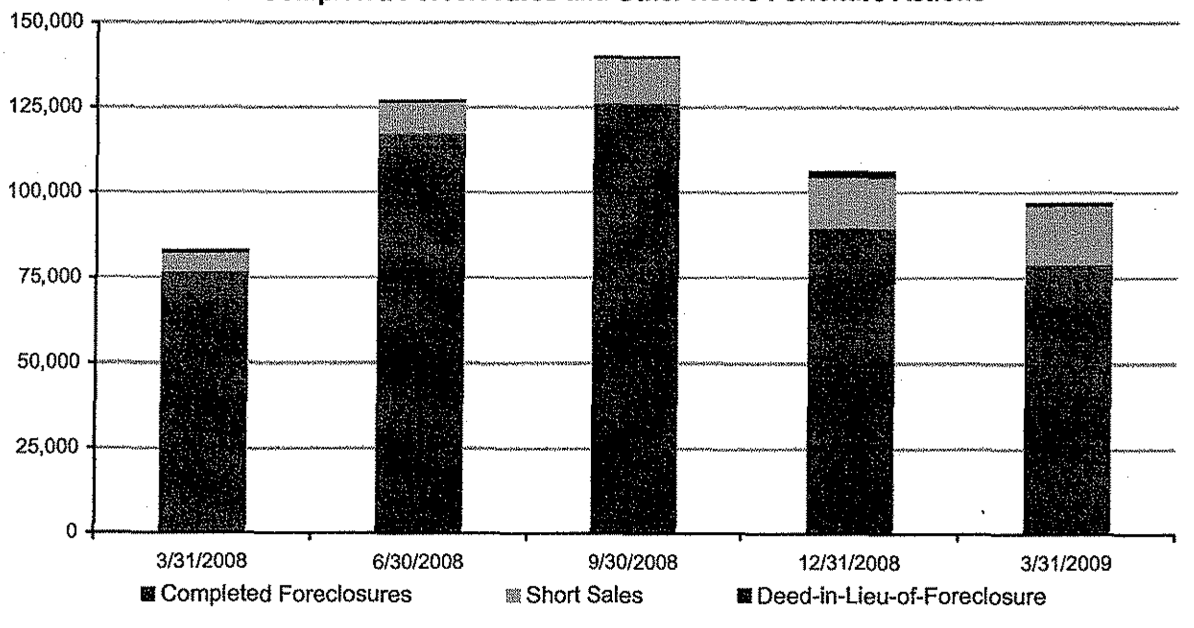
### Completed Foreclosures and Other Home Forfeiture Actions

Home forfeiture actions fell during the first quarter of 2009, declining by 8.7 percent from the previous quarter. Completed foreclosures fell to 78,936 during the first quarter of 2009, declining 11.9 percent from the previous quarter, reflecting the continuing effect of federal, state, local, and servicer-imposed foreclosure moratoria. Short sales and deed-in-lieu-of-foreclosure actions increased to 18,194 in the first quarter but remained a small fraction of the total number of home forfeiture actions.

Banks and thrifts implemented nearly 3.5 times more home retention actions—loan modifications and payment plans—than completed foreclosures and other home forfeiture actions during the first quarter of 2009. The significant increase in this ratio reflected both the continued rapid increase in loan modifications as well as the significant reduction in completed foreclosures.

| Completed Foreclosures and Other Home Forfeiture Actions | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| New Short Sales | 5,523 | 9,072 | 13,051 | 14,546 | 17,036 | 17.1% | 208.5% |
| New Deed-in-Lieu-of-Foreclosure Actions | 1,065 | 842 | 836 | 2,147 | 1,158 | -46.1% | 8.7% |
| Completed Foreclosures | 76,548 | 117,337 | 126,266 | 89,634 | 78,936 | -11.9% | 3.1% |
| Total | 83,136 | 127,251 | 140,153 | 106,327 | 97,130 | -8.7% | 16.8% |
| Newly Initiated Home Retention Actions Relative to Completed Foreclosures and Other Home Forfeiture Actions | 243.7% | 199.7% | 191.8% | 278.9% | 347.2% | 32.9% | 52.1% |

**New Completed Foreclosures and Other Home Forfeiture Actions**

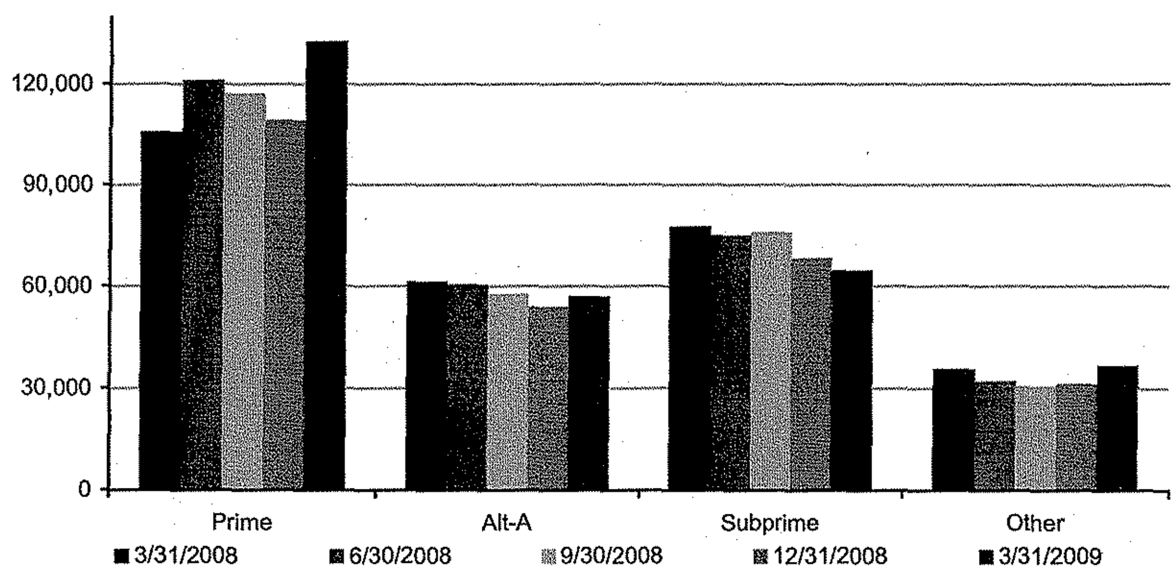


## *Newly Initiated Foreclosures*

The lifting of foreclosure moratoria during the quarter, continued economic weakness, and the migration of an increasing number of serious delinquencies into foreclosure resulted in a 10.8 percent increase, to 290,920, in newly initiated foreclosures. The number of newly initiated foreclosures dropped among subprime mortgages, but increased for prime and Alt-A loans. Prime mortgages saw the most significant increase, rising by 21.5 percent from the previous quarter, reflecting the increasing pressure on this largest group.

| Number of Newly Initiated Foreclosures | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Prime | 105,698 | 121,058 | 117,276 | 109,285 | 132,730 | 21.5% | 25.6% |
| Alt-A | 61,187 | 60,427 | 57,651 | 53,914 | 56,948 | 5.6% | -6.9% |
| Subprime | 77,539 | 75,030 | 75,789 | 68,204 | 64,628 | -5.2% | -16.7% |
| Other | 35,737 | 32,174 | 30,569 | 31,288 | 36,614 | 17.0% | 2.5% |
| Total | 280,161 | 288,689 | 281,285 | 262,691 | 290,920 | 10.8% | 3.8% |

