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 2010

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

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## Contents

## *Executive Summary*

This *OCC and OTS Mortgage Metrics Report* for the first quarter of 2010 provides performance data on first-lien residential mortgages serviced by national banks and federally regulated thrifts. The mortgages in this portfolio comprise more than 64 percent of all mortgages outstanding in the United States—nearly 34 million loans totaling almost $6 trillion in principal balances. The report provides information on their performance through March 31, 2010.

### *Key Findings from this Report*

- **Delinquency rates dropped in the first quarter of 2010, with improvement in all categories of mortgages—prime, Alt-A, and subprime.** The percentage of mortgages that were current and performing increased for the first time since the agencies began publishing this report in June 2008. Mortgages in all stages of pre-foreclosure delinquency improved during the first quarter, with the percentage of mortgages that were 30–59 days delinquent, 60–89 days delinquent, and 90 or more days delinquent all declining. The improvement occurred across all risk categories—prime, Alt-A, and subprime mortgages. Serious delinquencies declined in all risk categories from the previous quarter, but remained up from a year ago.

- **But the number of foreclosures increased substantially, including new foreclosures, foreclosures in process, and completed foreclosures.** Compared to the previous quarter, newly initiated foreclosures increased 18.6 percent to 370,536; foreclosures in process increased 8.5 percent to 1,170,874; and completed foreclosures increased 18.5 percent to 152,654. The increase in foreclosures was mentioned in prior reports, as servicers exhaust options to assist holders of a large number of seriously delinquent mortgages and the large number of existing foreclosures in process work through the system.

- **At the same time, the number of modifications and other home retention actions also increased.** Overall, the number of actions to prevent avoidable foreclosures increased 5.4 percent from the previous quarter and 61.4 percent from a year ago. The 629,678 new home retention actions in the first quarter included 99,980 modifications and 187,932 trial period plans made under the "Home Affordable Modification Program" (HAMP), and 129,348 modifications and 92,985 trial plans under other programs. The sustainability of modifications also continued to improve with more than 87 percent of loan modifications reducing payments, and nearly 55 percent reducing payments by 20 percent or more.

- **Re-default rates for modified mortgages remain high.** At 12 months following modification, more than half of all modified mortgages were 60 or more days past due.

- **However, recent vintages performed better.** New analysis included in the report shows that of the 587,097 modifications done in 2009, nearly 52 percent were current at the end of the first quarter of 2010 compared with 27 percent of the modifications implemented during 2008. While delinquency rates predictably increase over time, data suggest more recent vintages of modifications may perform better over time. As shown before, modifications that reduce the borrower's monthly principal and interest payments consistently perform better than modifications with the payment unchanged or increased.

### *Mortgage Performance*

- The percentage of current and performing mortgages in the portfolio increased to 87.3 percent—an increase of 1.0 percent from the previous quarter—the first quarter-over-quarter improvement in overall portfolio performance since March of 2008 (see Table 9).
- Pre-foreclosure delinquencies declined across all stages of delinquencies. Serious delinquencies declined to 6.5 percent of the portfolio, down 7.7 percent from the previous quarter. Loans 30–59 days past due declined 17.7 percent to 2.8 percent in the first quarter (see Table 9).
- Delinquencies improved across all risk categories. Serious delinquencies among prime mortgages, which represent 68 percent of the serviced portfolio, declined 3.8 percent from the previous quarter (see Table 13). Early-stage delinquencies (30–59 days past due) among prime mortgages declined more than 16 percent from the previous quarter (see Table 14).

### *Home Retention Actions: Loan Modifications, Trial Period Plans, and Payment Plans*

- Servicers implemented 629,678 new home retention actions—loan modifications, trial period plans, and payment plans—during the quarter. New home retention actions, including HAMP actions, increased 5.4 percent this quarter and 61.4 percent from a year ago (see Table 1).

| *Table 1.* Number of New Home Retention Actions | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y % Change |
| Loan Modifications | 189,193 | 142,362 | 130,464 | 103,616 | 129,348 | 24.8% | −31.6% |
| HAMP Modifications | 0 | 0 | 783 | 20,679 | 99,980 | 383.5% | -- |
| HAMP Trial Period Plans | 0 | 80,000 | 272,714 | 259,016 | 187,932 | −27.4% | -- |
| Other Trial Period Plans | 53,205 | 64,201 | 127,590 | 95,992 | 92,985 | −3.1% | 74.8% |
| Payment Plans | 147,806 | 131,974 | 164,195 | 117,940 | 119,433 | 1.3% | −19.2% |
| **Total** | **390,204** | **418,537** | **695,746** | **597,243** | **629,678** | **5.4%** | **61.4%** |
| Home Retention Actions Relative to Serious Delinquency and Foreclosures In Process | 15.7% | 15.0% | 21.7% | 17.2% | 18.6% | 8.1% | 18.6% |

- Servicers continued to emphasize home retention efforts over foreclosures, initiating 1.7 times as many modifications and payment plans as new foreclosures. For every forfeited home during the quarter—foreclosure sale, short sale, or deed-in-lieu of foreclosure action—servicers started more than three home retention actions to prevent foreclosures (see Table 6).
- Interest rate reductions were used in 85.9 percent of all mortgage modifications implemented in the first quarter of 2010. Term extensions were used in 46.8 percent of all modifications, principal deferrals in 10.1 percent, and principal reductions in 1.9 percent (see Table 19).[1]

[1] Because most modifications changed more than one aspect of the loan, these percentages exceed 100 percent.

- For HAMP modifications, capitalization of missed payments and fees followed by interest rate reductions and often term extensions were the prevailing actions. Principal deferral, one of the prescribed actions under HAMP, was used in 19.1 percent of HAMP modifications (see Table 20).
- Overall, modifications made during the first quarter lowered monthly principal and interest payments in 87.4 percent of all loan modifications. The percentage of modifications that lowered monthly payments increased by more than 64 percent from a year ago, as servicers emphasized payment sustainability (see Table 29).[2] Nearly all HAMP modifications reduced borrower principal and interest payments, and more than 78 percent reduced monthly principal and interest payments by 20 percent or more (see Table 30).

### *Modified Loan Performance*

- New analysis of all modifications done in 2008 and 2009 show the state of these modifications at the end of the first quarter of 2010. Of the 1,008,416 modifications made in 2008 and 2009, 53 percent are delinquent or in some stage of foreclosure at the end of the quarter (see Table 2). More than 41 percent were current and performing, and 1.1 percent were paid off. Of the 587,097 modifications done in 2009, nearly 52 percent were current at the end of the quarter compared with 27 percent of the 421,319 modifications done in 2008.

***Table 2.* Status of Mortgages Modified in 2008 and 2009**

| | Total | Current | 30–59 Days Delinquent | Seriously Delinquent | Foreclosures in Process | Completed Foreclosures | Paid Off | No longer in the Portfolio* |
|---|---|---|---|---|---|---|---|---|
| Mortgages Modified in 2008 | 421,319 | 27.2% | 7.0% | 33.9% | 14.7% | 7.5% | 2.0% | 7.6% |
| Mortgages Modified in 2009 | 587,097 | 51.8% | 10.3% | 26.2% | 7.9% | 1.3% | 0.5% | 1.9% |
| Total | 1,008,416 | 41.5% | 8.9% | 29.5% | 10.7% | 3.9% | 1.1% | 4.3% |
| **Modifications that Reduced Payments by 10% or More** | | | | | | | | |
| | Total | Current | 30-59 Days Delinquent | Seriously Delinquent | Foreclosures in Process | Completed Foreclosures | Paid Off | No longer in the Portfolio |
| Modifications that Reduced Payments by 10% or More | 429,788 | 54.1% | 9.4% | 21.9% | 7.9% | 2.0% | 0.6% | 4.0% |
| **Modifications that Reduced Payments by Less than 10%** | | | | | | | | |
| | Total | Current | 30–59 Days Delinquent | Seriously Delinquent | Foreclosures in Process | Completed Foreclosures | Paid Off | No longer in the Portfolio |
| Modifications that Reduced Payments by Less than 10% | 578,628 | 32.2% | 8.6% | 35.0% | 12.9% | 5.2% | 1.5% | 4.5% |

*Processing constraints at some servicers prevented them from aggregating and reporting current status of some modified mortgages.

[2] As described later in this report, modifications that increase or leave principal and interest payments unchanged may be appropriate in certain circumstances.

- The new analysis also shows that of the 429,788 modifications that reduced monthly payments by 10 percent or more, 54.1 percent were current at the end of the first quarter of 2010, compared with 32.2 percent of the 578,628 modifications that reduced payments by less than 10 percent (see Table 2).
- Other data also show that delinquency following modification remained high, with more than half of those modifications that have aged 12 months falling more than 60 days past due. However the data indicate more recent vintages of modification performed better after servicers began to emphasized lower monthly payments in the first quarter of 2009. Table 3 shows that these more recent modifications performed better at 3, 6, and 9 months than earlier modifications.

**_Table 3._ Modified Loans 60 or More Days Delinquent**
(60+ Re-Default Rate for 2008–2009 Modifications)

| Modification Date | 3 Months after Modification | 6 Months after Modification | 9 Months after Modification | 12 Months after Modification* |
|---|---|---|---|---|
| Fourth Quarter 2008 | 29.9% | 42.0% | 51.6% | 57.9% |
| First Quarter 2009 | 29.8% | 42.3% | 51.0% | 54.9% |
| Second Quarter 2009 | 18.3% | 33.1% | 40.7% | -- |
| Third Quarter 2009 | 14.8% | 27.7% | -- | -- |
| Fourth Quarter 2009 | 11.3% | -- | -- | -- |

* Data include only modifications that have had time to age the indicated number of months.

- When compared with all modifications, HAMP modifications had fewer re-defaults after 3 months. At 3 months after modification, 7.7 percent of HAMP modifications were 60 or more days delinquent, compared with 11.3 percent overall (see Table 38).
- Modifications on mortgages held in the servicers' portfolios performed better than modified mortgages serviced for others. This variance may result from differences in modification programs and servicers' additional flexibility to modify mortgage terms. Modified government-guaranteed mortgages had the highest delinquency rates at 6, 9, and 12 months following modification compared with other investor types, which is also consistent with their higher overall delinquency rates (see Table 4).

**_Table 4._ Re-Default Rates for Portfolio Loans and Loans Serviced for Others**
(60 or More Days Delinquent)

| Investor Loan Type | 3 Months after Modification | 6 Months after Modification | 9 Months after Modification | 12 Months after Modification |
|---|---|---|---|---|
| Fannie Mae | 21.2% | 41.1% | 50.4% | 58.3% |
| Freddie Mac | 26.5% | 44.2% | 53.5% | 59.9% |
| Government-Guaranteed | 26.3% | 49.1% | 61.4% | 67.1% |
| Private | 32.3% | 46.4% | 55.4% | 61.3% |
| Portfolio Loans | 9.8% | 20.2% | 29.9% | 36.8% |
| Overall | 24.5% | 39.9% | 50.1% | 57.1% |

*Data include all modifications implemented since January 1, 2008 that have had time to age the indicated number of months.

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

- Modifications that decreased monthly payments consistently have lower re-default rates than modifications that left payments unchanged or increased payments (see Table 5). After one year, 39.7 percent of modifications that decreased monthly payments by 20 percent or more were seriously delinquent. In contrast, 66.9 percent of modifications that left payments unchanged and 68.0 percent of modifications that increased payments were seriously delinquent. While lower payments reduce monthly cash flows to investors, the payments may result in longer-term sustainability of the payments.

**Table 5. Re-Default Rates of Loans Modified in 2008–2009, by Changes in Payment**
(60 or More Days Delinquent)

| | 3 Months after Modification | 6 Months after Modification | 9 Months after Modification | 12 Months after Modification |
|---|---|---|---|---|
| Decreased by 20% or More | 12.2% | 23.5% | 32.4% | 39.7% |
| Decreased by 10% to Less than 20% | 17.5% | 32.7% | 42.1% | 47.5% |
| Decreased by Less than 10% | 19.5% | 37.4% | 48.9% | 54.3% |
| Unchanged | 47.1% | 56.6% | 62.9% | 66.9% |
| Increased | 31.1% | 51.6% | 62.7% | 68.0% |
| Overall** | 24.3% | 39.7% | 50.0% | 57.0% |

* Data include all modifications implemented since January 1, 2008 that have had time to age the indicated number of months.
** Data exclude loans for which the payment change was unknown.

### *Foreclosures and Other Home Forfeiture Actions*

- New foreclosures, foreclosures in process, and completed foreclosures increased in the first quarter of 2010, as servicers exhausted home retention options for many of the seriously delinquent mortgages and the large inventory of foreclosures in process worked through the system. Newly initiated foreclosures increased to 370,536, up 18.6 percent from the previous quarter and were the same as a year ago (see Table 6).

- While the increase in foreclosures outpaced the increase in new home retention actions, servicers implemented more than three new home retention actions for every completed foreclosure or other home forfeiture action (see Table 6).[3]

[3] 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.

| *Table 6.* Newly Initiated Home Retention Actions Compared with New Home Forfeiture Actions | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
| Newly Initiated Home Retention Actions | 390,204 | 418,537 | 695,746 | 597,243 | 629,678 | 5.4% | 61.4% |
| Newly Initiated Foreclosures | 370,567 | 369,226 | 369,209 | 312,520 | 370,536 | 18.6% | 0.0% |
| Completed Foreclosures and Other Home Forfeiture Actions | 110,612 | 132,252 | 150,605 | 167,496 | 194,886 | 16.4% | 76.2% |
| Newly Initiated Home Retention Actions/Newly Initiated Foreclosures | 105.3% | 113.4% | 188.4% | 191.1% | 169.9% | −11.1% | 61.4% |
| Newly Initiated Home Retention Actions/ Completed Foreclosures and Other Home Forfeiture Actions | 352.8% | 316.5% | 462.0% | 356.6% | 323.1% | −9.4% | −8.4% |

- Short sales continued to grow as an alternative to foreclosure, increasing 9.2 percent to 41,033—more than doubling from a year ago (see Table 7). Completed foreclosures increased 18.5 percent from the prior quarter to 152,654, and increased 68.3 percent from a year ago as more homes worked through the foreclosure process.

| *Table 7.* Completed Foreclosures and Other Home Forfeiture Actions | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
| New Short Sales | 18,619 | 25,128 | 30,766 | 37,583 | 41,033 | 9.2% | 120.4% |
| New Deed-in-Lieu-of-Foreclosure Actions | 1,298 | 1,120 | 1,233 | 1,054 | 1,202 | 14.0% | −7.4% |
| Completed Foreclosures | 90,695 | 106,004 | 106,207 | 128,859 | 152,654 | 18.5% | 68.3% |
| Total | 110,612 | 132,252 | 138,206 | 167,496 | 194,889 | 16.4% | 76.2% |

### *About Mortgage Metrics*

The *OCC and OTS Mortgage Metrics Report* presents data on first-lien residential mortgages serviced by national banks and thrifts, focusing on credit performance, loss mitigation efforts, and foreclosures. The OCC and OTS collect these data from the nine national banks and two thrifts[4] with the largest mortgage-servicing portfolios among national banks and thrifts. The data represent more than 64 percent of all first-lien residential mortgages outstanding in the country. More than 90 percent of the mortgages in the portfolio were serviced for third parties because of loan sales and securitization. At the end of March 2010, the reporting institutions serviced almost 34 million first-lien mortgage loans, totaling nearly $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 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. Examiners use the data to help assess emerging trends, identify anomalies, compare servicers with peers, evaluate asset quality and necessary loan-loss reserves, and evaluate loss mitigation actions.