**Number of Newly Initiated Foreclosures**

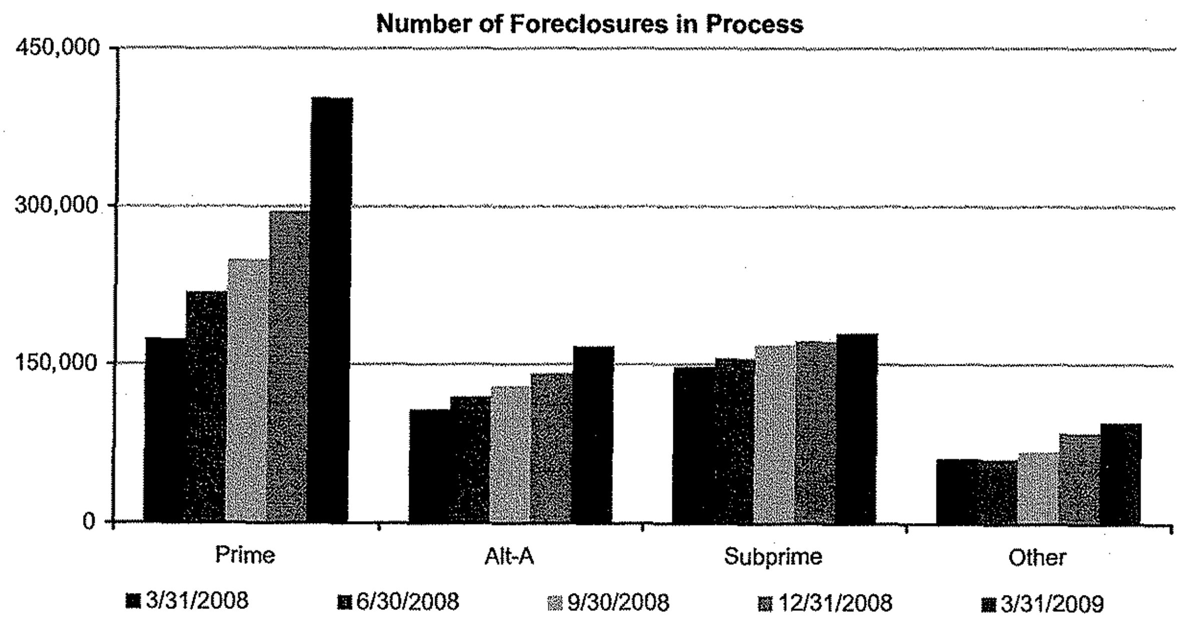


## Foreclosures in Process

Foreclosures in process rose to 844,389 and represented 2.5 percent of all serviced loans, as a variety of moratoria on foreclosures expired during the first quarter of 2009 and the recession continued to exert pressure on borrowers. The increase in the number of foreclosures in process represented a 21.8 percent jump from the previous quarter and 72.6 percent rise from the first quarter of 2008. The rate of increase in foreclosures in process was highest for prime borrowers, repeating the trends noted for serious delinquencies and newly initiated foreclosures.

Foreclosures in process is the sum of newly initiated foreclosures plus foreclosures in process at the end of the previous quarters, minus the number of foreclosures that were completed or otherwise terminated during the quarter. Many foreclosures in process never reach completion as borrowers and servicers seek other resolutions.

| | Number of Foreclosures in Process | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Prime | 173,486 | 218,634 | 249,438 | 295,358 | 403,553 | 36.6% | 132.6% |
| Alt-A | 106,811 | 118,938 | 129,236 | 141,091 | 166,654 | 18.1% | 56.0% |
| Subprime | 147,576 | 155,288 | 168,225 | 172,146 | 179,330 | 4.2% | 21.5% |
| Other | 61,246 | 60,295 | 67,564 | 84,828 | 94,852 | 11.8% | 54.9% |
| Total | 489,119 | 553,155 | 614,463 | 693,423 | 844,389 | 21.8% | 72.6% |
| Number of Foreclosures in Process Relative to Mortgages in that Category | | | | | | | |
| Prime | 0.8% | 1.0% | 1.1% | 1.3% | 1.8% | 37.4% | 130.1% |
| Alt-A | 3.0% | 3.3% | 3.6% | 4.0% | 4.8% | 20.0% | 58.5% |
| Subprime | 4.8% | 5.0% | 5.5% | 5.7% | 6.2% | 9.8% | 31.2% |
| Other | 1.2% | 1.2% | 1.4% | 1.7% | 3.0% | 15.7% | 67.7% |
| Total | 1.4% | 1.6% | 1.8% | 2.0% | 2.5% | 23.6% | 74.8% |

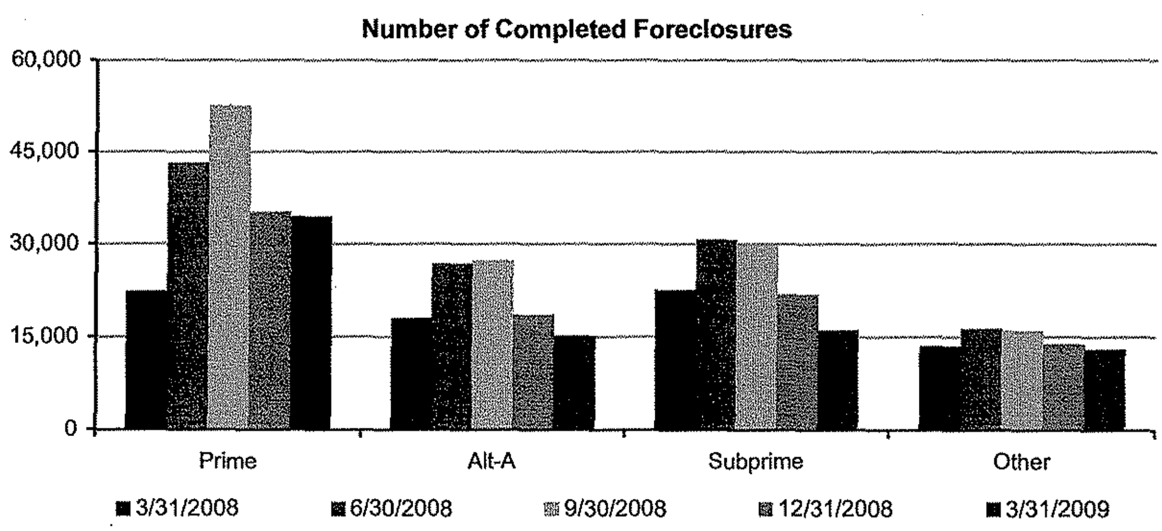


## *Completed Foreclosures*

Foreclosures are completed when ownership of the properties is transferred to the servicers or investors and the debts are extinguished. The foreclosure process varies by state and can take 15 months or more to complete. Many loans that start the foreclosure process never result in foreclosure of the properties.

Completed foreclosures fell by 10,698 from the prior quarter, a decrease of nearly 12 percent. This is the result of national, state, local, and servicer-imposed moratoria in effect for much of the first quarter of 2009 and the increasing number of new modifications being offered.

| Number of Completed Foreclosures | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Prime | 22,379 | 43,248 | 52,571 | 35,296 | 34,499 | -2.3% | 54.2% |
| Alt-A | 18,025 | 26,934 | 27,405 | 18,573 | 15,244 | -17.9% | -15.4% |
| Subprime | 22,595 | 30,750 | 30,264 | 21,869 | 16,099 | -26.4% | -28.8% |
| Other | 13,549 | 16,405 | 16,026 | 13,896 | 13,094 | -5.8% | -3.4% |
| Total | 76,548 | 117,337 | 126,266 | 89,634 | 78,936 | -11.9% | 3.1% |
| Number of Completed Foreclosures Relative to Mortgages in that Category | | | | | | | |
| Prime | 0.1% | 0.2% | 0.2% | 0.2% | 0.2% | -1.7% | 52.5% |
| Alt-A | 0.5% | 0.8% | 0.8% | 0.5% | 0.4% | -16.6% | -14.1% |
| Subprime | 0.7% | 1.0% | 1.0% | 0.7% | 0.6% | -22.4% | -23.1% |
| Other | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | -2.5% | 4.6% |
| Total | 0.2% | 0.3% | 0.4% | 0.3% | 0.2% | -10.6% | 4.4% |



## *Home Retention Actions Relative to Forfeiture Actions, by Risk Category*

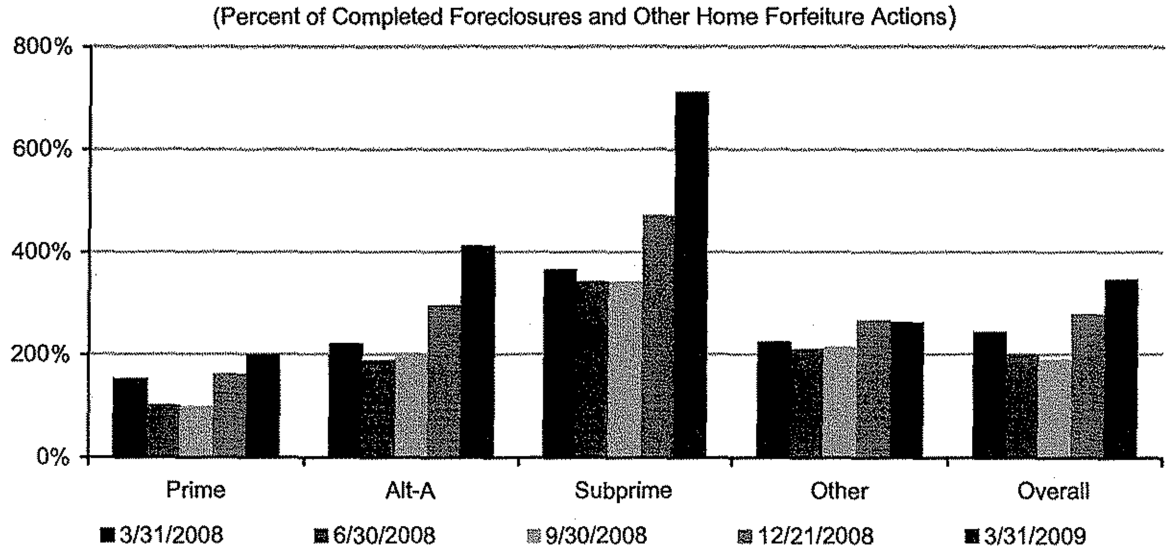
During the first quarter of 2009, newly initiated home retention actions—loan modifications and payment plans—increased for prime, Alt-A, and subprime mortgages, while the number of completed foreclosures and other home forfeiture actions—short sales and deed-in-lieu-of-foreclosure actions—decreased.

Prime loans showed the lowest ratio of home retention actions relative to completed foreclosures and other forfeiture actions. While new home retention actions significantly increased for prime loans and completed foreclosures declined during the first quarter, the decrease in completed foreclosures was much lower for prime loans than for other borrowers. For subprime loans, newly initiated home retention actions were more than seven times the number of completed foreclosures and other home forfeiture actions in the first quarter of 2009.

| Newly Initiated Home Retention Actions (Percent of Completed Foreclosures and Other Home Forfeiture Actions) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y $Change |
| Prime | 153.5% | 102.2% | 98.8% | 162.6% | 199.9% | 22.9% | 30.2% |
| Alt-A | 221.5% | 189.5% | 197.5% | 296.1% | 412.3% | 39.2% | 86.1% |
| Subprime | 366.5% | 342.9% | 343.2% | 471.6% | 712.2% | 51.0% | 94.3% |
| Other | 225.0% | 211.2% | 214.5% | 267.0% | 263.1% | -1.4% | 17.0% |
| Overall | 243.7% | 199.7% | 191.8% | 278.9% | 347.2% | 24.5% | 42.4% |

**Newly Initiated Home Retention Actions**

(Percent of Completed Foreclosures and Other Home Forfeiture Actions)



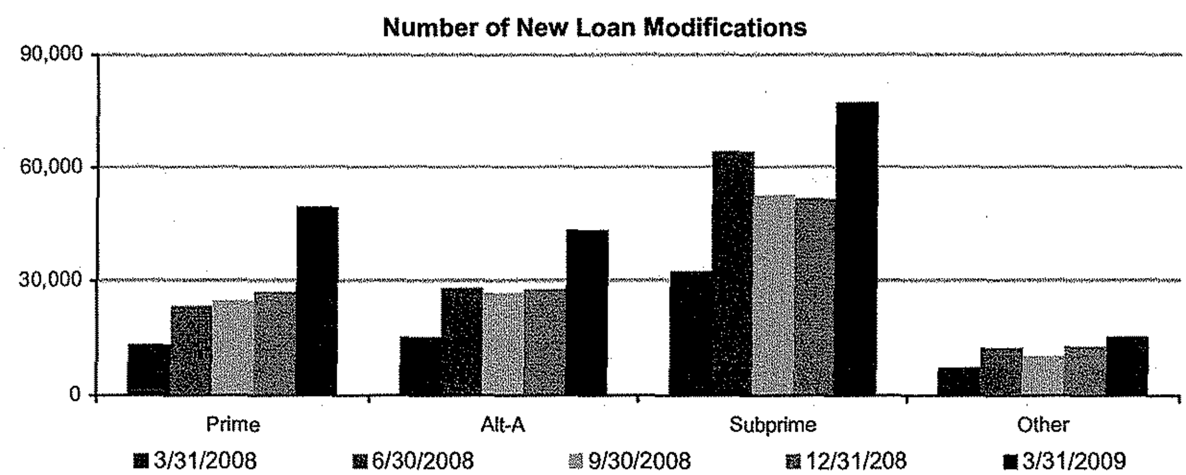
# Appendixes

## Appendix A—New Loan Modifications

New loan modifications increased to 185,156 during the first quarter of 2009—rising by 55.3 percent from the previous quarter and by 172.3 percent from the first quarter of 2008. This significant increase can be attributed to servicers' increasing focus on modifications as a home retention loss mitigation strategy. The rate of increase was greatest for prime borrowers, with new loan modifications increasing nearly 82 percent during the first quarter.