The report promotes the use of standardized 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 devote significant resources to ensuring 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, internal quality reviews conducted by the banks and thrifts, as well as with data supplied by participating banks and aggregated by an external vendor to support this report. 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 when 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*

The report includes new details and analysis on the performance of modifications made over the past two years, including:

- Details showing the difference in performance of modifications by investor for modifications made during 2008 and 2009 (see Tables 35 and 36).

[4] The nine banks are Bank of America, JPMorgan Chase, Citibank, HSBC, MetLife, National City, U.S. Bank, Wachovia, and Wells Fargo. The thrifts are Merrill Lynch and OneWest Bank (formerly IndyMac). MetLife Bank replaced First Tennessee as a reporting institution in January 2010. Wachovia Bank was merged into Wells Fargo National Bank in March 2010.

- New data comparing re-default rates (measured as 60 or more days delinquent) at 6 months after modification by change to monthly payments for each quarterly vintage of modifications (see Table 40).
- Analysis of the status of all modifications made over the past two years at the end of the first quarter of 2010 (see Table 41). This shows delinquency rates by modification year and the amount of payment reduction.

In addition, this report includes more detail on HAMP modifications and their performance, including:

- New details on the change in monthly principal and interest payments resulting from HAMP modifications (see Table 30).
- Comparison of the performance of HAMP modifications with modifications overall (see Table 38).
- Additional detail in Appendix B on the volume of trial period plans, including HAMP trial plans and other trial plans, implemented by reporting servicers.

### *Definitions and Method*

The report uses standard 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 mortgages in the portfolio were not accompanied by credit scores and are classified as "other." This group includes a mix of prime, Alt-A, and subprime mortgages. In large part, the lack of credit scores results from acquisitions of portfolios from third parties for which borrower credit scores at origination were not available.

Additional definitions include:

- **Completed foreclosures—**Ownership of properties is transferred to servicers or investors. The ultimate result is the loss of borrowers' homes because of nonpayment.
- **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 than foreclosure on borrowers' credit records.
- **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.

- **Government-guaranteed mortgages—**Government-guaranteed mortgages include all mortgages with an explicit guaranty from the U.S. government, including the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), and certain other departments. These loans may be held in pools backing Government National Mortgage Association (Ginnie Mae) securities or owned by and/or securitized through different investors.
- **Home retention actions—**Home retention actions are loan modifications, trial period plans, and payment plans that 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.
- **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.
- **Payment plans—**Short- to medium-term changes in scheduled terms and payments to return mortgages to a current and performing status.
- **Payment option adjustable rate mortgages (ARMs)—**Mortgages that allow borrowers to choose a monthly payment that may reduce principal, pay interest only, or result in negative amortization, in which some amount of unpaid interest is added to the principal balance of the loan and results in an increased amount owed.
- **Principal deferral modifications—**Modifications that remove a portion of the principal from the amount used to calculate monthly principal and interest payments for a set period. The deferred amount becomes due at end of the loan term.
- **Principal reduction modifications—**Modifications that permanently forgive a portion of the principal amount owed on a mortgage.
- **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 often on the 60-day-delinquent measure.[5]
- **Seriously delinquent loans—**Mortgages that are 60 or more days past due and all mortgages held by bankrupt borrowers whose payments are 30 or more days past due.
- **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,

[5] Some servicers have offered modification programs that do not reset or "re-age" delinquency status following modification. Loans in this category represent a small percentage of total loan modifications.

forbearance, and/or forgiveness for any remaining deficiency on the debt. Short sales typically have less adverse impact than foreclosure on borrowers' credit records.

- **Trial period plans—**Home retention actions that allow borrowers to demonstrate capability and willingness to pay their modified mortgages for a set period of time. The action becomes a permanent loan modification following the successful completion of the trial period.

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

Percentages are rounded to one decimal unless the result is less than 0.1 percent, which are rounded to two decimal places. The report uses whole numbers when approximating.

In tables throughout this report, the quarters are indicated by the last day of the quarter (e.g., 3/31/10), quarter-to-quarter changes are shown under the column "1Q %Change," and year-to-year changes are shown under the column "1Y %Change."

In tables throughout this report, percentages shown under "1Q %Change" and "1Y %Change" are calculated using unrounded values for each quarter. Calculating these percentages from the rounded values shown in the table may yield materially different values.

Mortgage Metrics data may not agree with other published data because of timing delays in updating servicer-processing systems.

## PART I: Mortgage Performance

Part I describes the performance of the entire mortgage portfolio, and, separately, the performance of government-guaranteed mortgages, mortgages serviced for the government-sponsored enterprises (GSEs), option ARMs, and for each loan risk category.

### Overall Mortgage Portfolio

The size and composition of the servicing portfolio remained steady at nearly 34 million loans totaling almost $6 trillion in unpaid principal balances. The portfolio included 68 percent prime, 10 percent Alt-A, 8 percent subprime, and 14 percent other loans.

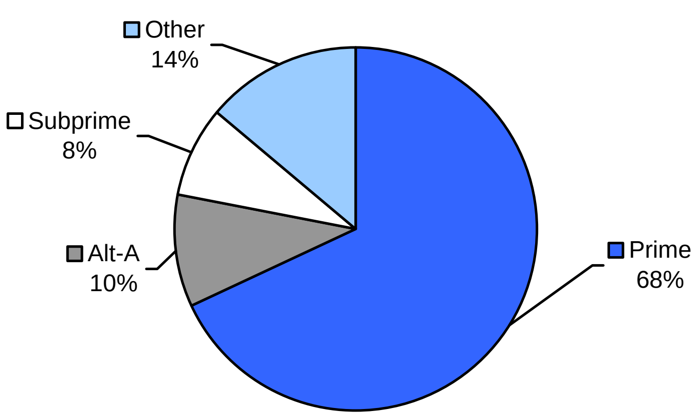
***Table 8.*** **Overall Mortgage Portfolio**

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 |
|---|---|---|---|---|---|
| Total Servicing (Millions) | $6,014,455 | $5,969,246 | $5,998,986 | $5,952,423 | $5,947,548 |
| Total Servicing (Number of Loans) | 34,096,603 | 33,832,014 | 34,024,601 | 33,824,889 | 33,895,628 |
| **Composition** (Percent of All Mortgages in the Portfolio) | | | | | |
| Prime | 67% | 68% | 68% | 68% | 68% |
| Alt-A | 10% | 10% | 10% | 11% | 10% |
| Subprime | 8% | 8% | 8% | 8% | 8% |
| Other | 14% | 13% | 14% | 13% | 14% |
| **Composition** (Number of Loans in Each Risk Category of the Portfolio) | | | | | |
| Prime | 22,867,059 | 22,929,113 | 23,064,371 | 23,136,115 | 23,034,396 |
| Alt-A | 3,519,821 | 3,528,840 | 3,524,305 | 3,560,656 | 3,567,635 |
| Subprime | 2,888,029 | 2,847,412 | 2,774,027 | 2,758,613 | 2,667,582 |
| Other | 4,821,694 | 4,526,649 | 4,661,898 | 4,369,505 | 4,626,015 |

*Percentages may not total 100 percent due to rounding.

***Figure 1.*** **Portfolio Composition**

Percentage of All Mortgage Loans in the Portfolio
First Quarter 2010



### *Overall Mortgage Performance*

The percentage of current and performing mortgages increased to 87.3 percent at the end of the first quarter of 2010, the first quarter-over-quarter improvement since March of 2008. The percentages of mortgages 30–59 days delinquent, 60–89 days delinquent, and 90 or more days delinquent all improved during the quarter. The percentage of seriously delinquent mortgages, those loans 60 or more days delinquent and mortgages to bankrupt borrowers more than 30 days delinquent, declined by 7.7 percent during the first quarter to 6.5 percent of total serviced mortgages.

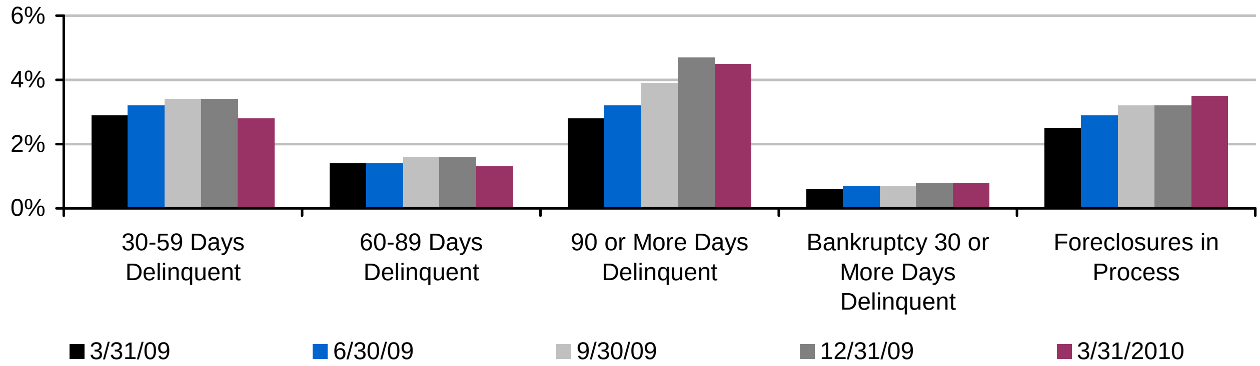
Meanwhile, foreclosures in process increased during the first quarter of 2010 to 3.5 percent of total serviced mortgages. This 8.2 percent increase in foreclosures in process resulted from new foreclosures exceeding the number of completed foreclosures and other resolutions during the quarter. More mortgages remain in the foreclosure pipeline for longer periods because of the high volume of loans working through the process and continuing efforts to prevent avoidable foreclosures. Thus, not all foreclosures in process result in completed foreclosures as borrowers and servicers often work out other resolutions while in the foreclosure process.

While servicers report some optimism about the improvement in delinquencies from the fourth quarter of 2009 and the potential for this improvement to continue, this report does not quantify known seasonal effects that historically have resulted in lower delinquency rates in the first quarter compared with preceding quarters. This report also does not quantify the affects of HAMP and trial payment plans converting to permanent modifications, which positively affected reported delinquency rates.

***Table 9.*** **Overall Portfolio Performance**
(Percentage of All Mortgages in the Portfolio)

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Current and Performing | 89.8% | 88.6% | 87.2% | 86.4% | 87.3% | 1.0% | −2.9% |
| 30–59 Days Delinquent | 2.9% | 3.2% | 3.4% | 3.4% | 2.8% | −17.7% | −3.6% |
| **The Following Three Categories Are Classified as Seriously Delinquent:** | | | | | | | |
| 60–89 Days Delinquent | 1.4% | 1.4% | 1.6% | 1.6% | 1.3% | −19.3% | −7.3% |
| 90 or More Days Delinquent | 2.8% | 3.2% | 3.9% | 4.7% | 4.5% | −5.1% | 60.3% |
| Bankruptcy 30 or More Days Delinquent | 0.6% | 0.7% | 0.7% | 0.8% | 0.8% | 0.0% | 26.3% |
| ***Subtotal for Seriously Delinquent*** | **4.8%** | **5.3%** | **6.2%** | **7.1%** | **6.5%** | **−7.7%** | **36.8%** |
| Foreclosures in Process | 2.5% | 2.9% | 3.2% | 3.2% | 3.5% | 8.2% | 36.8% |
| Overall Portfolio Performance (Number of Mortgages in the Portfolio) | | | | | | | |
| Current and Performing | 30,629,971 | 29,962,265 | 29,666,568 | 29,217,743 | 29,574,953 | 1.2% | −3.4% |
| 30–59 Days Delinquent | 980,517 | 1,078,663 | 1,154,825 | 1,138,822 | 939,306 | −17.5% | −4.2% |
| **The Following Three Categories Are Classified as Seriously Delinquent:** | | | | | | | |
| 60–89 Days Delinquent | 460,683 | 476,179 | 529,845 | 525,071 | 424,534 | −19.1% | −7.8% |
| 90 or More Days Delinquent | 957,135 | 1,093,791 | 1,332,228 | 1,604,014 | 1,525,662 | −4.9% | 59.4% |
| Bankruptcy 30 or More Days Delinquent | 207,268 | 228,562 | 249,515 | 259,853 | 260,299 | 0.2% | 25.6% |
| ***Subtotal for Seriously Delinquent*** | **1,625,086** | **1,798,532** | **2,111,588** | **2,388,938** | **2,210,495** | **−7.5%** | **36.0%** |
| Foreclosures in Process | 861,029 | 992,554 | 1,091,620 | 1,079,386 | 1,170,874 | 8.5% | 36.0% |

***Figure 2.*** **Overall Portfolio Performance**



### *Performance of Government-Guaranteed Mortgages*

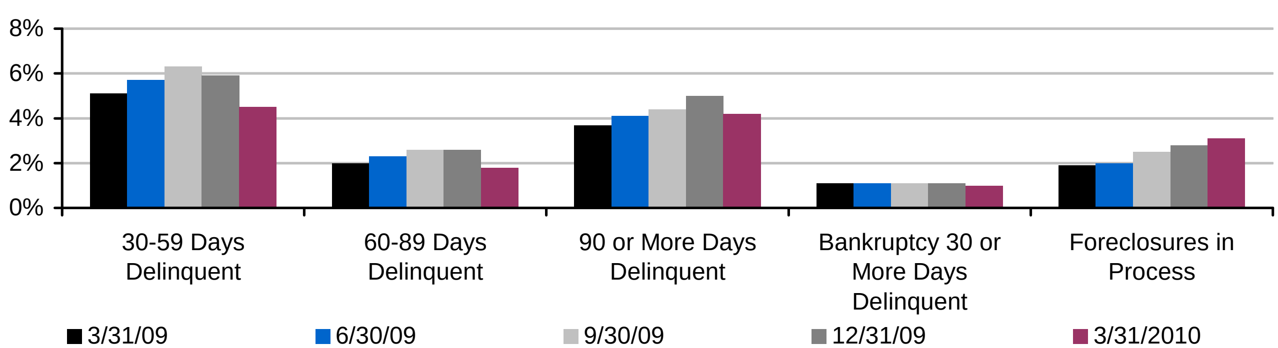
Government-guaranteed mortgages performed worse than the overall servicing portfolio. Consistent with the overall portfolio, the percentage of current and performing guaranteed mortgages improved during the first quarter to 85.4 percent. Serious delinquencies decreased by 18.3 percent to 7.0 percent. However, foreclosures in process rose 11.6 percent to 3.1 percent of all government-guaranteed mortgages. Increased origination of government-guaranteed mortgages continued in the first quarter, with guaranteed loans now comprising more than 17 percent of the portfolio. This growth in guaranteed mortgages is partially driving the lower delinquency rate of this portfolio of loans. Of these loans, about 78 percent were FHA loans, 17 percent were VA loans, and 5 percent were other government-guaranteed mortgages. More than 83 percent of these mortgages were held in pools of loans backing Ginnie Mae securities.