Subprime loans constituted about 42 percent of all new modifications in the quarter but only 8 percent of all loans in the servicing portfolio. Prime loans constituted about 27 percent of all new modifications in the quarter but 67 percent of all loans in the servicing portfolio.

| Number of New Loan Modifications | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Prime | 13,241 | 23,363 | 24,680 | 27,169 | 49,439 | 82.0% | 273.4% |
| Alt-A | 15,155 | 28,119 | 26,697 | 27,680 | 43,218 | 56.1% | 185.2% |
| Subprime | 32,356 | 64,108 | 52,559 | 51,702 | 77,280 | 49.5% | 138.8% |
| Other | 7,249 | 12,350 | 10,206 | 12,669 | 15,219 | 20.1% | 110.0% |
| Total | 68,001 | 127,940 | 114,142 | 119,220 | 185,156 | 55.3% | 172.3% |
| Number of New Loan Modifications Relative to Mortgages in that Category | | | | | | | |
| Prime | 0.1% | 0.1% | 0.1% | 0.1% | 0.2% | 83.0% | 269.3% |
| Alt-A | 0.4% | 0.8% | 0.8% | 0.8% | 1.2% | 58.7% | 189.7% |
| Subprime | 1.0% | 2.1% | 1.7% | 1.7% | 2.7% | 57.5% | 157.8% |
| Other | 0.1% | 0.3% | 0.2% | 0.3% | 0.3% | 24.3% | 127.3% |
| Total | 0.2% | 0.4% | 0.3% | 0.4% | 0.5% | 57.6% | 175.7% |

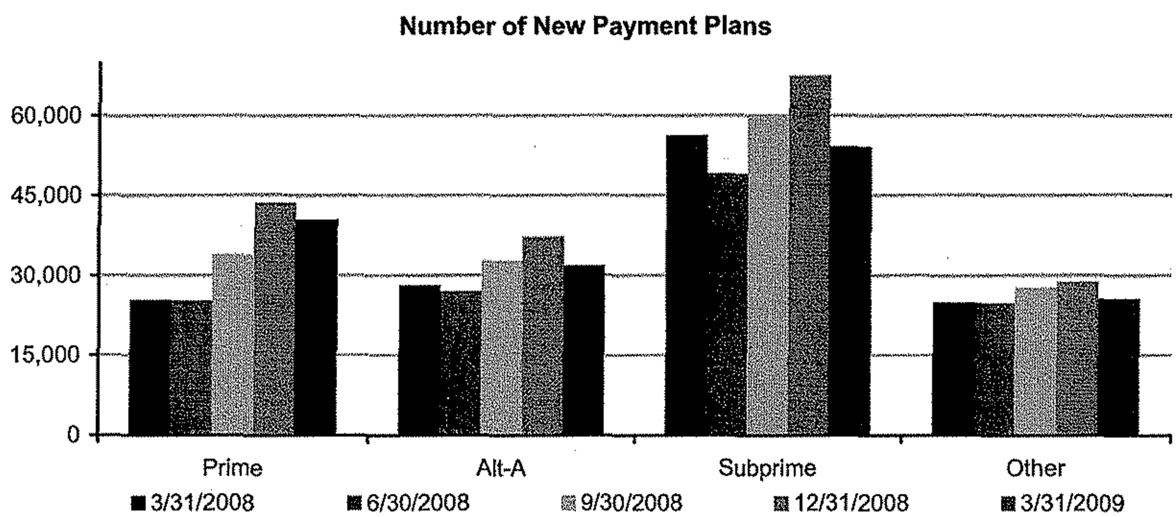


## *Appendix B—New Payment Plans*

New payment plans fell to 152,036 during the first quarter of 2009—decreasing by 14.3 percent from the previous quarter but increasing by 12.9 percent from the first quarter of 2008. The reduction in payment plans reflected the continuing shift to loan modifications as the primary home retention loss mitigation strategy, a build-up of payment plans in advance of modification guidelines established by the "Making Home Affordable" program, and some evolution of what was recorded as a payment plan.

New payment plans declined across all risk categories in the first quarter. The rate of decrease was largest for subprime borrowers, which constituted about 36 percent of all new payment plans in the quarter but declined by nearly 20 percent from the previous quarter. The rate of decrease in first quarter was lowest for prime borrowers.

| Number of New Payment Plans | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Prime | 25,372 | 25,243 | 34,058 | 43,708 | 40,443 | -7.5% | 59.4% |
| Alt-A | 28,121 | 26,987 | 32,798 | 37,272 | 31,837 | -14.6% | 13.2% |
| Subprime | 56,313 | 49,104 | 60,048 | 67,558 | 54,181 | -19.8% | -3.8% |
| Other | 24,818 | 24,780 | 27,745 | 28,776 | 25,575 | -11.1% | 3.1% |
| Total | 134,624 | 126,114 | 154,649 | 177,314 | 152,036 | -14.3% | 12.9% |
| **Number of New Payment Plans Relative to Mortgages in that Category** | | | | | | | |
| Prime | 0.1% | 0.1% | 0.2% | 0.2% | 0.2% | -6.9% | 57.7% |
| Alt-A | 0.8% | 0.8% | 0.9% | 1.0% | 0.9% | -13.2% | 15.0% |
| Subprime | 1.8% | 1.6% | 2.0% | 2.2% | 1.9% | -15.5% | 3.8% |
| Other | 0.5% | 0.5% | 0.6% | 0.6% | 0.5% | -8.1% | 11.6% |
| Total | 0.4% | 0.4% | 0.5% | 0.5% | 0.5% | -13.0% | 14.4% |



## *Appendix C—Breakdown of Individual and Combined Modification Actions*

The following table shows the number and percent of each type of change made to the 185,156 mortgages that received modifications in the first quarter of 2009.

| Types of Modifications Made during the First Quarter of 2009 | Number | Percentage of Modifications Made in the First Quarter of 2009 |
|---|---|---|
| Combination Modifications[25] | 122,398 | 66.1% |
| Capitalization | 27,909 | 15.1% |
| Rate Reduction | 23,346 | 6.3% |
| Rate Freeze | 11,644 | 4.4% |
| Term Extension | 8,156 | 1.1% |
| Principal Reduction | 2,040 | 0.00% |
| Principal Deferral | 5 | 0.02% |
| Unknown[26] | 12,962 | 7.0% |
| Total Modifications | 185,156 | 100% |

Nearly two-thirds of all modifications implemented in the first quarter of 2009 changed more than one term of the loan. Known as combination modifications, these 122,398 modifications most often featured capitalization of missed fees and payments and reduction of the interest rate. The following shows the breakdown of features included in combination modifications.

| Features Included in Combination Modifications Made in the First Quarter of 2009 | Number | Percentage of Combination Modifications |
|---|---|---|
| Capitalization | 102,020 | 83.4% |
| Rate Reduction | 105,423 | 86.1% |
| Rate Freeze | 15,190 | 12.4% |
| Term Extension | 44,448 | 36.3% |
| Principal Reduction | 3,393 | 2.8% |
| Principal Deferral | 1,937 | 1.6% |
| Unknown | 12,962 | 10.6% |

[25] Combination modifications result in a change to two or more loan terms. All other modification types detailed in this table involve only the listed action.