***Table 10.*** **Performance of Government-Guaranteed* Mortgages** (Percent)

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Current and Performing | 86.2% | 84.9% | 83.0% | 82.7% | 85.4% | 3.3% | −1.0% |
| 30–59 Days Delinquent | 5.1% | 5.7% | 6.3% | 5.9% | 4.5% | −24.7% | −11.8% |
| **The Following Three Categories Are Classified as Seriously Delinquent:** | | | | | | | |
| 60–89 Days Delinquent | 2.0% | 2.3% | 2.6% | 2.6% | 1.8% | −29.6% | −11.7% |
| 90 or More Days Delinquent | 3.7% | 4.1% | 4.4% | 5.0% | 4.2% | −15.2% | 14.0% |
| Bankruptcy 30 or More Days Delinquent | 1.1% | 1.1% | 1.1% | 1.1% | 1.0% | −5.4% | −6.5% |
| ***Subtotal for Seriously Delinquent*** | **6.8%** | **7.5%** | **8.2%** | **8.6%** | **7.0%** | **−18.3%** | **3.1%** |
| Foreclosures in Process | 1.9% | 2.0% | 2.5% | 2.8% | 3.1% | 11.6% | 65.8% |
| Performance of Government-Guaranteed Mortgages (Number) | | | | | | | |
| Current and Performing | 3,897,209 | 4,056,662 | 4,376,413 | 4,602,510 | 4,991,326 | 8.4% | 28.1% |
| 30–59 Days Delinquent | 229,575 | 271,651 | 333,614 | 331,188 | 261,986 | −20.9% | 14.1% |
| **The Following Three Categories Are Classified as Seriously Delinquent:** | | | | | | | |
| 60–89 Days Delinquent | 91,936 | 110,407 | 139,019 | 142,114 | 105,019 | −26.1% | 14.2% |
| 90 or More Days Delinquent | 167,555 | 194,934 | 233,914 | 277,617 | 247,105 | −11.0% | 47.5% |
| Bankruptcy 30 or More Days Delinquent | 48,878 | 51,277 | 56,848 | 59,499 | 59,084 | −0.7% | 20.9% |
| ***Subtotal for Seriously Delinquent*** | **308,369** | **356,618** | **429,781** | **479,230** | **411,208** | **−14.2%** | **33.3%** |
| Foreclosures in Process | 83,937 | 93,231 | 132,713 | 153,637 | 179,948 | 17.1% | 114.4% |

*Percentages may not total 100 due to rounding.

***Figure 3.*** **Performance of Government-Guaranteed Mortgages**



### *Performance of GSE Mortgages*

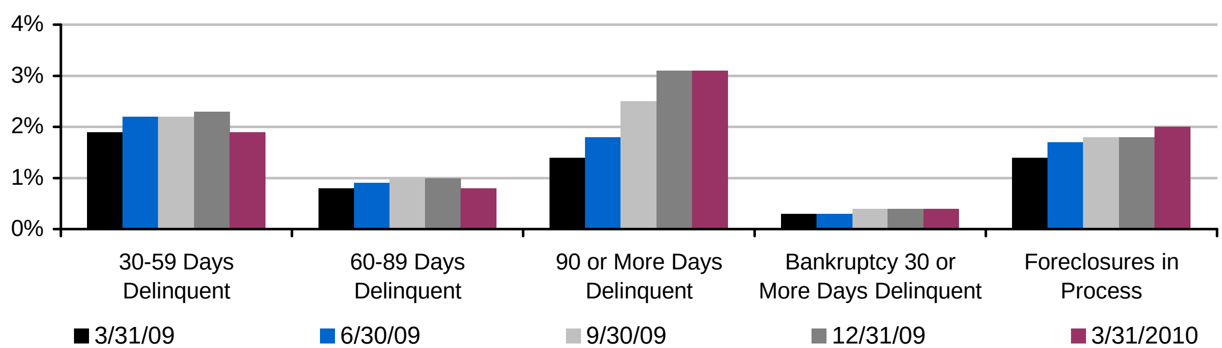
Mortgages serviced for Fannie Mae and Freddie Mac (GSEs) have more prime mortgages than those serviced for private investors or held on the servicers' balance sheets. As a result, these mortgages performed better. In the first quarter of 2010, current and performing GSE loans increased to 91.8 percent, compared with 87.3 percent for the overall portfolio and 85.4 percent for government-guaranteed mortgages. Seriously delinquent GSE loans declined to 4.3 percent. However, foreclosures in process increased to 2.0 percent, a 7.4 percent increase from the prior quarter and almost 44 percent more than a year ago. Mortgages serviced for these agencies made up about 63 percent of the overall servicing portfolio. Of the GSE mortgages, about 58 percent were serviced for Fannie Mae, and 42 percent were serviced for Freddie Mac.

***Table 11.* Performance of GSE Mortgages** (Percent)

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Current and Performing | 94.1% | 93.1% | 92.1% | 91.3% | 91.8% | 0.6% | −2.5% |
| 30–59 Days Delinquent | 1.9% | 2.2% | 2.2% | 2.3% | 1.9% | −17.5% | −2.1%* |
| **The Following Three Categories Are Classified as Seriously Delinquent:** | | | | | | | |
| 60–89 Days Delinquent | 0.8% | 0.9% | 1.0% | 1.0% | 0.8% | −15.4% | 0.9% |
| 90 or More Days Delinquent | 1.4% | 1.8% | 2.5% | 3.1% | 3.1% | −2.8% | 116.1% |
| Bankruptcy 30 or More Days Delinquent | 0.3% | 0.3% | 0.4% | 0.4% | 0.4% | 1.6% | 49.6% |
| ***Subtotal for Seriously Delinquent*** | **2.5%** | **3.0%** | **3.9%** | **4.6%** | **4.3%** | **−5.1%** | **70.5%** |
| Foreclosures in Process | 1.4% | 1.7% | 1.8% | 1.8% | 2.0% | 7.4% | 43.8% |
| Performance of GSE Mortgages (Number) | | | | | | | |
| Current and Performing | 20,492,967 | 20,000,848 | 19,775,288 | 19,361,573 | 19,471,020 | 0.6% | −5.0% |
| 30–59 Days Delinquent | 423,874 | 464,532 | 480,320 | 490,139 | 404,565 | −17.5% | −4.6% |
| **The Following Three Categories Are Classified as Seriously Delinquent:** | | | | | | | |
| 60–89 Days Delinquent | 183,036 | 191,608 | 210,156 | 212,754 | 179,974 | −15.4% | −1.7% |
| 90 or More Days Delinquent | 307,978 | 386,351 | 538,299 | 667,075 | 648,649 | −2.8% | 110.6% |
| Bankruptcy 30 or More Days Delinquent | 62,757 | 72,845 | 84,192 | 89,985 | 91,482 | 1.7% | 45.8% |
| ***Subtotal for Seriously Delinquent*** | **553,771** | **650,804** | **832,647** | **969,814** | **920,105** | **−5.1%** | **66.2%** |
| Foreclosures in Process | 299,755 | 368,336 | 390,664 | 391,042 | 420,049 | 7.4% | 40.1% |

*The unrounded percentages for mortgages that were 30–59 days delinquent resulted in the 2.1 percent decrease between March 31, 2009 and March 31, 2010.

***Figure 4.* Performance of GSE Mortgages**

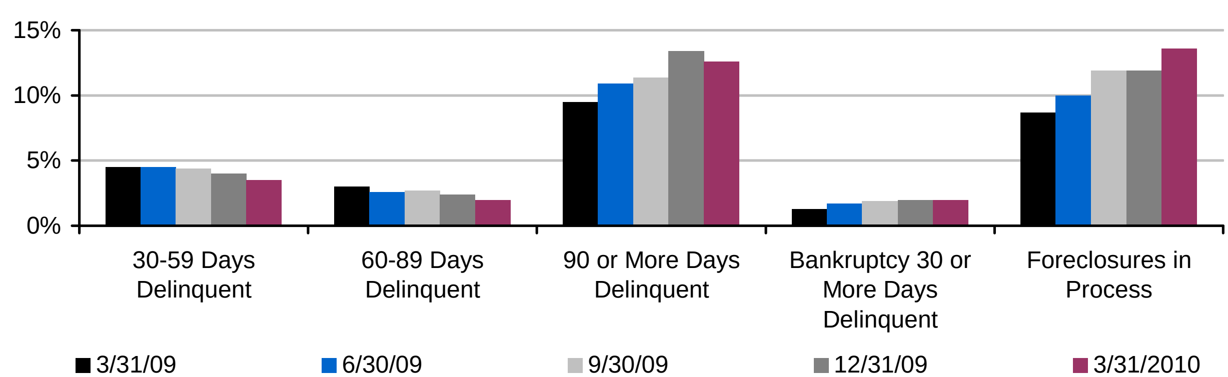


## *Performance of Option ARMs*

Option ARMs typically have performed worse than the overall servicing portfolio because of their added risk characteristics and concentration in distressed housing markets. The percentage of option ARMs that were current and performing increased to 66.3 percent at the end of the first quarter of 2010, compared with 87.3 percent for the overall portfolio. The percentage of seriously delinquent option ARMs declined to 16.6 percent during the quarter, but foreclosures in process increased to 13.6 percent of all option ARMs in the portfolio. At the end of the first quarter of 2010, there were 774,714 option ARMs, or 2.3 percent of the total servicing portfolio.

| ***Table 12.*** **Performance of Option ARMs** (Percent) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
| Current and Performing | 72.9% | 70.3% | 67.7% | 66.2% | 66.3% | 0.1% | −9.1% |
| 30–59 Days Delinquent | 4.5% | 4.5% | 4.4% | 4.0% | 3.5% | −13.1% | −22.9% |
| **The Following Three Categories Are Classified as Seriously Delinquent.** | | | | | | | |
| 60–89 Days Delinquent | 3.0% | 2.6% | 2.7% | 2.4% | 2.0% | −15.1% | −32.8% |
| 90 or More Days Delinquent | 9.5% | 10.9% | 11.4% | 13.4% | 12.6% | −6.3% | 32.2% |
| Bankruptcy 30 or More Days Delinquent | 1.3% | 1.7% | 1.9% | 2.0% | 2.0% | 0.0% | 50.4% |
| ***Subtotal for Seriously Delinquent*** | **13.9%** | **15.2%** | **16.0%** | **17.8%** | **16.6%** | **−6.8%** | **19.7%** |
| Foreclosures in Process | 8.7% | 10.0% | 11.9% | 11.9% | 13.6% | 14.2% | 56.9% |
| Performance of Option ARMs Loans (Number) | | | | | | | |
| Current and Performing | 714,018 | 647,480 | 580,512 | 536,633 | 513,534 | −4.3% | −28.1% |
| 30–59 Days Delinquent | 44,527 | 41,366 | 38,103 | 32,713 | 27,175 | −16.9% | −39.0% |
| **The Following Three Categories Are Classified as Seriously Delinquent.** | | | | | | | |
| 60–89 Days Delinquent | 29,719 | 24,074 | 22,745 | 19,461 | 15,804 | −18.8% | −46.8% |
| 90 or More Days Delinquent | 93,284 | 100,068 | 97,789 | 108,853 | 97,577 | −10.4% | 4.6% |
| Bankruptcy 30 or More Days Delinquent | 12,912 | 15,746 | 16,392 | 16,073 | 15,363 | −4.4% | 19.0% |
| ***Subtotal for Seriously Delinquent*** | **135,915** | **139,888** | **136,926** | **144,387** | **128,744** | **−10.8%** | **−5.3%** |
| Foreclosures in Process | 84,782 | 92,523 | 102,182 | 96,389 | 105,261 | 9.2% | 24.2% |

***Figure 5.*** **Performance of Option ARMs**



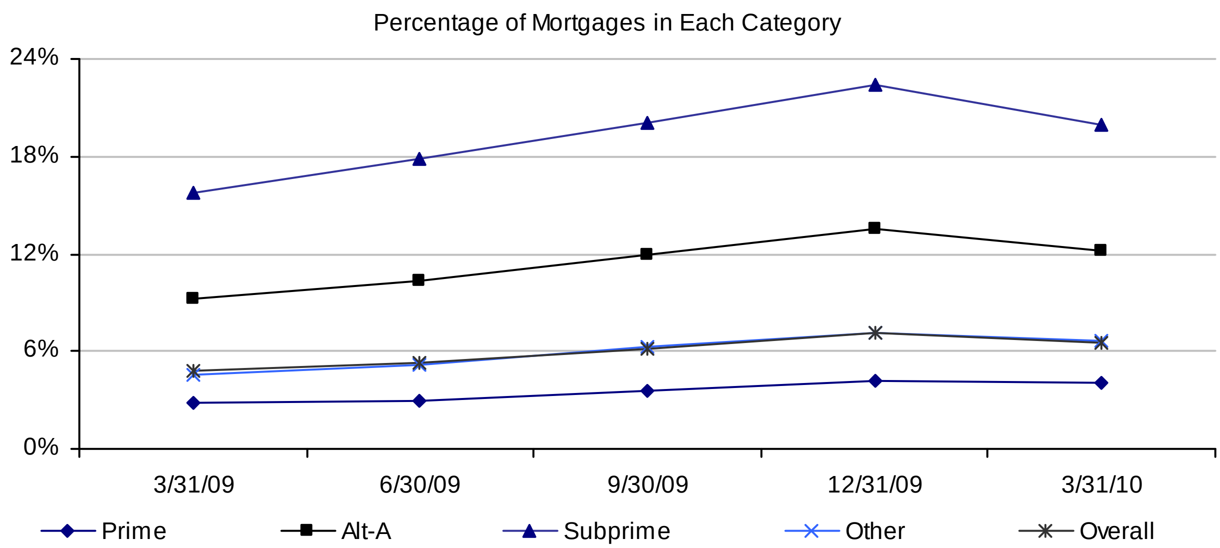
### *Seriously Delinquent Mortgages, by Risk Category*

Serious delinquencies declined across all risk categories during the first quarter of 2010. Subprime mortgages recorded the most significant improvement, while prime loans had the least improvement. Overall, there were 2,210,495 seriously delinquent mortgages at the end of the first quarter, 7.5 percent less than the prior quarter but 36 percent more than a year ago.

***Table 13.*** **Seriously Delinquent Mortgages**
(Percentage of Mortgages in Each Category)

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Prime | 2.8% | 3.0% | 3.6% | 4.2% | 4.1% | −3.8% | 47.6% |
| Alt-A | 9.2% | 10.3% | 12.0% | 13.5% | 12.2% | −9.1% | 32.6% |
| Subprime | 15.8% | 17.8% | 20.1% | 22.4% | 20.0% | −10.7% | 26.9% |
| Other | 4.5% | 5.2% | 6.3% | 7.2% | 6.6% | −8.6% | 47.2% |
| Overall | 4.8% | 5.3% | 6.2% | 7.1% | 6.5% | −7.7% | 36.8% |
| Seriously Delinquent Mortgages (Number of Mortgages) | | | | | | | |
| Prime | 628,902 | 696,699 | 838,083 | 976,183 | 935,167 | −4.2% | 48.7% |
| Alt-A | 324,906 | 361,839 | 422,277 | 479,506 | 436,663 | −8.9% | 34.4% |
| Subprime | 455,106 | 506,692 | 558,419 | 617,601 | 533,301 | −13.6% | 17.2% |
| Other | 216,172 | 233,302 | 292,809 | 315,648 | 305,364 | −3.3% | 41.3% |
| Total | 1,625,086 | 1,798,532 | 2,111,588 | 2,388,938 | 2,210,495 | −7.5% | 36.0% |

***Figure 6.*** **Seriously Delinquent Mortgages**



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

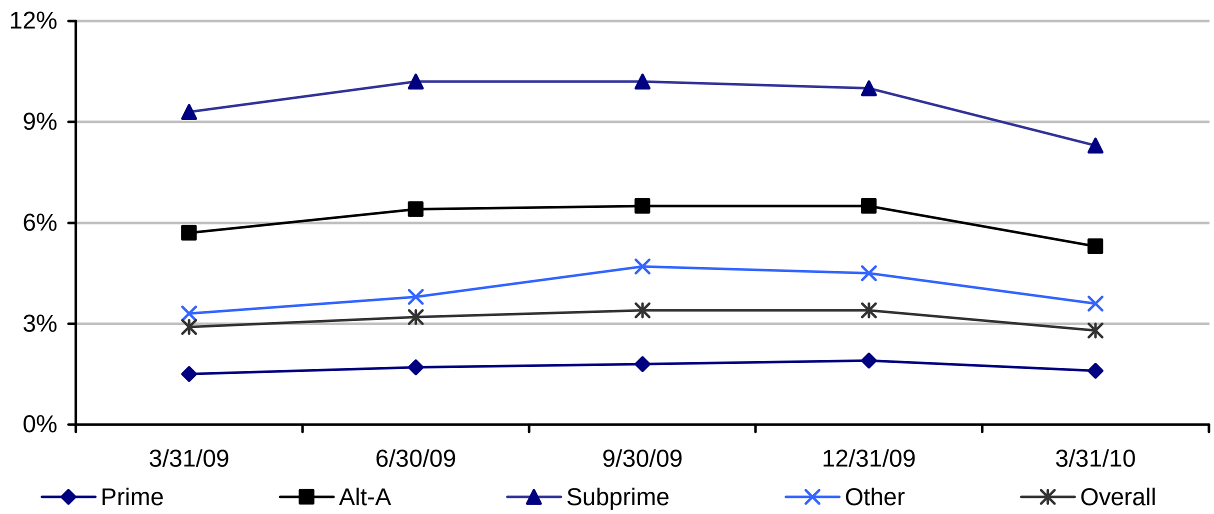
Early stage delinquencies—mortgages 30–59 days delinquent—significantly declined across all risk categories during the first quarter. Overall, early-stage delinquencies, at 2.8 percent, were 17.7 percent less than the prior quarter and 3.6 percent less than a year ago.