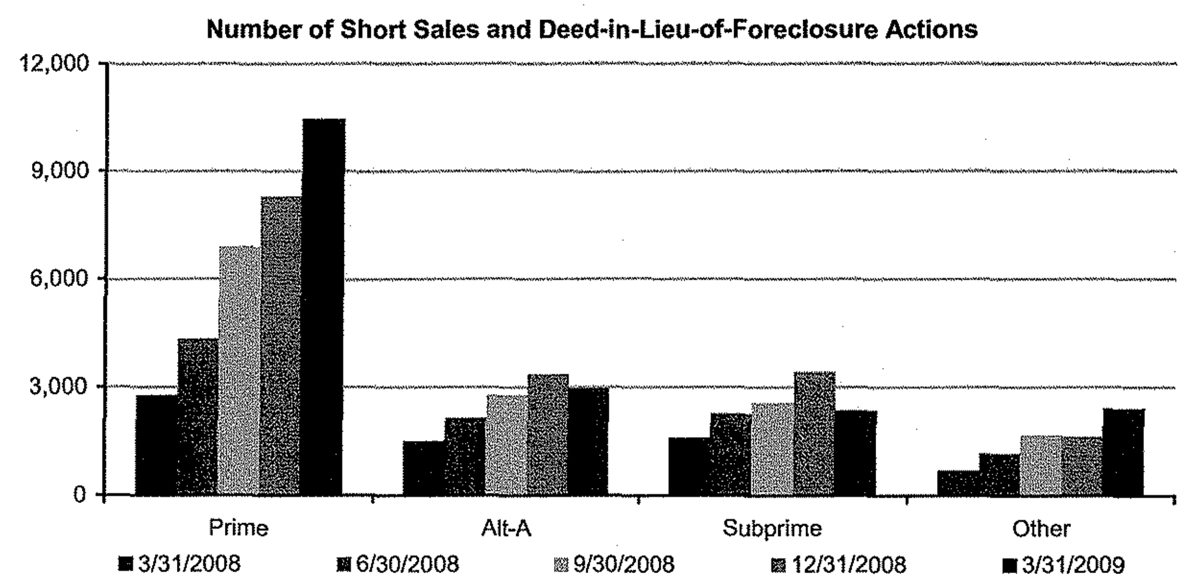
[26] Processing constraints at some servicers prevented them from aggregating and reporting specific modified term(s).

## *Appendix D—Short Sales and Deed-in-Lieu-of-Foreclosure Actions*

New short sales and deed-in-lieu-of-foreclosure actions increased to 18,194 during the first quarter of 2009—rising by 9.0 percent from the previous quarter and by 176.2 percent from the first quarter of 2008. While still a relatively small component of home forfeiture actions, short sales and deeds-in-lieu-of-foreclosures continued to increase.

Short sales and deed-in-lieu-of-foreclosure actions require borrowers to forfeit their homes to pay (partially or completely) mortgage debts. Short sales and deed-in-lieu-of-foreclosure actions allow borrowers to avoid foreclosures and lessen the impact on their credit ratings.

| | Number of Short Sales and Deed-in-Lieu-of-Foreclosure Actions | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/2008 | 6/30/2008 | 9/30/2008 | 12/31/2008 | 3/31/2009 | 1Q %Change | 1Y %Change |
| Prime | 2,775 | 4,331 | 6,896 | 8,285 | 10,464 | 26.3% | 277.1% |
| Alt-A | 1,512 | 2,142 | 2,774 | 3,360 | 2,960 | -11.9% | 95.8% |
| Subprime | 1,597 | 2,267 | 2,550 | 3,419 | 2,360 | -31.0% | 47.8% |
| Other | 704 | 1,174 | 1,667 | 1,629 | 2,410 | 47.9% | 242.3% |
| Total | 6,588 | 9,914 | 13,887 | 16,693 | 18,194 | 9.0% | 176.2% |
| | Number of Short Sales and Deed-in-Lieu-of-Foreclosure Actions | | | | | | |
| Prime | 0.01% | 0.02% | 0.03% | 0.04% | 0.1% | 27.0% | 272.9% |
| Alt-A | 0.04% | 0.1% | 0.1% | 0.1% | 0.1% | -10.5% | 98.9% |
| Subprime | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | -27.3% | 59.5% |
| Other | 0.01% | 0.02% | 0.03% | 0.03% | 0.1% | 53.0% | 270.7% |
| Total | 0.02% | 0.03% | 0.04% | 0.1% | 0.1% | 10.6% | 179.7% |



# OCC/OTS MORTGAGE METRICS – LOAN LEVEL DATA COLLECTION:

# FIELD DEFINITIONS

1/7/2009 McDash Analytics, LLC, Denver, CO

This document describes the Loan Level Data Elements and Definitions used to prepare OCC/OTS quarterly Mortgage Metrics Reports.

# Definitions Overview

This document lists and defines the loan level data elements the OCC and OTS requested servicers to provide in conjunction with Mortgage Metrics Reporting. System limitations and a lack of information resulting from acquisitions, mergers, etc. may result in certain elements not being available for all loans. Data elements and definitions have been expanded and revised to support the Agencies need for additional information on loan modifications. The most recent revision, dated January 7, 2009, will go into effect with the scheduled January 2009 data submission. These expanded data elements, highlighted in the table below, will apply to active loans and or modifications initiated beginning January 1, 2009 on a go-forward basis.

Table 1

| | |
|---|---|
| 30 – Workout Type Completed/Executed: Reaged/Deferred/Extended | 43 – Modification Type: Updated values to include FHFA, FDIC, Proprietary Systematic Program and Proprietary Other. All other values (a-g) will be tracked using fields 69-74 beginning January 2009 data submission. |
| 69 – Principal Deferred | 70 – Principal Writedown |
| 71 – Capitalization of Delinquent Amount | 72 – Interest Rate Reduced |
| 73 – Interest Rate Frozen | 74 – Term Extended |
| 75 – Duration of Modification | 76 – Refreshed DTI Ratio (Front-end) |
| 77 – Refreshed DTI Ratio (Back-end) | 78 – Step Modification Flag |
| 79 – Principal Deferred Amount | 80 – Delinquent Amount Capitalized |
| 81 – Refreshed CLTV After Modification | 82 – Property Valuation Method at Modification |
| 83 – Principal and Interest Amount at Origination | 84 – Principal and Interest Amount Current |
| 85 – Escrow Amount at Origination | 86 – Escrow Amount Current |
| 87 – DTI Ratio (Front-end) at Origination | 88 – Remaining Term |
| 89 – ARM Margin at Origination | 90 – ARM Margin Current |
| 91 – ARM Index | 92 – P&I Amount Before Modification |
| 93 – P&I Amount After Modification | 94 – Escrow Amount Before Modification |
| 95 – Escrow Amount After Modification | 96 – Interest Rate Before Modification |
| 97 – Interest Rate After Modification | 98 – Remaining Term Before Modification |
| 99 – Remaining Term After Modification | |

Loss Mitigation Loan-Level Data Collection Field Definitions

# FIELD DEFINITIONS

1. Loan Number – A unique identifier for the loan record that will be the same month to month. Reference numbers may be used in lieu of actual loan numbers as long as it meets this criteria

2. Lien Position at Origination – The position of this mortgage relative any additional liens on the property. If there are no additional liens, the mortgage is in first position.

3. Credit Grade – Servicer defined.

4. Investor – Identifies the owner of the mortgage
    a. FNMA – Serviced mortgages that are owned by FNMA
    b. FHLMC – Serviced mortgages that are owned by FHLMC
    c. GNMA – Serviced mortgages that are owned by GNMA
    d. Private – Loans securitized by private-label (non-Government, non-GSE) issuers.
    e. Portfolio – Mortgages owned and held on the bank's balance sheet. Include both Held for Sale or Held for Investment in this category.