***Table 14.*** **Mortgages 30-59 Days Delinquent (Percentage of Mortgages in Each Category)**

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Prime | 1.5% | 1.7% | 1.8% | 1.9% | 1.6% | −16.2% | 1.5% |
| Alt-A | 5.7% | 6.4% | 6.5% | 6.5% | 5.3% | −18.1% | −6.7% |
| Subprime | 9.3% | 10.2% | 10.2% | 10.0% | 8.3% | −16.9% | −10.4% |
| Other | 3.3% | 3.8% | 4.7% | 4.5% | 3.6% | −20.7% | 9.5% |
| Overall | 2.9% | 3.2% | 3.4% | 3.4% | 2.8% | −17.7% | −3.6% |
| Mortgages 30-59 Days Delinquent (Number of Mortgages) | | | | | | | |
| Prime | 352,586 | 392,412 | 420,000 | 432,188 | 360,385 | −16.6% | 2.2% |
| Alt-A | 201,787 | 224,971 | 230,077 | 232,609 | 190,767 | −18.0% | −5.5% |
| Subprime | 267,251 | 291,285 | 284,251 | 275,235 | 221,157 | −19.6% | −17.2% |
| Other | 158,893 | 169,995 | 220,497 | 198,790 | 166,997 | −16.0% | 5.1% |
| Total | 980,517 | 1,078,663 | 1,154,825 | 1,138,822 | 939,306 | −17.5% | −4.2% |

***Figure 7.*** **Mortgages 30–59 Days Delinquent**

Percentage of Mortgages in Each Category



## ***PART II: Home Retention Actions***

Home retention actions include loan modifications, in which servicers modify one or more mortgage contract terms; trial period plans, in which the loans will be converted to modifications upon successful underwriting and completion of the trial periods; and payment plans, in which no terms are contractually modified, but borrowers are given time to catch up on missed payments. All of these actions are intended to enable the borrower to attain payment sustainability and retain the home.

## A. Loan Modifications, Trial Period Plans, and Payment Plans

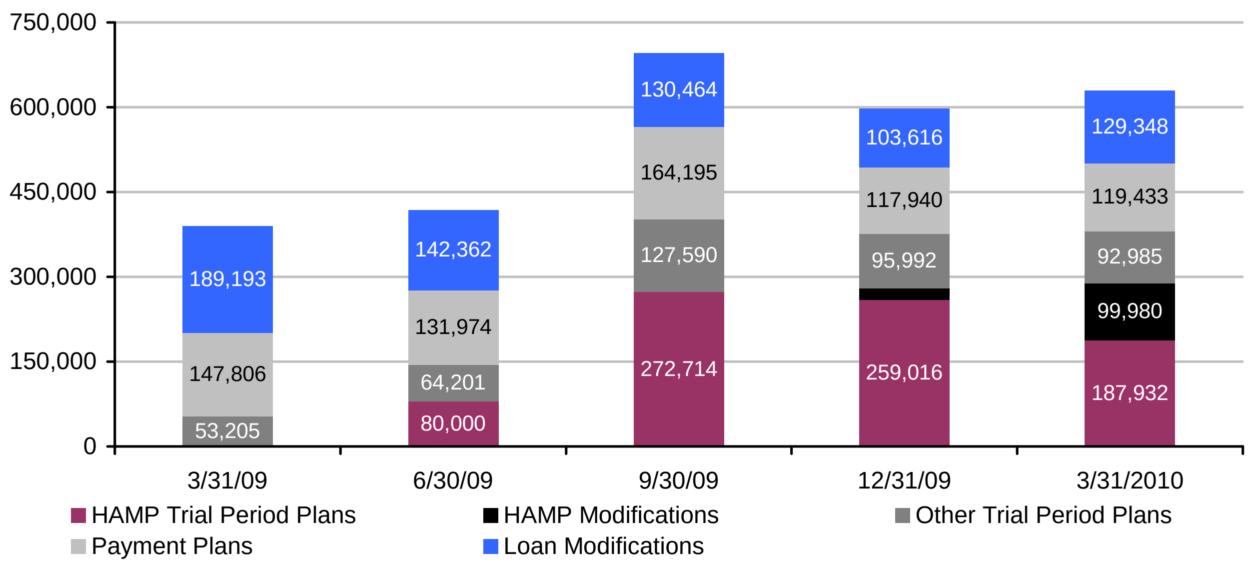
### *Newly Initiated Home Retention Actions*

During the first quarter of 2010, servicers implemented 629,678 new home retention actions—loan modifications, trial period plans, and payment plans. This 5.4 percent increase in home retention actions from the prior quarter was driven by the 79,301 increase in HAMP modifications and 25,732 increase in other modifications, which more than offset the 74,091 decrease in new trial period plans. In total, servicers initiated 2,731,408 home retention actions over the last five quarters.

***Table 15.*** **Number of New Home Retention Actions**

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y % Change |
|---|---|---|---|---|---|---|---|
| Loan Modifications | 189,193 | 142,362 | 130,464 | 103,616 | 129,348 | 24.8% | −31.6% |
| HAMP Modifications | 0 | 0 | 783 | 20,679 | 99,980 | 383.5% | -- |
| HAMP Trial Period Plans | 0 | 80,000 | 272,714 | 259,016 | 187,932 | −27.4% | -- |
| Other Trial Period Plans | 53,205 | 64,201 | 127,590 | 95,992 | 92,985 | −3.1% | 74.8% |
| Payment Plans | 147,806 | 131,974 | 164,195 | 117,940 | 119,433 | 1.3% | −19.2% |
| **Total** | **390,204** | **418,537** | **695,746** | **597,243** | **629,678** | **5.4%** | **61.4%** |
| Home Retention Actions Relative to Serious Delinquency and Foreclosures In Process | 15.7% | 15.0% | 21.7% | 17.2% | 18.6% | 8.1% | 18.6% |

***Figure 8.*** **Number of New Home Retention Actions**



### *HAMP Modifications and Trial Period Plans, by Investor and Risk Category*

Servicers implemented 99,980 HAMP modifications during the first quarter of 2010, up more than 383 percent from the 20,679 implemented during the fourth quarter of 2009, as an increasing number of borrowers successfully completed trial plans. Nearly two-thirds of HAMP modifications made in the first quarter of 2010 went to mortgages serviced for Fannie Mae and Freddie Mac mortgages. Prime loans received about half of all HAMP modifications, while subprime loans received less than a quarter of these modification actions.

***Table 16.* HAMP Modifications, by Investor and Risk Category**
(Modifications implemented in the first quarter of 2010)

| | Fannie Mae | Freddie Mac | Government-Guaranteed | Portfolio | Private | Total |
|---|---|---|---|---|---|---|
| Prime | 23,930 | 14,857 | 1 | 4,223 | 6,860 | 49,871 |
| Alt-A | 9,036 | 4,238 | 1 | 2,281 | 5,185 | 20,741 |
| Subprime | 5,594 | 2,090 | 4 | 3,639 | 9,590 | 20,917 |
| Other | 5,116 | 1,658 | 0 | 545 | 1,132 | 8,451 |
| Total | 43,676 | 22,843 | 6 | 10,688 | 22,767 | 99,980 |

Servicers implemented 187,932 new HAMP trial period plans during the quarter, a decrease of nearly 28 percent from the 259,410 trial plans initiated in the prior quarter. Servicers report that the decrease in HAMP trial plans reflected both the continuing reduction from the initial surge of new activity in the second and the third quarters of 2009 as well as servicers increasingly requiring all necessary documentation before starting a new trial plan. Prime mortgages received more than half of the plans implemented in the first quarter of 2010. Alt-A and subprime mortgages received less than a quarter of the HAMP trial plans implemented in the first quarter of 2010. About two-thirds of HAMP trial period plans initiated during the first quarter were for Fannie Mae or Freddie Mac mortgages, slightly greater than the GSE share of the overall serviced portfolio.

***Table 17.* HAMP Trial Period Plans, by Investor and Risk Category**
(Trial plans implemented in the first quarter of 2010)

| | Fannie Mae | Freddie Mac | Government-Guaranteed | Portfolio | Private | Total |
|---|---|---|---|---|---|---|
| Prime | 45,692 | 30,562 | 4 | 8,969 | 16,562 | 101,789 |
| Alt-A | 13,422 | 9,504 | 5 | 5,948 | 9,193 | 38,072 |
| Subprime | 8,260 | 4,711 | 12 | 7,842 | 13,567 | 34,392 |
| Other | 6,779 | 2,365 | 11 | 1,002 | 3,522 | 13,679 |
| Total | 74,153 | 47,142 | 32 | 23,761 | 42,844 | 187,932 |

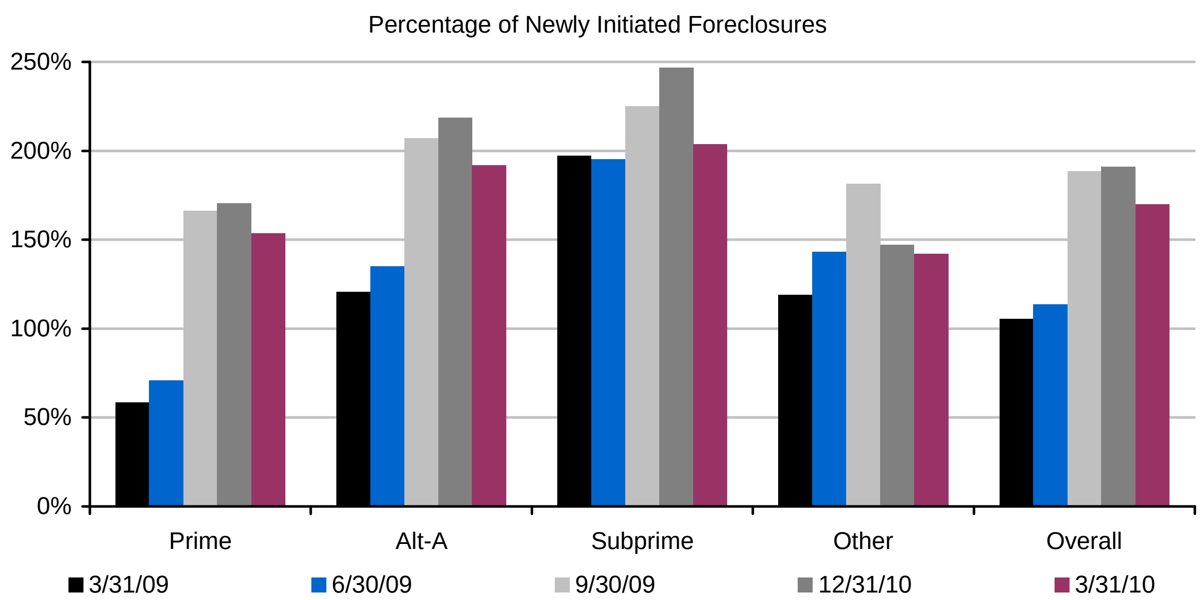
### *Newly Initiated Home Retention Actions Relative to Newly Initiated Foreclosures*

Newly initiated home retention actions increased during the quarter, but the number of newly initiated foreclosures increased at a faster pace. Servicers implemented nearly 1.7 times more new home retention actions—loan modifications, trial period plans, and payment plans—than new foreclosures during the first quarter. This ratio compared with 1.9 times in the fourth quarter of 2009. Borrowers in all risk categories received more home retention actions than new foreclosures, with subprime mortgages receiving more than twice as many new home retention actions as new foreclosures during the first quarter.

***Table 18.*** **Newly Initiated Home Retention Actions by Risk Category**
(Percentage of Newly Initiated Foreclosures)

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Prime | 58.4% | 70.8% | 166.0% | 170.3% | 153.7% | −9.8% | 163.1% |
| Alt-A | 120.7% | 135.1% | 207.2% | 218.4% | 191.8% | −12.2% | 58.9% |
| Subprime | 197.2% | 195.0% | 225.0% | 246.5% | 203.7% | −17.4% | 3.3% |
| Other | 119.1% | 143.0% | 181.3% | 147.1% | 142.1% | −3.4% | 19.3% |
| Overall | 105.3% | 113.4% | 188.4% | 191.1% | 169.9% | −11.1% | 61.4% |
| Newly Initiated Home Retention Actions | 390,204 | 418,537 | 695,746 | 597,243 | 629,678 | 5.4% | 61.4% |
| Newly Initiated Foreclosures | 370,567 | 369,226 | 369,209 | 312,520 | 370,536 | 18.6% | 0.0% |

***Figure 9.*** **Newly Initiated Home Retention Actions by Risk Category**



### *Types of Modification Actions*

The types of modification actions or combinations of actions have different effects on the borrowers' mortgage structures and monthly principal and interest payments. Different actions may, over time, have different effects on the long-term sustainability of mortgages. Servicers generally use a combination of actions when modifying mortgages, with nearly 84 percent of modifications implemented during the first quarter changing more than one of the original loan terms. Interest rate reductions continued to be the most prevalent action, used in 85.9 percent of all loan modifications implemented in the first quarter of 2010. Nearly 82 percent of modifications included capitalization of missed payments and fees, while 46.8 percent included an extension of the loan maturity. Consistent with the prescribed actions under HAMP, servicers deferred repayment of some portion of the principal balance in 10.1 percent of all modifications, while principal reduction was used in less than 2 percent of all first-quarter modifications. Because most modifications changed more than one term, the total of the individual actions exceeds 100 percent of total modifications. Appendix D presents additional detail on combination modifications.

***Table 19.*** **Changes in Loan Terms for Modifications Made Through the First Quarter of 2010**

| | Total Number of Changes in Each Category | | | Percentage of Modifications | | |
|---|---|---|---|---|---|---|
| | 9/30/09 | 12/31/09 | 3/31/10 | 9/30/09 (of 131,247) | 12/30/09 (of 124,295) | 3/31/10 (of 229,328) |
| Capitalization | 89,240 | 102,885 | 187,504 | 68.0% | 82.8% | 81.8% |
| Rate Reduction | 106,291 | 105,112 | 196,952 | 81.0% | 84.6% | 85.9% |
| Rate Freeze | 3,232 | 2,123 | 2,657 | 2.5% | 1.7% | 1.2% |
| Term Extension | 62,722 | 57,853 | 107,293 | 47.8% | 46.5% | 46.8% |
| Principal Reduction | 17,323 | 8,435 | 4,422 | 13.2% | 6.8% | 1.9% |
| Principal Deferral | 4,040 | 7,205 | 23,201 | 3.1% | 5.8% | 10.1% |
| Unknown* | 2,627 | 1,515 | 2,001 | 2.0% | 1.2% | 0.9% |

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

### *Types of HAMP Modification Actions*

Modifications under HAMP are required to follow a prescribed series of actions to attain a targeted monthly mortgage payment. Consistent with modification actions overall and the prescribed order of actions required by HAMP, capitalization of missed payments and fees accompanied by interest rate reductions and often term extensions were the prevailing actions on HAMP modifications. Principal deferral, another prescribed action in the HAMP hierarchy, was used in 19.3 percent of HAMP modifications during the first quarter of 2010 compared to 27.3 percent in fourth quarter 2009.