5. Product Group
    a. FHA – Loans insured by the Federal Housing Administration
    b. VA – Loans insured by the Department of Veteran's Affairs
    c. Conventional with PMI – Non-government insured mortgages insured by a private (non-government) insurer.
    d. Conventional w/o PMI – Mortgages with neither government nor private mortgage insurance.

6. Interest Type at Origination
    a. Fixed – Mortgages where the interest rate is fixed for the life of the mortgage. Hybrid ARMS should not be included in this category.
    b. ARM – Mortgages where the interest rate fluctuates based on a spread to an index. Include all variable rate loans regardless of whether there is an initial fixed period.

7. Interest Type in Current Month – Identifies the interest type in the reporting month. This field will be the same as field number 6 unless the loan has had its interest type modified.

8. Loan Closing Date – The date on which the original loan funding was disbursed to the borrower.

9. Original Loan Amount – The dollar amount of the funds disbursed to the borrower at the time of loan closing.

10. Unpaid Principal Balance – The total principal amount outstanding as of the end of the month. The UPB should not reflect any accounting based write-downs and should only be reduced to zero when the loan has been liquidated – either paid-in-full, charged-off, REO sold or Service transferred (see field 28).

11. Original Interest Rate – The annual percentage rate as specified on the mortgage note at the time of origination.

12. Current Interest Rate – The annual percentage rate of the mortgage as of the last day of the reporting month.

13. Original LTV – The original loan-to-value (LTV) ratio is the original loan amount divided by the lesser of the selling price or the appraised value of the property securing the mortgage at origination or upon initial transfer into the servicing portfolio.

14. Refreshed LTV – The refreshed LTV refers to the servicer periodically updating the estimate of value to recalculate loan-to-value using the current loan balance. Do not report where the refreshed property value was not obtained within the last year.

15. Original FICO – The statistically calculated credit score of all borrowers developed by the Fair Isaac Corporation used to evaluate the creditworthiness of the borrower. The FICO score can be based on the credit bureau service the institution uses as its source. Original FICO reflects the score upon which the mortgage underwriting decision was based.

16. Current FICO – The Current FICO reflects the refreshed score based on the Fair Isaac calculation.

17. Product Description – Identifies the product type of the mortgage including the interest type, amortization term and initial fixed period for hybrid products.

18. Option ARM at Origination – A payment Option ARM is a nontraditional mortgage that allows the borrower to choose from a number of different payment options. For example, each month, the borrower may choose: a minimum payment option based on a "start" or introductory interest rate, an interest-only payment option based on the fully indexed interest rate, or a fully amortizing principal and interest payment option based on a 15-year or 30-year loan term, plus any required escrow payments. Payments on the minimum payment option can be less than the interest accruing on the loan, resulting in negative amortization. The interest-only option avoids negative amortization, but does not provide for principal amortization. After a specified number of years, or if the loan reaches a certain negative amortization cap, the required monthly payment amount is recast to require payments that will fully amortize the outstanding balance.

19. Option ARM in Reporting Month – Identifies whether a mortgage allows a borrower a choice of payment options in the reporting month. For full definition of payment Option ARMs, see #18.

20. Interest Only at Origination - An interest only (IO) mortgage is a nontraditional mortgage which allows the borrower to pay only the interest due on the loan for a specified number of years (e.g., three or five years), and whose interest rate may fluctuate or be fixed. After the interest-only period, the rate may be fixed or fluctuate based on the prescribed index, with payments including both principal and interest.

21. Interest Only in Reporting Month – Identifies whether the minimum mortgage payment in the reporting month represents only the interest due on the loan.

22. Documentation – Describes how the borrower's income levels were documented at time of origination.
    a. Full – The borrower provided full verification of income levels via W2, pay stubs, tax returns, etc.
    b. Alt / Low - Alternative or Low Doc loans refers to the mortgages qualified and underwritten under lender programs designed without requiring verification of employment, assets, mortgage/rental history and/or DTI of the borrower. This categorization applies to any combination of the aforementioned limited documentation standards, excluding Stated Income programs.
    c. Stated - Stated Income includes all mortgages where the borrower was qualified for approval based on representation of income, without direct verification of either the source or amount of said income by the lender.

23. Property State – The state in which the property is located. Please be sure to provide the state where the property is located and not the billing address as the two may differ for non-Owner Occupied properties.

24. Property ZIP Code – The nine or five digit zip code of the property, whichever is available.

25. Loss Mitigation Performance Status – Identifies whether a loan is being actively handled by the servicer's loss mitigation department. Refers to all loans where the servicer has initiated loss mitigation procedures <u>whether or not a particular course of action or workout type has been executed...</u>
    a. Active and performing – Refers to any mortgage that is currently in loss mitigation and is performing to the terms of a selected plan.
    b. Active and Non-performing – Refers to instances where a servicer is actively pursuing loss mitigation with a borrower who is not currently making all payments on the mortgage.
    c. Broken – Populated for situations where the borrower has defaulted on the terms of loss mitigation plan and the servicer has removed the loan from loss mitigation and is proceeding with the default process.

26. Foreclosure Status – Identifies the current foreclosure status as of the end of the reporting month.
    a. In foreclosure, pre-sale – Coded for any mortgage that has been referred to an attorney for loss mitigation proceedings but has not yet gone to foreclosure sale.
    b. Post-sale Foreclosure – Coded for any loan where the bank has obtained title at foreclosure sale, but the property is not yet actively being marketed. Typically this will include loans that are in redemption or being repaired. If this information is not available, please code the loan as OREO.
    c. OREO – Coded for any mortgage where the bank has obtained title at foreclosure sale and the property is on the market and available for sale. Also code instances where the bank has obtained title but the availability for sale is not known.

27. Foreclosure Referral Date – Provide the date that the mortgage was referred to an attorney for the purpose of initiating foreclosure proceedings. This date should reflect the referral date of currently active foreclosure process. Loans cured from foreclosure should not have a referral date.

28. Liquidation Status – Provide the liquidation method for any loan that was liquidated during the reporting month.
    a. Voluntary Payoff – Code all instances where the loan has been paid in full by the borrower either through refinance of the mortgage, sale of the property or principal payment in full.
    b. Involuntary Liquidation – Code all instances where the mortgage has been liquidated either through foreclosure proceedings or another settlement option resulting in incomplete repayment of principal. Include short-sales, charge-offs, as well as OREO liquidations.
    c. Servicing Transfer – Code all instances where the servicing of the mortgage has been transferred or sold to another institution during the reporting month.

29. Foreclosure Sale Date – The date of the foreclosure sale (or sheriff's sale), please populate the date for any loan that has completed foreclosure sale whether or not the title was acquired by the bank.

30. Workout Type Completed – This field should be coded for any loan where a loss mitigation effort has been successfully completed in the current month. Successful completion is defined as the closing of loss mitigation activities where the borrower has no remaining delinquent obligations to the servicer. The field should be coded in only the reporting month when the workout type was completed and not in subsequent months. For Code 13 – Reaged/Deferred/Extended – include loans where there has been an agreement with the borrower to defer principal and interest but with no other terms to enhance affordability.

31. Next payment due date – The due date for the next outstanding payment on the mortgage. For delinquent loans this date will be in the past.

32. Bankruptcy flag – Flag all loans where the servicer has been notified of the borrower's bankruptcy declaration.

33. Active Repayment Plan Flag – Code as 1 all loans that are active and performing according to the terms of a repayment plan as of the end of the reporting month. Do not code as active any loan currently operating under a stip-to-mod plan where the loan is scheduled to be modified if the terms of the stipulated repayment plan are met.

34. Loss Mitigation Letter Sent – RESERVED FOR FUTURE USE.

35. Reason for Default – Identifies the reason that the borrower has defaulted on their mortgage payment obligations.

36. Loan Source – Identifies the source by which the servicer originated or otherwise acquired the mortgage. At the servicer's discretion, acquired servicing may be reported as retail, broker, or correspondent originations to the extent the information is available.
    a. Retail – Report all mortgages originated through the reporting institution's retail, including branch or internet, production channel.
    b. Wholesale (Broker) - Report all mortgages originated through the reporting institution's wholesale/broker production channel. Report as broker originated all third-party originated loans where the bank cannot distinguish between broker and correspondent originated.

c. Correspondent - Mortgages acquired through the reporting institution's correspondent production channel. This includes all mortgage whole loans purchased on a recurring basis (flow) from another correspondent institution, eligible for securitization into the secondary markets or portfolio retention on the bank's balance sheet. Report as broker originated all third-party originated loans when the bank cannot distinguish between broker and correspondent originated.
d. Bulk Purchase – Pools of mortgage whole loans purchased from a third party originator for the right to securitize or retention in the bank-owned portfolio. Residential Mortgages acquired for the Servicing Portfolio in this manner are typically negotiated as one-time transactions between a Mortgage Institution and an independent third party originator (Mortgage Company or Correspondent). Report all bulk acquisitions and correspondent flow acquisitions as correspondent originated when the institution cannot distinguish between these categories. Also, include loans acquired by the Servicer through a corporate transaction involving the merger or acquisition of another non-affiliated corporation.
e. Servicing Rights Purchased - Refers to a separately negotiated purchase of mortgage servicing rights (PMSR) from a third party. When the servicer cannot distinguish between bulk whole loan and bulk servicing acquisitions, the servicer should report all of these acquisitions consistently in the category that represents the majority of the servicer's acquisitions. Note: This reporting category applies exclusively to the Servicing Portfolio.

37. Owner Occupancy Flag – Report all mortgages where the borrower owns and occupies the property securing the mortgage.

38. Notice of Default – Please provide the date for all loans where the servicer has issued a formal notice of default, breach letter or similar communication notifying the borrower that the loan is in default.

39. Third Party Sale Flag – Identify any loan where the title has transferred to a party other than the servicer at the time of foreclosure sale. If the loan was not sold to a third party or is not currently in foreclosure this field should be coded with a zero.

40. Credit Class – Servicer defined Prime, Alt-A and Non-prime designation.

41. Property Type – Provide the number of units of the property, if the actual number of units is not available for multi-family properties please code this field with a 9.

42. ARM Initial Rate Period – Identifies the term, in months, from the time of origination to the first interest rate change date for ARM s.

43. Modification Type – This field should be populated for any loan that is currently operating under modified terms and identifies the specific terms that were altered through loss mitigation efforts.

The following elements (a-g) were modification type options for data submissions October 2007 – December 2008.

a. Rate reduction – The interest rate on the mortgage was lowered to reduce borrower payments.

b. Term – A term modification is one in which there was a change to the rate reset date balloon feature and/or maturity date. Do not include loan modifications made pursuant to the ASF's December 6, 2007 "Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime Adjustable Rate Mortgage Loans."
c. Principal Write-down – Report all loans where an adjustment to the unpaid principal balance was the only modified term of the mortgage.
d. Capitalization – Capitalization is defined as instances where accrued and/or deferred principal, interest, servicing advances, expenses, fees, etc. are capitalized into the unpaid principal balance of the modified loan
e. Combination – Report all loans modified using any combination of the above options.
f. ASF Streamline - Report all loan modifications in conformance with the ASF's December 6, 2007 "Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime Adjustable Rate Mortgage Loans."
g. Other – Report any modification type not covered by the previous categories.

The following modification type options (h-m) will be available beginning with the January 2009 data submission. Items (a-g) will be reported in fields 69-74.

h. Loan has not been modified.
i. ASF Streamline - Report all loan modifications in conformance with the ASF's December 6, 2007 "Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime Adjustable Rate Mortgage Loans."
j. FHFA Streamline – Report all loan modifications pursuing to the FHFA streamline modification program "SMP).
k. FDIC Streamline ("Mod in a Box") – Report all loan modifications that include any third party investor and/or proprietary systematical modifications that are patterned on the FDIC program.
l. Proprietary Systematic Program – Report all other proprietary systematic programs target at applicable segments of mortgage borrowers.
m. Proprietary Other – Report any modification type not covered by the previous categories.

44. Original Loan Term – The term in months between the loans closing date and maturity date.

45. Loss / Write-down Amount – Report all write-downs and reversals of loan principal and interest recorded as charge-offs against the Allowance for Loan and Leases Losses (ALLL) pursuant to FFIEC Call Report instructions. Also include all reversals of accrued but not collected interest, not directly changed against the ALLL.

46. Loss / Write-down Date – The date on which a loss or write-down occurred.

47. Debt to Income (DTI) - This ratio is the percent of a borrower's total monthly debt payments (including proposed housing expenses) divided by his or her gross monthly income, used to determine the mortgage amount that qualifies a borrower.

48. Foreclosure Suspended – Report all loans where foreclosure activities are being suspended due to loss mitigation or bankruptcy proceedings.

49. Prepayment Penalty Waived This Month – Code all loans where the servicer waived a prepayment penalty on the mortgage (regardless of whether the loan liquidated). Only code this field if the prepayment penalty was waived during the reporting month.

50. ARM Last Reset Date – Provide the most recent date on which the interest rate on the mortgage adjusted (do not include loss mitigation adjustment, only scheduled rate resets based on the original terms).

51. ARM Next Reset Date – Provide the next date on which the interest rate of the mortgage is scheduled to adjust.

52. Prepayment Penalty Waived Amount – The total dollar amount of any prepayment penalty waived by the servicer.

53. Last Modified Date – Provide the date on which the loan terms were most recently modified. Should only be populated for loans that have a value in Field 43, Modification Type.

54. Troubled Debt Restructure – A flag designating whether a loan was modified as a Troubled Debt Restructuring (TDR). All TDRs must be evaluated for impairment under Statement of Financial Accounting Standards No. 114 (Accounting by Creditors for Impairment of a Loan), as part of the Allowance for Loan and Lease Losses analysis.

55. FHA Secure Refinance – Identify all loans originated as FHA Secure Refinances, regardless of whether the loan was serviced in-house prior to refinance.

56. Remodified Flag – Code with a "Y" any loan that has been modified more than once in the last 24 months.

57. Balloon Term – For mortgages with a final balloon payment, the term in months between the loan closing date and the due date for the final payment.