***Table 20.*** **Changes in Loan Terms for HAMP Modifications Made Permanent Through the First Quarter of 2010**

| | Total Number of Changes in Each Category | | Percentage of Modifications | |
|---|---|---|---|---|
| | 12/31/10 | 3/31/10 | 12/31/10 (of 20,679) | 3/31/10 (of 99,980) |
| Capitalization | 20,340 | 89,044 | 98.4% | 89.1% |
| Rate Reduction | 20,124 | 93,598 | 97.3% | 93.6% |
| Rate Freeze | 33 | 138 | 0.2% | 0.1% |
| Term Extension | 10,892 | 48,116 | 52.7% | 48.1% |
| Principal Reduction | 22 | 98 | 0.1% | 0.1% |
| Principal Deferral | 5,636 | 19,250 | 27.3% | 19.3% |
| Unknown* | 154 | 535 | 0.7% | 0.5% |

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

### *Types of Modification Actions, by Risk Category*

Servicers use a combination of actions when modifying mortgages, and no single action can be identified as the primary component of a successful modification. Modifications across all risk categories often featured interest rate reduction and term extension on loans that include the capitalization of past-due interest and fees. Principal deferral was used in an increasing number of modifications across all categories. Because most modifications changed more than one term, the number of individual features changed exceeds the number of modified loans in each risk category.

***Table 21.*** **Numbers of Each Type of Modification, by Risk Category in First Quarter 2010**

| | Prime | Alt-A | Subprime | Other | Total |
|---|---|---|---|---|---|
| Total Mortgages Modified | 95,657 | 48,561 | 63,866 | 21,244 | 229,328 |
| Capitalization | 78,008 | 40,539 | 51,961 | 16,996 | 187,504 |
| Rate Reduction | 82,773 | 40,963 | 54,575 | 18,641 | 196,952 |
| Rate Freeze | 757 | 582 | 941 | 377 | 2,657 |
| Term Extension | 44,346 | 21,361 | 28,782 | 12,804 | 107,293 |
| Principal Reduction | 2,425 | 1,037 | 865 | 95 | 4,422 |
| Principal Deferral | 14,546 | 4,042 | 2,821 | 1,792 | 23,201 |
| Unknown* | 927 | 387 | 408 | 279 | 2,001 |

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

***Table 22.*** **Percentages of Each Type of Modification, by Risk Category in First Quarter 2010**

| | Prime | Alt-A | Subprime | Other | Overall |
|---|---|---|---|---|---|
| Capitalization | 81.5% | 83.5% | 81.4% | 80.0% | 81.8% |
| Rate Reduction | 86.5% | 84.4% | 85.5% | 87.7% | 85.9% |
| Rate Freeze | 0.8% | 1.2% | 1.5% | 1.8% | 1.2% |
| Term Extension | 46.4% | 44.0% | 45.1% | 60.3% | 46.8% |
| Principal Reduction | 2.5% | 2.1% | 1.4% | 0.4% | 1.9% |
| Principal Deferral | 15.2% | 8.3% | 4.4% | 8.4% | 10.1% |
| Unknown* | 1.0% | 0.8% | 0.6% | 1.3% | 0.9% |

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

### *Types of Modification Actions, by Investor and Product Type*

Modifications of mortgages serviced for the GSEs—Fannie Mae and Freddie Mac—accounted for 45 percent of first quarter modifications. Mortgages serviced for private investors received 25 percent of all modifications, while government-guaranteed loans received 16 percent. Mortgages held in servicer portfolios received 14 percent of first-quarter modifications, down from 25 percent in the fourth quarter. While the total number of portfolio loan modifications increased in the first quarter, the rate of increase was much higher for other investor classes as the GSEs, government-guaranteed, and private investors ramped up their implementation of HAMP and other modification programs. Tables 23 and 24 show the distribution of the types of modification actions by investor and product type. Because modifications often change more than one term, the number exceeds the number of modified loans for each investor.

***Table 23.* Numbers of Each Type of Modification, by Investor, in First Quarter 2010**

| | Fannie Mae | Freddie Mac | Government-Guaranteed | Private Investor | Portfolio | Total |
|---|---|---|---|---|---|---|
| Total Mortgages Modified | 73,364 | 29,961 | 36,706 | 56,428 | 32,869 | 229,328 |
| Capitalization | 68,062 | 23,854 | 28,609 | 43,449 | 23,530 | 187,504 |
| Rate Reduction | 64,269 | 24,841 | 34,781 | 44,889 | 28,172 | 196,952 |
| Rate Freeze | 272 | 306 | 411 | 754 | 914 | 2,657 |
| Term Extension | 29,230 | 18,006 | 26,828 | 16,099 | 17,130 | 107,293 |
| Principal Reduction | 10 | 3 | 0 | 673 | 3,736 | 4,422 |
| Principal Deferral | 6,997 | 5,807 | 3 | 6,861 | 3,533 | 23,201 |
| Unknown* | 447 | 276 | 91 | 595 | 592 | 2,001 |

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

Interest rate reduction, on loans that may also include the capitalization of missed payments and fees, remained the primary type of modification action for all investors and product types, with term extension also used in a majority of Freddie Mac, government-guaranteed, and portfolio modifications. Principal deferral was increasingly used in GSE, private investor, and portfolio modifications. Principal reduction was used in a lesser number of first-quarter modifications, and it remained concentrated in portfolio modifications, primarily among option ARMs as shown in Table 27.

***Table 24.* Percentages of Each Type of Modification, by Investor, in First Quarter 2010**

| | Fannie Mae | Freddie Mac | Government-Guaranteed | Private Investor | Portfolio | Overall |
|---|---|---|---|---|---|---|
| Capitalization | 92.8% | 79.6% | 77.9% | 77.0% | 71.6% | 81.8% |
| Rate Reduction | 87.6% | 82.9% | 94.8% | 79.6% | 85.7% | 85.9% |
| Rate Freeze | 0.4% | 1.0% | 1.1% | 1.3% | 2.8% | 1.2% |
| Term Extension | 39.8% | 60.1% | 73.1% | 28.5% | 52.1% | 46.8% |
| Principal Reduction | 0.0% | 0.0% | 0.0% | 1.2% | 11.4% | 1.9% |
| Principal Deferral | 9.5% | 19.4% | 0.0% | 12.2% | 10.7% | 10.1% |
| Unknown* | 0.6% | 0.9% | 0.2% | 1.1% | 1.8% | 0.9% |

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

### *Types of HAMP Modification Actions, by Investor and Product Type*

HAMP modifications in the first quarter were concentrated in Fannie Mae and Freddie Mac mortgages, which received 66.5 percent of all HAMP modifications. Mortgages serviced for private investors received 23 percent of these modifications, while mortgages held in portfolio received nearly 11 percent of the HAMP modifications.

***Table 25.*** **Numbers of Each Type of HAMP Modifications by Investor in First Quarter 2010**

| | Fannie Mae | Freddie Mac | Government-Guaranteed | Private Investor | Portfolio | Total |
|---|---|---|---|---|---|---|
| Total Mortgages Modified | 43,676 | 22,843 | 6 | 22,767 | 10,688 | 99,980 |
| Capitalization | 39,986 | 17,773 | 6 | 21,049 | 10,230 | 89,044 |
| Rate Reduction | 43,335 | 22,319 | 6 | 17,665 | 10,273 | 93,598 |
| Rate Freeze | 2 | 6 | 0 | 124 | 6 | 138 |
| Term Extension | 22,858 | 12,927 | 1 | 7,580 | 4,750 | 48,116 |
| Principal Reduction | 5 | 3 | 0 | 63 | 27 | 98 |
| Principal Deferral | 6918 | 5783 | 0 | 4190 | 2359 | 19,250 |
| Unknown* | 71 | 88 | 0 | 340 | 36 | 535 |

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

Consistent with overall modification actions, interest rate reduction on modifications that included capitalization of past-due interest and fees and often term extension were the generally prevailing actions among HAMP modifications across all investors. Principal deferral was also used in a significant number of HAMP modifications.

***Table 26.*** **Percentages of Each Type of HAMP Modifications by Investor in First Quarter 2010**

| | Fannie Mae | Freddie Mac | Government-Guaranteed | Private Investor | Portfolio | Overall |
|---|---|---|---|---|---|---|
| Capitalization | 91.6% | 77.8% | 100.0% | 92.5% | 95.7% | 89.1% |
| Rate Reduction | 99.2% | 97.7% | 100.0% | 77.6% | 96.1% | 93.6% |
| Rate Freeze | 0.0% | 0.0% | 0.0% | 0.5% | 0.1% | 0.1% |
| Term Extension | 52.3% | 56.6% | 16.7% | 33.3% | 44.4% | 48.1% |
| Principal Reduction | 0.0% | 0.0% | 0.0% | 0.3% | 0.3% | 0.1% |
| Principal Deferral | 15.8% | 25.3% | 0.0% | 18.4% | 22.1% | 19.3% |
| Unknown* | 0.2% | 0.4% | 0.0% | 1.5% | 0.3% | 0.5% |

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

### *Types of Modification Actions Taken on Option ARMs*

Option ARMs contain unique, higher-risk features that may make them difficult to modify for payment sustainability while attaining a positive net present value to the investor. Servicers modified 7,991 option ARMs during the first quarter, down from the 14,881 modifications implemented during the fourth quarter of 2009. Prime option ARMs received more than 67 percent of these modifications, while subprime loans received almost 10 percent.

***Table 27.* Numbers of Each Type of Option ARM Modification in First Quarter 2010**

| | Prime | Alt-A | Subprime | Other | Total |
|---|---|---|---|---|---|
| Total Mortgages Modified | 5,365 | 1,720 | 769 | 137 | 7,991 |
| Capitalization | 4,152 | 1,418 | 578 | 85 | 6,233 |
| Rate Reduction | 3,630 | 1,211 | 633 | 104 | 5,578 |
| Rate Freeze | 25 | 21 | 13 | 6 | 65 |
| Term Extension | 2,275 | 852 | 684 | 95 | 3,906 |
| Principal Reduction | 1,657 | 670 | 493 | 37 | 2,857 |
| Principal Deferral | 934 | 302 | 25 | 8 | 1,269 |
| Unknown* | 45 | 31 | 4 | 2 | 82 |

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

Consistent with other product types, interest rate reduction and term extension were the prevalent modification actions for option ARMs. However, because of the unique features of option ARMs, principal reduction and principal deferral were used in significantly higher percentages than for other types of mortgages.

***Table 28.* Percentages of Each Type of Option ARM Modification in First Quarter 2010**

| | Prime | Alt-A | Subprime | Other | Overall |
|---|---|---|---|---|---|
| Capitalization | 77.4% | 82.4% | 75.2% | 62.0% | 78.0% |
| Rate Reduction | 67.7% | 70.4% | 82.3% | 75.9% | 69.8% |
| Rate Freeze | 0.5% | 1.2% | 1.7% | 4.4% | 0.8% |
| Term Extension | 42.4% | 49.5% | 88.9% | 69.3% | 48.9% |
| Principal Reduction | 30.9% | 39.0% | 64.1% | 27.0% | 35.8% |
| Principal Deferral | 17.4% | 17.6% | 3.3% | 5.8% | 15.9% |
| Unknown* | 0.8% | 1.8% | 0.5% | 1.5% | 1.0% |

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

### *Changes to Monthly Payments Resulting from Modification*

The previous sections describe the types of modification actions across risk categories, investors, and product types. This section describes the effect of those changes on borrowers' monthly principal and interest payments.

Modifications that decrease payments occur when servicers elect to lower interest rates, extend the amortization period, or forgive or defer principal. The reduced payments can make mortgages more affordable and more sustainable over time. However, the lower payments also result in less monthly cash flow and interest income to the mortgage investor.

Mortgage modifications may increase monthly payments when borrowers and servicers agree to add past-due interest, advances for taxes or insurance, and other fees to the loan balances and re-amortize the new balances over the remaining life of the mortgages. The interest rate or maturity of the loans may be changed but not enough to offset the increase in payment caused by the additional capitalized principal. Modifications may also result in increased monthly payments when interest rates and payments on adjustable rate mortgages are reset higher but by less than the amount indicated in the original mortgage contracts.

Modifications that increase payments may be appropriate when borrowers experience temporary cash flow or liquidity problems and have reasonable prospects to make the higher payments to bring the loan current and repay the debt over time. However, during periods of prolonged economic stress, this strategy carries additional risk, underscoring the importance of verifying borrowers' income and debt payment ability so that borrowers and servicers can have confidence that the modifications are likely to be sustainable.

Servicers also modify some mortgages that leave principal and interest payments unchanged. This occurs, for example, when servicers "freeze" current interest rates and payments instead of allowing them to increase to levels required by the original mortgage contracts.

### *Changes to Monthly Payments Resulting from Modifications, by Quarter*

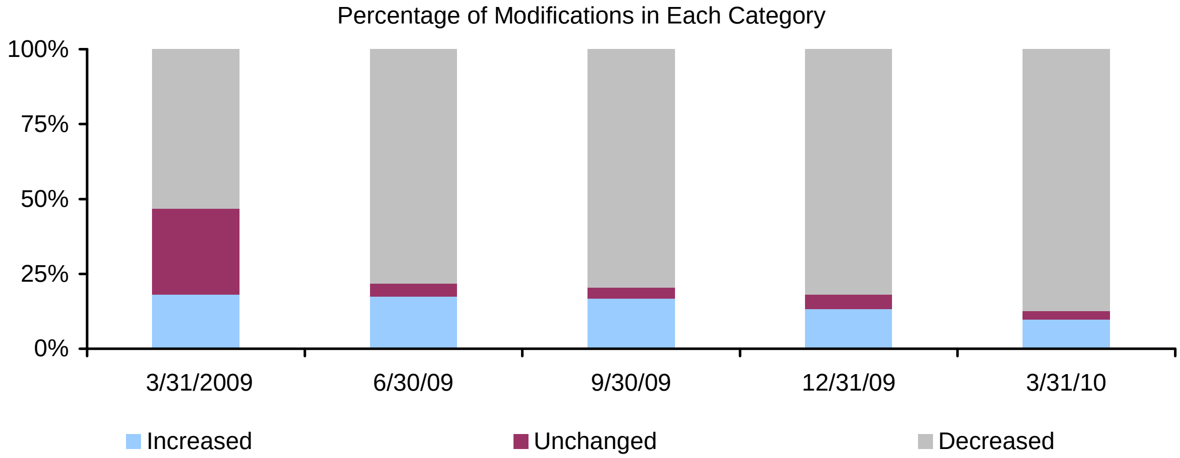
Modifications that reduced the borrowers' monthly payments had lower re-default rates than those that left payments unchanged or increased payments—the greater the decrease in payment, the lower the rate of subsequent re-defaults. Mortgage modifications that lowered monthly principal and interest payments increased to 87.4 percent of all mortgages modified during the quarter, with a significant shift toward modifications that decreased monthly payments by 20 percent or more. The increase in modifications that reduced the borrowers' monthly mortgage payment continued the trend noted in prior quarters as servicers focused on more sustainable modifications.[6]

**Table 29. Changes in Monthly Principal and Interest Payments Resulting from Modifications**
(Number of Modifications)

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Decreased by 20% or More | 52,743 | 54,860 | 48,103 | 51,035 | 124,991 | 144.9% | 137.0% |
| Decreased by 10% to Less than 20% | 22,336 | 27,691 | 23,822 | 23,338 | 40,645 | 74.2% | 82.0% |
| Decreased Less than 10% | 23,271 | 28,213 | 31,707 | 25,748 | 34,205 | 32.8% | 47.0% |
| **Subtotal for Decreased** | **98,350** | **110,764** | **103,632** | **100,121** | **199,841** | **99.6%** | **103.2%** |
| Unchanged | 52,807 | 6,038 | 4,658 | 5,822 | 6,380 | 9.6% | −87.9% |
| Increased | 33,434 | 24,665 | 21,813 | 16,142 | 22,435 | 39.0% | −32.9% |
| **Subtotal for Unchanged and Increased** | **86,241** | **30,703** | **26,471** | **21,964** | **28,815** | **31.2%** | **−66.6%** |
| Total | 184,591 | 141,467 | 130,103 | 122,085 | 228,656 | 87.3% | 23.9% |
| Changes in Monthly Principal and Interest Payments Resulting from Modifications (Percentage of Modifications) | | | | | | | |
| Decreased by 20% or More | 28.6% | 38.8% | 37.0% | 41.8% | 54.7% | 30.8% | 91.3% |
| Decreased by 10% to Less than 20% | 12.1% | 19.6% | 18.3% | 19.1% | 17.8% | −7.0% | 46.9% |
| Decreased Less than 10% | 12.6% | 19.9% | 24.4% | 21.1% | 15.0% | −29.1% | 18.7% |
| **Subtotal for Decreased** | **53.3%** | **78.3%** | **79.7%** | **82.0%** | **87.4%** | **6.6%** | **64.0%** |
| Unchanged | 28.6% | 4.3% | 3.6% | 4.8% | 2.8% | −41.5% | −90.2% |
| Increased | 18.1% | 17.4% | 16.8% | 13.2% | 9.8% | −25.8% | −45.8% |
| **Subtotal for Unchanged and Increased** | **46.7%** | **21.7%** | **20.3%** | **18.0%** | **12.6%** | **−20.0%** | **−73.0%** |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | -- | -- |

[6] Payment change information was not reported on 4,602 modifications in the first quarter of 2009; 895 in the second quarter of 2009; 1,144 in the third quarter of 2009; 2,210 in the fourth quarter of 2009; and 672 in the first quarter of 2010.

***Figure 10.*** **Changes in Monthly Principal and Interest Payments**



### *Changes to Monthly Payments Resulting from HAMP Modifications, by Quarter*

Consistent with HAMP emphasis on promoting sustainable payments, nearly all HAMP modifications reduced monthly payments, with 78.3 percent reducing payments by more than 20 percent. In addition to lower payments, HAMP attempts to increase performance sustainability by targeting monthly payments to 31 percent of borrowers' income. Performance data on other modifications show that reduced monthly payments result in lower re-default rates over time and that the greater the decrease in payment, the lower the rate of subsequent re-default—although re-default rates over time continue to be high.

***Table 30.* Changes in Monthly Principal and Interest Payments Resulting from HAMP Modifications**
(Number of HAMP Modifications)*

| | 12/31/2009 | 3/31/2010 | 1Q %Change |
|---|---|---|---|
| Decreased by 20% or More | 16,360 | 78,059 | 377.1% |
| Decreased by 10% to Less than 20% | 2,224 | 12,575 | 465.4% |
| Decreased by Less than 10% | 1,262 | 7,544 | 497.8% |
| **Subtotal for Decreased** | **19,846** | **98,178** | **394.7%** |
| Unchanged | 269 | 1,494 | 455.4% |
| Increased | 40 | 37 | −7.5% |
| **Subtotal for Unchanged and Increased** | **309** | **1,531** | **395.5%** |
| Total | 20,155 | 99,709 | 394.7% |

Changes in Monthly Principal and Interest Payments Resulting from HAMP Modifications
(Percentage of HAMP Modifications)

| | 12/31/2009 | 3/31/2010 | 1Q %Change |
|---|---|---|---|
| Decreased by 20% or More | 81.2% | 78.3% | −3.6% |
| Decreased by 10% to Less than 20% | 11.0% | 12.6% | 14.3% |
| Decreased by Less than 10% | 6.3% | 7.6% | 20.8% |
| **Subtotal for Decreased** | **98.5%** | **98.5%** | **−0.0%** |
| Unchanged | 1.3% | 1.5% | 12.3% |
| Increased | 0.2% | 0.0% | −81.3% |
| **Subtotal for Unchanged and Increased** | **1.5%** | **1.5%** | **0.2%** |
| Total | 100.0% | 100.0% | 0.0% |

* Payment change information was not reported on 524 HAMP modifications in fourth quarter of 2009 and 271 modifications in the first quarter of 2010.

## B. Modified Loan Performance

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

Overall re-default rates remained high with more than half of all modifications becoming more than 60 days past due one year after modification. However, more recent mortgage modifications have had better performance than older vintages of modifications, corresponding with the ongoing emphasis on lowering monthly payments and improving payment sustainability. The recent increase in loans modified under HAMP also attempts to increase sustainability by targeting monthly payments to 31 percent of borrowers' income. Lower early-stage re-default rates indicate potentially better performance and sustainability over time.

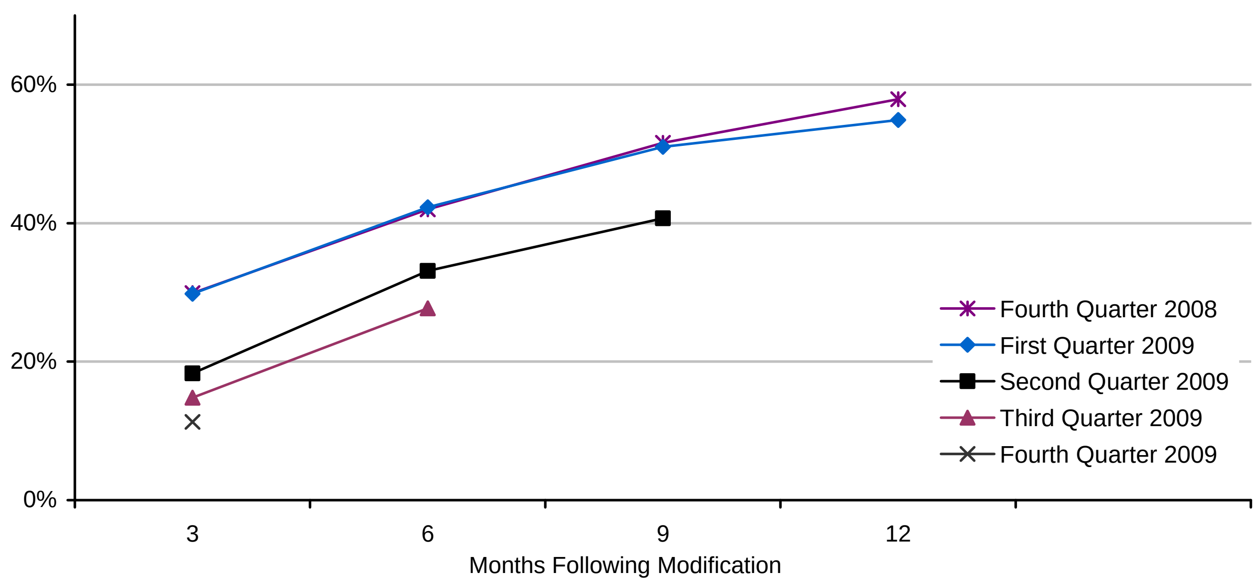
***Table 31.*** **Modified Loans 60 or More Days Delinquent**
(60+ Re-Default Rate for 2008–2009 Modifications)*

| Modification Date | 3 Months after Modification | 6 Months after Modification | 9 Months after Modification | 12 Months after Modification |
|---|---|---|---|---|
| Fourth Quarter 2008 | 29.9% | 42.0% | 51.6% | 57.9% |
| First Quarter 2009 | 29.8% | 42.3% | 51.0% | 54.9% |
| Second Quarter 2009 | 18.3% | 33.1% | 40.7% | -- |
| Third Quarter 2009 | 14.8% | 27.7% | -- | -- |
| Fourth Quarter 2009 | 11.3% | -- | -- | -- |

* Data include only modifications that have had time to age the indicated number of months.

***Figure 11.*** **Modified Loans 60 or More Days Delinquent**

60+ Re-Default Rate for 2008-2009 Modifications



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

Re-default rates measured at 30 days delinquent provide an early indicator of mortgages that may need additional attention to prevent more serious delinquency or foreclosure. While modifications implemented in the fourth quarter of 2008 and the first quarter of 2009 recorded 30-day re-default rates exceeding 63 percent at 9 months after modification, those implemented in the second quarter of 2009 had a lower 52 percent re-default rate after 9 months.

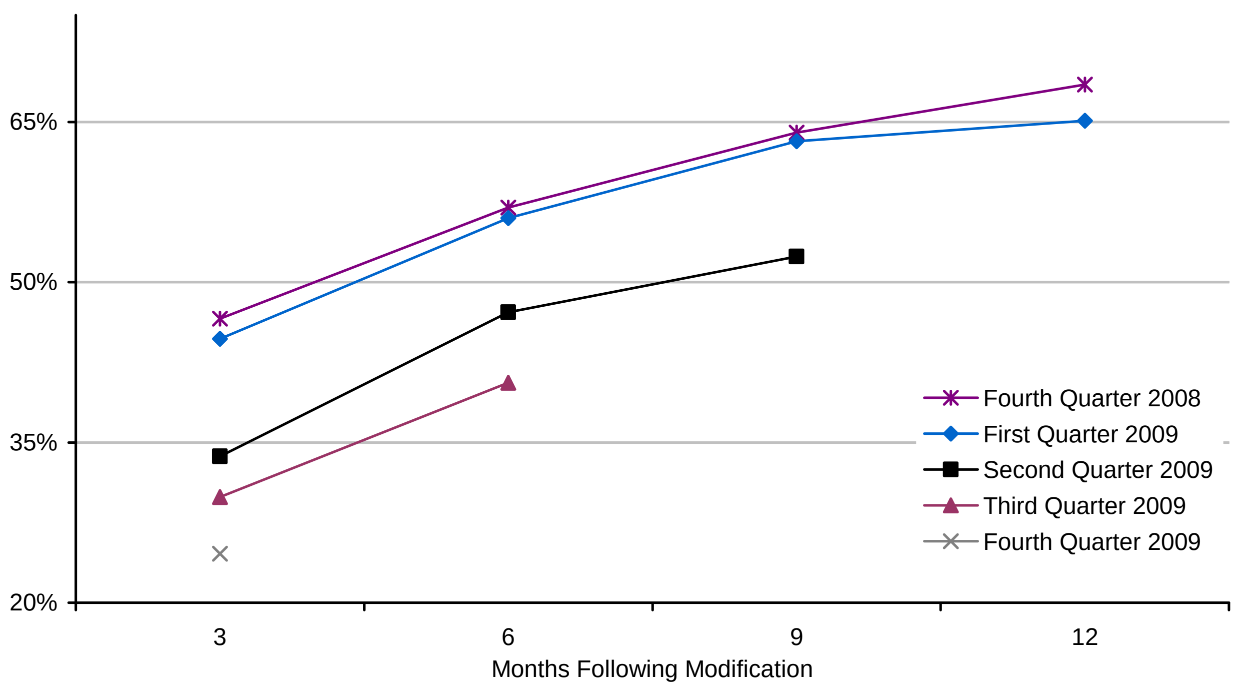
***Table 32.* Modified Loans 30 or More Days Delinquent**
(30+ Re-Default Rate for 2008–2009 Modifications)*

| Modification Date | 3 Months after Modification | 6 Months after Modification | 9 Months after Modification | 12 Months after Modification |
|---|---|---|---|---|
| Fourth Quarter 2008 | 46.6% | 57.0% | 64.0% | 68.5% |
| First Quarter 2008 | 44.7% | 56.0% | 63.2% | 65.1% |
| Second Quarter 2009 | 33.7% | 47.2% | 52.4% | -- |
| Third Quarter 2009 | 29.9% | 40.6% | -- | -- |
| Fourth Quarter 2009 | 24.6% | -- | -- | -- |

* Data include only modifications that have had time to age the indicated number of months.

***Figure 12.* Modified Loans 30 or More Days Delinquent**

30+ Re-Default Rate for 2008 - 2009 Modifications



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

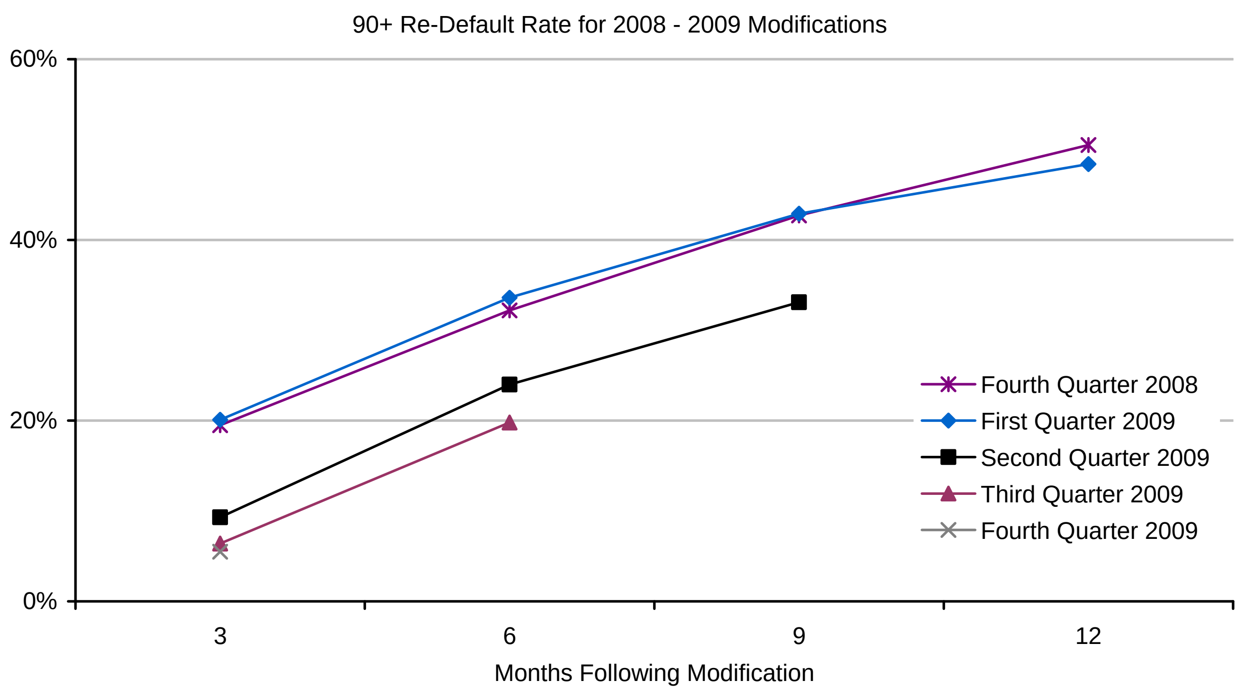
Modified mortgages that were 90 or more days delinquent after modification were naturally fewer than shorter-term delinquency measures but exhibited a similar rise in delinquencies over time. Mortgages modified since the beginning of the second quarter of 2009 have outperformed previous vintages of modifications when measured as 90 or more days delinquent or in process of foreclosure.

***Table 33.*** **Modified Loans 90 or More Days Delinquent**
(90+ Re-Default Rate for 2008–2009 Modifications)*

| Modification Date | 3 Months after Modification | 6 Months after Modification | 9 Months after Modification | 12 Months after Modification |
|---|---|---|---|---|
| Fourth Quarter 2008 | 19.5% | 32.2% | 42.7% | 50.5% |
| First Quarter 2009 | 20.1% | 33.6% | 42.9% | 48.4% |
| Second Quarter 2009 | 9.3% | 24.0% | 33.1% | -- |
| Third Quarter 2009 | 6.4% | 19.8% | -- | -- |
| Fourth Quarter 2009 | 5.5% | -- | -- | -- |

* Data include only modifications that have had time to age the indicated number of months.