58. Repayment Plan Performance Status – This field tracks the performance of repayment and stip-to-mod plans. If a repayment plan or stip-to-mod was completed successfully during the month it should be coded as such in the work-out type completed field (#30) and under the following:
    a. Stip-to-Mod Active – The borrower is performing as scheduled on a stipulated repayment agreement that, if successful will result in a modification.
    b. Stip-to-Mod Broken – The borrower has broken the terms specified by a stip-to-mod agreement and the modification was not executed.
    c. Repayment Plan Active – The borrower is performing as scheduled according to the terms of an executed repayment plan.
    d. Repayment Plan Broken – The borrower has defaulted on the terms of an executed repayment plan during the month.
    e. Repayment Plan Cancelled by Servicer – The borrower was on a repayment plan that was cancelled by the mortgage servicer during the month.

f. Repayment Plan Cancelled at Borrower's Request – The borrower was on a repayment plan that was cancelled at their request during the month.

59. Servicer Advances – Total delinquent advances made by the servicer on past due mortgages. Include both corporate (including maintenance and property preservation costs) and escrow advances in this amount.

60. Original Property Value – The property value in dollars at the time the loan was originated, defined as the lesser of selling price or the appraised value of the property securing the mortgage at origination or upon initial transfer into the servicing portfolio.

61. Refreshed property value – Provide the most current property value if updated subsequent to loan origination. Only provide a refreshed value when it is based on a property-specific valuation method (i.e., do not provide a refreshed property value based solely on applying a broad valuation index to all properties in geographic area.).

62. Property Valuation Method at Origination – Identifies the method by which the value of the property was determined at the time the loan was originated. Options are:
    a. Full appraisal – Prepared by a certified appraiser
    b. Limited appraisal – Prepared by a certified appraiser
    c. Broker Price Opinion "BPO" – Prepared by a real estate broker or agent
    d. Desktop Valuation – Prepared by bank employee
    e. Automated Valuation Model "AVM"

63. Refreshed Property Valuation Method – The valuation method for any refreshed values in field #59. Identifies the method by which the value of the property was determined. Options are:
    a. Full appraisal – Prepared by a certified appraiser
    b. Limited appraisal – Prepared by a certified appraiser
    c. Broker Price Opinion "BPO" – Prepared by a real estate broker or agent
    d. Desktop Valuation – Prepared by bank employee
    e. Automated Valuation Model "AVM"

64. Most Recent Property Valuation Date – The date on which the most recent refreshed property value was obtained.

65. FNMA Home Saver Advance Date – The date on which the most recent FNMA Home Saver Advance was completed. The FNMA Home Saver Advance program involves the GSE advancing new unsecured personal loans of up to $15,000 to pay arrearages on an existing first mortgage. Proceeds of these advances go directly to the servicer, who returns the first mortgage to a current and performing status.

66. FNMA Home Saver Advance Amount – The amount of the most recent FNMA Home Saver Advance.

67. Alternative Home Liquidation Loss Mitigation Strategy Date – Report the date on which the most recent Alternative Loss Mitigation strategy was executed. Alternative Home Liquidation Loss Mitigation Strategies include the new and evolving strategies that are designed to minimize loan losses and

avert loan foreclosures. These strategies include, but are not limited to, other alternative programs intended to limit the costs and losses related to the sale of the home, deed in lieu, or foreclosure, but which result in the borrower forfeiting ownership of the home. These new strategies are in addition to traditional home liquidation loss mitigation strategies, such as short sales and deeds in lieu of foreclosure.

68. Alternative Home Retention Loss Mitigation Strategy Date – Report the date on which the most recent Alternative Loss Mitigation strategy was executed. Alternative Home Retention Strategies include the various new and evolving loss mitigation strategies that are designed to minimize loan losses, avert loan foreclosures, and enable borrowers to retain their residence. These strategies include, but are not limited to, "short refinances" (servicer facilitates a loan refinance, with the investor accepting a short payoff of the existing first mortgage), and other refinance or alternative programs intended to prevent the sale of the home, a deed in lieu, or a foreclosure.

69. Principal Deferred – Report whether a loan had principal deferred through loss mitigation. This field should only be populated for loans with a value in Field 43.

70. Principal Write-down – Report whether principal was forgiven through loss mitigation. This field should only be populated for loans with a value in Field 43.

71. Capitalization – Report whether a delinquent amount (PITI or fees) were capitalized and added to the outstanding principal balance. This field should only be populated for loans with a value in Field 43.

72. Interest Rate Reduced – Report whether the interest rate has been reduced to be less than the scheduled value through loss mitigation. This field should only be populated for loans with a value in field 43.

73. Interest Rate Frozen – Report whether the interest rate was frozen and a lower reate than if allowed to adjust through loss mitigation. This field should only be populated for loans with a value in field 43.

74. Term Extended – Report whether the remaining term of the loan was extended through loss mitigation. This field should only be populated for loans with a value in field 43.

75. Duration of Modification – Report the number of months the modified terms will be in effect. Populate field 53 – Last Modified Date – for calculation of remaining term.

76. Refreshed DTI Ratio (Front-end) – Report the refreshed Front-end DTI (PITI Housing Ratio).

77. Refreshed DTI Ratio (Back-end) – Report the refreshed Back -end DTI Ratio.

78. Step Modification Flag – Report whether a rate modification has a "stepped" or gradual return to non-modified rate.

79. Principal Deferred Amount: Report the total amount in dollars of the principal that was deferred through loss mitigation.

80. Delinquent Amount Capitalized – Report the total amount in dollars of the delinquent amount that was capitalized and added to the principal balance through loss mitigation.

81. Refreshed CLTV After Modification – Report the calculated combined loan-to-value ratio after the modification.

82. Property Valuation Method at Modification – Report the method used to determine the property value prior to loan modification. This field should only be populated for loans with a value in Field 43.

    a. Full appraisal – Prepared by a certified appraiser
    b. Limited appraisal – Prepared by a certified appraiser
    c. Broker Price Opinion "BPO" – Prepared by a real estate broker or agent
    d. Desktop Valuation – Prepared by bank employee
    e. Automated Valuation Model "AVM"

83. Principal and Interest (P&I) Amount at Origination – Report the scheduled principal and interest amount at the origination of the loan.

84. Principal and Interest (P&I) Amount Current – Report the scheduled principal and interest due from the borrower in the reporting month.

85. Escrow Amount at Origination – Report the escrow amount (including taxes and insurance) due from the borrower at origination of the loan.

86. Escrow Amount Current – Report the scheduled escrow amount (including taxes and insurance) due from the borrower in the reporting month.

87. DTI Ratio (Front-end) at Origination – Report the Front-end DTI (PITI Housing Ratio) at origination of the mortgage. Alternatively, gross monthly income – refreshed at modification.

88. Remaining Term – Report the remaining term of the loan in months.

89. ARM Margin at Origination – Report the rate that is added to the index to determine the monthly interest rate at origination of the loan.

90. Arm Margin – Current – Report the rate that is added to the index to determine the monthly interest rate.

91. Arm Index – Report the index used as the basis for determining the monthly interest rate.

92. P&I Amount Before Modification – Report the scheduled principal and interest amount in the month prior to loan modification.

93. P&I Amount After Modification – Report the scheduled principal and interest amount in the month following loan modification.

94. Escrow Amount Before Modification – Report the escrow amount in the month prior to loan modification.

95. Escrow Amount After Modification – Report the escrow amount in the month after loan modification.

96. Interest Rate Before Modification – Report the interest rate in the month prior to loan modification.

97. Interest Rate After Modification – Report the interest rate in the month after loan modification.

98. Remaining Term Before Modification – Report the remaining term in the month prior to loan modification.

99. Remaining Term After Modification – Report the remaining term in the month after loan modification.