***Figure 13.*** **Modified Loans 90 or More Days Delinquent**



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

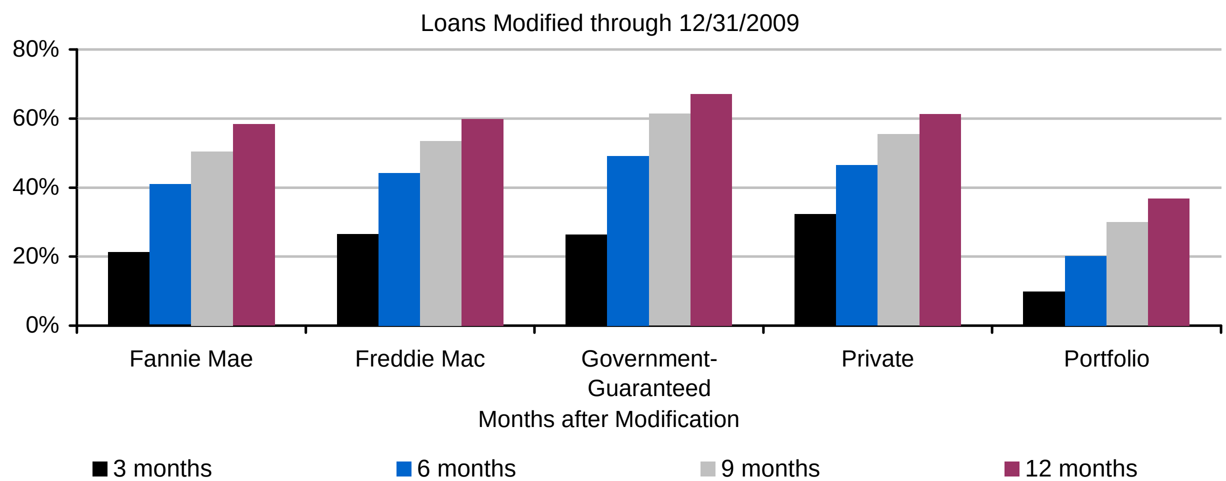
Modifications on mortgages held in the servicers' own portfolios performed better than modifications on mortgages serviced for others. Re-default rates for government-guaranteed mortgages were highest over time, corresponding to the higher delinquency rate for these mortgages in the overall serviced portfolio. The lower re-default rates for portfolio mortgages may reflect differences in modification programs and actions as well as additional flexibility to modify terms to achieve greater sustainability.

***Table 34.*** **Re-Default Rates for Portfolio Loans and Loans Serviced for Others**
(60 or More Days Delinquent)*

| Investor Loan Type | 3 Months after Modification | 6 Months after Modification | 9 Months after Modification | 12 Months after Modification |
|---|---|---|---|---|
| Fannie Mae | 21.2% | 41.1% | 50.4% | 58.3% |
| Freddie Mac | 26.5% | 44.2% | 53.5% | 59.9% |
| Government-Guaranteed | 26.3% | 49.1% | 61.4% | 67.1% |
| Private | 32.3% | 46.4% | 55.4% | 61.3% |
| Portfolio Loans | 9.8% | 20.2% | 29.9% | 36.8% |
| Overall | 24.5% | 39.9% | 50.1% | 57.1% |

* Data include all modifications implemented since January 1, 2008, that have had time to age the indicated number of months.

***Figure 14.*** **60 or More Days Delinquent by Investor after Modification**




Modifications implemented during 2009 have performed better than modifications made during 2008. The better performance may be attributable to an increased emphasis on modifying loan terms to reduce monthly principal and interest payments to achieve improved long-term payment sustainability. After 6 months, the loans modified during 2009 had a re-default rate, measured as 60 or more days delinquent or in process of foreclosure, of 35 percent compared with nearly 46 percent for modifications implemented in 2008 (see Tables 35 and 36). Modifications implemented during the third and fourth quarters of 2009 have not been in effect more than 6 months, making comparisons at 9 and 12 months after the modification less meaningful.

| ***Table 35.* Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2008** (60 or More Days Delinquent)* | | | | |
|---|---|---|---|---|
| Investor Loan Type | 3 Months after Modification | 6 Months after Modification | 9 Months after Modification | 12 Months after Modification |
| Fannie Mae | 30.2% | 44.9% | 54.1% | 59.5% |
| Freddie Mac | 22.7% | 40.0% | 51.2% | 57.5% |
| Government-Guaranteed | 32.5% | 53.6% | 63.7% | 67.8% |
| Private | 37.2% | 49.6% | 56.5% | 61.0% |
| Portfolio Loans | 16.2% | 27.9% | 34.9% | 40.0% |
| Overall | 31.9% | 45.6% | 53.4% | 58.1% |

* Data include all modifications implemented during 2008 that have had time to age the indicated number of months.

| ***Table 36.* Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2009** (60 or More Days Delinquent)* | | | | |
|---|---|---|---|---|
| Investor Loan Type | 3 Months after Modification | 6 Months after Modification | 9 Months after Modification | 12 Months after Modification |
| Fannie Mae | 17.5% | 38.7% | 46.0% | 55.4% |
| Freddie Mac | 28.0% | 46.6% | 55.0% | 62.6% |
| Government-Guaranteed | 22.8% | 45.6% | 58.7% | 65.2% |
| Private | 26.7% | 42.4% | 53.7% | 62.1% |
| Portfolio Loans | 7.0% | 16.4% | 26.2% | 32.1% |
| Overall | 19.3% | 35.0% | 46.3% | 54.9% |

* Data include all modifications implemented during 2009 that have had time to age the indicated number of months.

### *Performance of Loan Modifications on Option ARMs*

Modified option ARMs have performed better after modification than other modified mortgages, despite the higher risk characteristics of option ARMs. As noted earlier in this report, interest rate reductions and term extensions were the most prevalent features of modifications of option ARMs, as well as other modified mortgages. However, principal reductions and deferrals were more prevalent for option ARMs than for other types of mortgages. In addition, option ARMs tend to be held in the portfolios of servicing institutions, allowing for more flexibility when implementing a modification.

***Table 37.*** **Modified Option ARMSs 60 or More Days Delinquent**
(60+ Re-Default Rate for 2008–2009 Modifications)*

| Modification Date | 3 Months after Modification | 6 Months after Modification | 9 Months after Modification | 12 Months after Modification |
|---|---|---|---|---|
| Fourth Quarter 2008 | 20.6% | 31.0% | 35.6% | 41.5% |
| First Quarter 2009 | 14.3% | 24.9% | 32.2% | 36.5% |
| Second Quarter 2009 | 6.0% | 17.6% | 25.7% | -- |
| Third Quarter 2009 | 4.1% | 11.4% | -- | -- |
| Fourth Quarter 2009 | 6.4% | -- | -- | -- |

* Data include only modifications that have had time to age the indicated number of months.

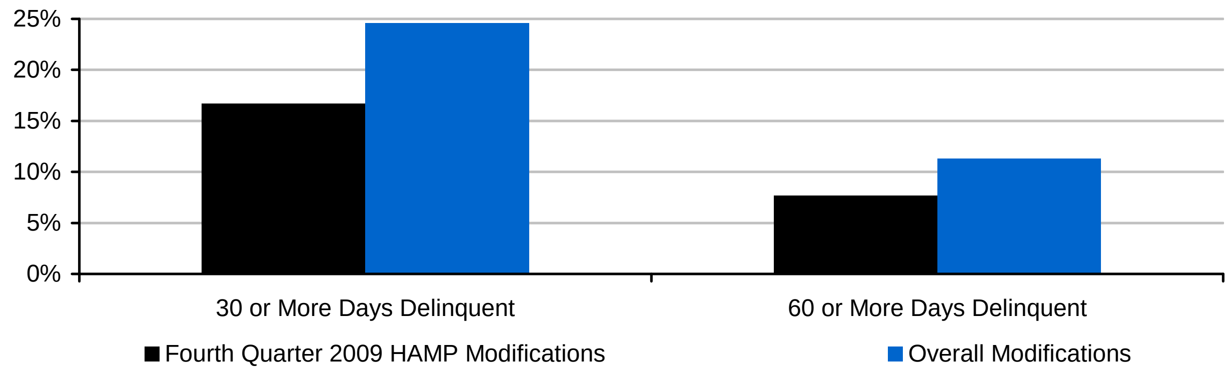
### *Performance of HAMP Modifications*

When compared with modifications overall, HAMP modifications this far have had a lower number of delinquencies at 3 months after modification. At 3 months after modification, 16.7 percent of HAMP modifications were 30 or more days delinquent, compared with 24.6 percent of all modifications. Also at 3 months after modification, 7.7 percent of HAMP modifications were 60 or more days delinquent, compared with 11.3 percent overall. These lower early post-modification delinquency rates may reflect HAMP's emphasis on the affordability of monthly payments and the requirements to verify income and complete a successful trial period.

***Table 38.*** **Performance of HAMP Modifications Compared with Modifications Overall**
(3 Months after Modification)

| | Number of Modifications | 30 or More Days Delinquent | 60 or More Days Delinquent |
|---|---|---|---|
| Fourth Quarter 2009 HAMP Modifications | 20,679 | 16.7% | 7.7% |
| Modifications Overall | 124,295 | 24.6% | 11.3% |

***Figure 15.*** **Performance of HAMP Modifications**



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

Many factors drive mortgage delinquencies, including employment status, amount of homeowner equity, total homeowner debt, life-changing events, and poor initial underwriting.

Similar factors drive re-default rates on modified mortgages. However, the data in this section consistently show that re-default rates have been lowest for modifications that reduce monthly payments. The data also show that the larger the reduction in monthly payment, the lower the subsequent re-default rate. Lower recent re-default rates may also result from the increase in HAMP modifications, which emphasized lowering monthly payments to 31 percent of the borrower's income, verifying income, and completing a successful trial period.

For servicers and investors, determining the optimal type of modification often requires weighing the reduction in cash flow from loan terms that reduce monthly principal and interest payments, along with the possible costs of delaying foreclosure, against the potential for longer-term sustainability of the payments and ultimate repayment of the mortgage.

### *Modified Loans 60 or More Days Delinquent, by Changes to Monthly Payments: Re-Default Rates at 3, 6, 9, and 12 Months after Modification*

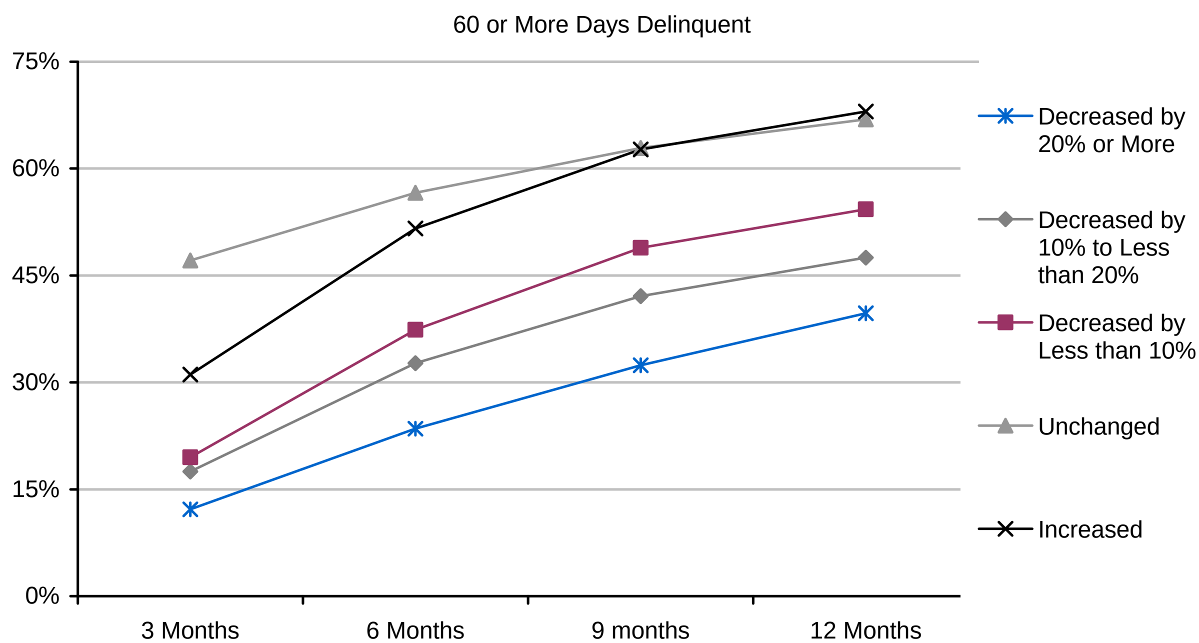
As stated earlier, mortgage modifications that decreased monthly principal and interest payments consistently had lower re-default rates—the greater the decrease in payment, the lower the rate of subsequent re-defaults. After 12 months, 39.7 percent of modifications that decreased monthly payments by 20 percent or more were 60 or more days delinquent. In contrast, 66.9 percent of modifications that left payments unchanged and 68.0 percent of modifications that increased payments were seriously delinquent after 12 months. While lower payments reduce monthly cash flows to investors, they may also result in longer-term sustainability of the mortgage payments and an increase in the likelihood that the mortgage will be repaid.

***Table 39.*** **Re-Default Rates of Loans Modified in 2008–2009 by Changes in Payment**
(60 or More Days Delinquent)*

| | 3 Months after Modification | 6 Months after Modification | 9 Months after Modification | 12 Months after Modification |
|---|---|---|---|---|
| Decreased by 20% or More | 12.2% | 23.5% | 32.4% | 39.7% |
| Decreased by 10% to Less than 20% | 17.5% | 32.7% | 42.1% | 47.5% |
| Decreased by Less than 10% | 19.5% | 37.4% | 48.9% | 54.3% |
| Unchanged | 47.1% | 56.6% | 62.9% | 66.9% |
| Increased | 31.1% | 51.6% | 62.7% | 68.0% |
| Total** | 24.3% | 39.7% | 50.0% | 57.0% |

* Data include all modifications implemented since January 1, 2008 that have had time to age the indicated number of months.
** Data exclude loans for which the payment change was unknown.

***Figure 16.*** **Re-Default Rates of Loans Modified in 2008–2009 by Change in Payment**



## *60+ Delinquency at 6 Months after Modification by Change to Monthly Payments*

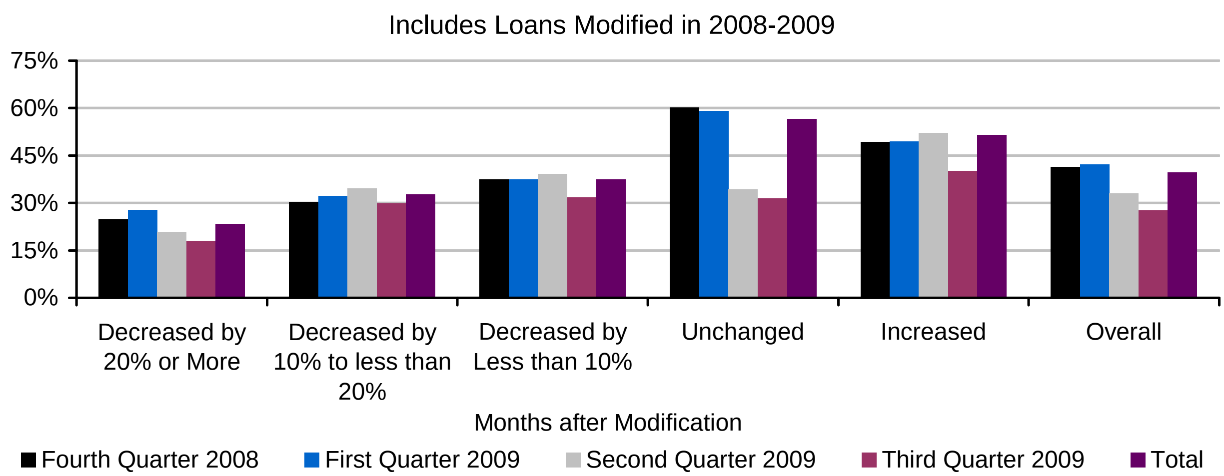
As the data show, modifications that reduce monthly principal and interest payments consistently have performed better than modifications that increase or leave the monthly payment unchanged. Modifications resulting in the greatest decrease in monthly payment had the lowest re-default rates. More recent modifications have also tended to perform better than earlier modifications, as servicers have increasingly emphasized payment sustainability when modifying loan terms.

***Table 40.*** **60+ Delinquency at 6 Months after Modification by Change to Monthly Payments**
(Includes Loans Modified in 2008–2009)

| | Decreased by 20% or More | Decreased by 10% to Less than 20% | Decreased by Less than 10% | Unchanged | Increased | Overall |
|---|---|---|---|---|---|---|
| Fourth Quarter 2008 | 24.9% | 30.4% | 37.4% | 60.1% | 49.3% | 41.3% |
| First Quarter 2009 | 27.9% | 32.2% | 37.4% | 59.0% | 49.4% | 42.3% |
| Second Quarter 2009 | 20.8% | 34.6% | 39.2% | 34.3% | 52.2% | 33.1% |
| Third Quarter 2009 | 18.0% | 29.9% | 31.7% | 31.4% | 40.1% | 27.7% |
| Total | 23.5% | 32.7% | 37.4% | 56.6% | 51.6% | 39.7% |

* Data include all modifications that have had time to age the indicated number of months.

***Figure 17.*** **60+ Delinquency 6 Months after Modification by Change to Monthly Payments**



### *Status of Mortgages Modified in 2008 and 2009*

Servicers implemented 421,319 loan modifications in 2008 and 587,097 in 2009 for a total of 1,008,416 loan modifications over this two-year period. Of these more than 1.0 million loan modifications completed in 2008 and 2009, 53 percent were delinquent or in some stage of foreclosure. More than 41 percent were current and performing on their modified terms at the end of the first quarter of 2010, and another 1.1 percent were paid off.

Modifications implemented during 2009 performed better than modifications implemented in 2008 through the end of the first quarter of 2010. Of the 587,097 modifications in 2009, nearly 52 percent were current at the end of the first quarter 2010, compared with 27 percent of the 421,319 modifications implemented during 2008.

***Table 41.*** **Status of Mortgages Modified in 2008 and 2009**

| | Total | Current | 30–59 Days Delinquent | Seriously Delinquent | Foreclosures in Process | Completed Foreclosures | Paid Off | No longer in the Portfolio* |
|---|---|---|---|---|---|---|---|---|
| Mortgages Modified in 2008 | 421,319 | 27.2% | 7.0% | 33.9% | 14.7% | 7.5% | 2.0% | 7.6% |
| Mortgages Modified in 2009 | 587,097 | 51.8% | 10.3% | 26.2% | 7.9% | 1.3% | 0.5% | 1.9% |
| Total | 1,008,416 | 41.5% | 8.9% | 29.5% | 10.7% | 3.9% | 1.1% | 4.3% |
| **Modifications that Reduced Payments by 10% or More** | | | | | | | | |
| | Total | Current | 30–59 Days Delinquent | Seriously Delinquent | Foreclosures in Process | Completed Foreclosures | Paid Off | No longer in the Portfolio |
| Modifications that Reduced Payments by 10% or More | 429,788 | 54.1% | 9.4% | 21.9% | 7.9% | 2.0% | 0.6% | 4.0% |
| **Modifications that Reduced Payments by Less than 10%** | | | | | | | | |
| | Total | Current | 30–59 Days Delinquent | Seriously Delinquent | Foreclosures in Process | Completed Foreclosures | Paid Off | No longer in the Portfolio |
| Modifications that Reduced Payments by Less than 10% | 578,628 | 32.2% | 8.6% | 35.0% | 12.9% | 5.2% | 1.5% | 4.5% |
| **Status of Modifications by Major Investor Categories** | | | | | | | | |
| | Total | Current | 30–59 Days Delinquent | Seriously Delinquent | Foreclosures in Process | Completed Foreclosures | Paid Off | No longer in the Portfolio |
| Portfolio | 343,153 | 54.6% | 8.7% | 20.3% | 7.4% | 2.1% | 1.0% | 5.8% |
| GSE | 160,408 | 44.8% | 10.2% | 27.1% | 11.9% | 3.5% | 1.1% | 1.4% |
| Other | 504,855 | 31.6% | 8.7% | 36.5% | 12.6% | 5.2% | 1.2% | 4.2% |

*Processing constraints at some servicers prevented them from aggregating and reporting current status of some modified mortgages.

Data about how mortgages migrate through delinquency following modification indicate that post-modification performance may be significantly influenced by the amount of change in the borrower's monthly payment as well as the length of time since modification. More recent quarterly vintages of modifications have performed better than earlier vintages, as servicers have increasingly emphasized modifications that reduced monthly payments. More than 54 percent of the mortgages modified over the past two years with a payment reduction of 10 percent or more were current and performing on their modified terms at the end of the first quarter of 2010, comparing favorably to the 32 percent of mortgages that were current with payment decreases of less than 10 percent. Further, approximately 10 percent of the modifications with payment reductions of 10 percent or more are in foreclosure or completed the foreclosure process compared with more than 18 percent of modifications with payment reductions of less than 10 percent.

Data have also shown that modified loans held on the balance sheets of servicing institutions performed better than those serviced for GSEs or other third-party investors. Of the 343,153 portfolio loans modified during the past two years (34 percent of all modifications), 54.6 percent were current at the end of the first quarter of 2010. Of the modified GSE mortgages (16 percent of all modifications), nearly 45 percent were current at the end of the first quarter. Of the other third-party serviced mortgages (40 percent of all modifications), 31.6 percent were current at the end of the first quarter.

## ***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—foreclosure sales, short sales, and deed-in-lieu-of-foreclosure actions—increased by more than 16 percent from the previous quarter, primarily because of the 18.5 percent increase in completed foreclosure actions during the first quarter. Short sales increased to 41,030 during the first quarter as servicers continued to expand their capacity to administer these transactions. While home forfeiture actions increased in the first quarter, servicers still implemented about 3.2 times more home retention actions—loan modifications, trial period plans, and payment plans—than completed foreclosures and other home forfeiture actions during the first quarter of 2010.

Servicers reported that HAMP and proprietary foreclosure prevention programs will help a significant number of distressed homeowners; however, these programs cannot help all delinquent borrowers. In this regard, servicers indicated that new foreclosure actions and completed foreclosures are likely to continue increasing as alternatives for seriously delinquent borrowers and loans in process of foreclosure are exhausted.

***Table 42.*** **Completed Foreclosures and Other Home Forfeiture Actions**

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| New Short Sales | 18,619 | 25,128 | 30,766 | 37,583 | 41,030 | 9.2% | 120.4% |
| New Deed-in-Lieu-of-Foreclosure Actions | 1,298 | 1,120 | 1,233 | 1,054 | 1,202 | 14.0% | −7.4% |
| Completed Foreclosures | 90,695 | 106,004 | 118,606 | 128,859 | 152,654 | 18.5% | 68.3% |
| Total | 110,612 | 132,252 | 150,605 | 167,496 | 194,886 | 16.4% | 76.2% |
| Newly Initiated Home Retention Actions Relative to Completed Foreclosures and Other Home Forfeiture Actions | 352.8% | 316.5% | 462.0% | 356.6% | 323.1% | −9.4% | −8.4% |

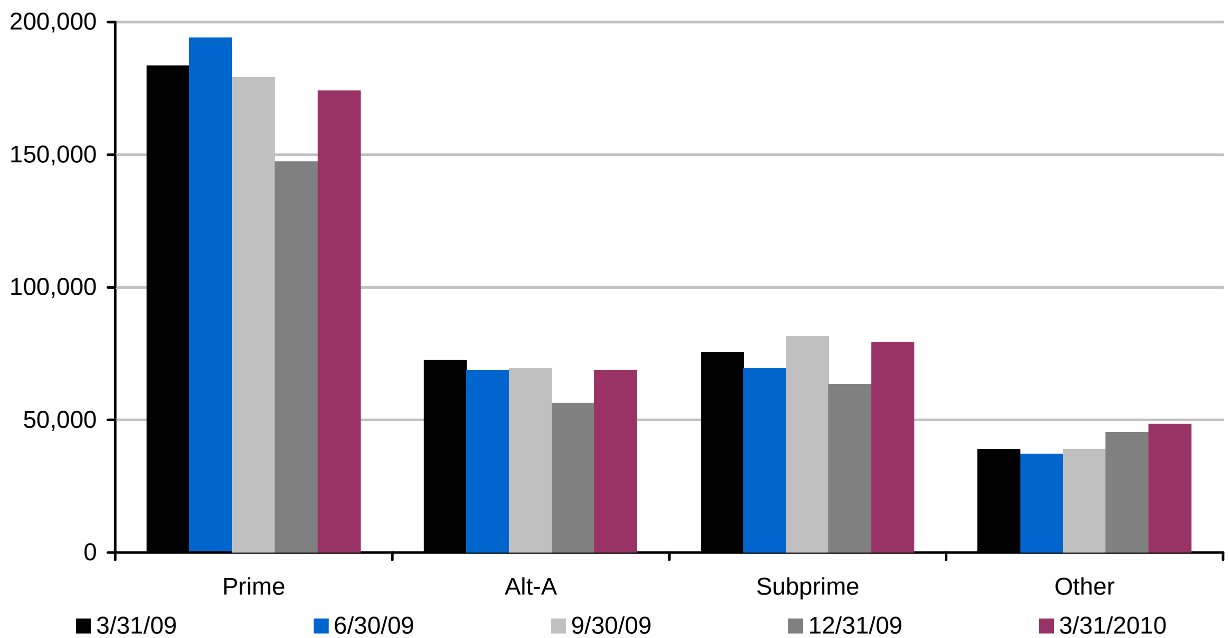
### *Newly Initiated Foreclosures*

The number of newly initiated foreclosures increased by 18.6 percent, to 370,536, during the first quarter, returning to the levels recorded during the first three quarters of 2009. While a large number of loans have been held in a seriously delinquent status for an extended period as borrowers and servicers pursue alternate solutions, foreclosure actions are initiated when workouts cannot be arranged.

***Table 43.*** **Number of Newly Initiated Foreclosures**

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Prime | 183,441 | 194,071 | 179,087 | 147,419 | 174,080 | 18.1% | −5.1% |
| Alt-A | 72,702 | 68,622 | 69,566 | 56,399 | 68,538 | 21.5% | −5.7% |
| Subprime | 75,508 | 69,383 | 81,721 | 63,400 | 79,308 | 25.1% | 5.0% |
| Other | 38,916 | 37,150 | 38,835 | 45,302 | 48,610 | 7.3% | 24.9% |
| Total | 370,567 | 369,226 | 369,209 | 312,520 | 370,536 | 18.6% | 0.0% |

***Figure 18.*** **Number of Newly Initiated Foreclosures**



## *Foreclosures in Process*

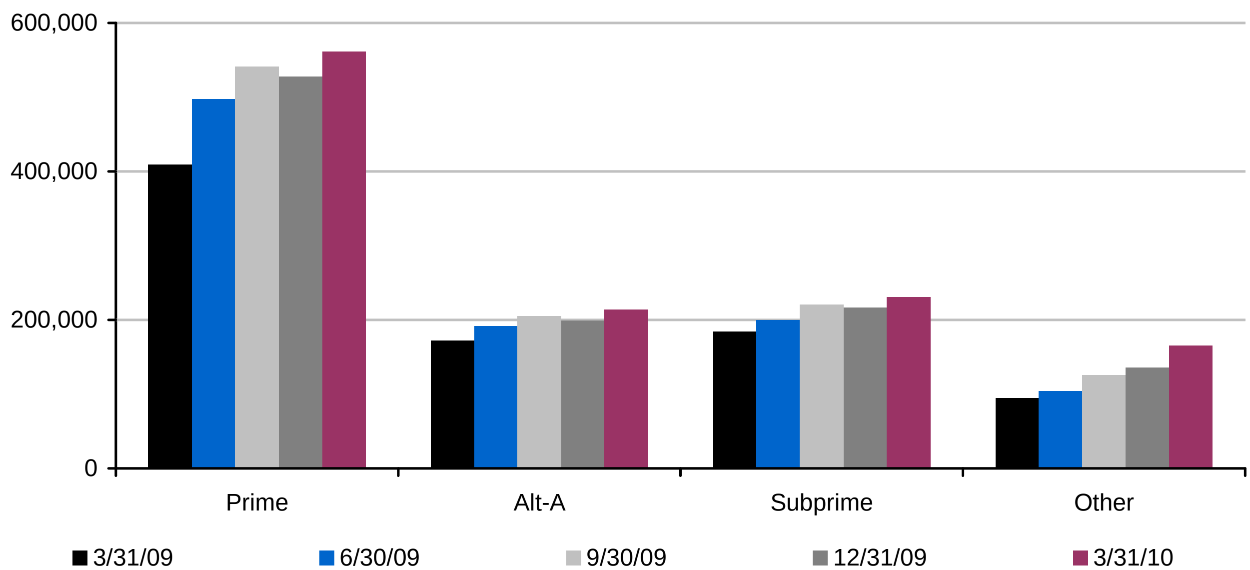
The number of loans in process of foreclosure increased by 8.5 percent during the first quarter to 1,170,874, reflecting the increase in newly initiated foreclosure actions. The ratio of foreclosures in process relative to total serviced mortgages was highest for subprime mortgages at 8.6 percent and lowest for prime mortgages at 2.4 percent.

As previously mentioned, many mortgages remain in process of foreclosure for longer periods than historic norms as borrowers and servicers seek other workout resolutions. In addition, the amount of time required to process foreclosures has increased because of the large number of foreclosure actions and the inventory of foreclosures in process. Servicers indicated that the rising inventory of foreclosures in process, 36 percent more than a year ago, is likely to result in a continued increase in completed foreclosure actions.

***Table 44.* Number of Foreclosures in Process**

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Prime | 409,313 | 497,266 | 540,762 | 527,792 | 561,692 | 6.4% | 37.2% |
| Alt-A | 172,268 | 191,456 | 205,343 | 199,254 | 213,649 | 7.2% | 24.0% |
| Subprime | 184,468 | 199,432 | 220,106 | 216,519 | 230,503 | 6.5% | 25.0% |
| Other | 94,980 | 104,400 | 125,409 | 135,821 | 165,030 | 21.5% | 73.8% |
| Total | 861,029 | 992,554 | 1,091,620 | 1,079,386 | 1,170,874 | 8.5% | 36.0% |
| Percentages of Foreclosures in Process Relative to Mortgages in That Risk Category | | | | | | | |
| Prime | 1.8% | 2.2% | 2.3% | 2.3% | 2.4% | 6.9% | 36.2% |
| Alt-A | 4.9% | 5.4% | 5.8% | 5.6% | 6.0% | 7.0% | 22.4% |
| Subprime | 6.4% | 7.0% | 7.9% | 7.8% | 8.6% | 10.1% | 35.3% |
| Other | 2.0% | 2.3% | 2.7% | 3.1% | 3.6% | 14.8% | 81.1% |
| Total | 2.5% | 2.9% | 3.2% | 3.2% | 3.5% | 8.2% | 36.8% |

***Figure 19.* Number of Foreclosures in Process**



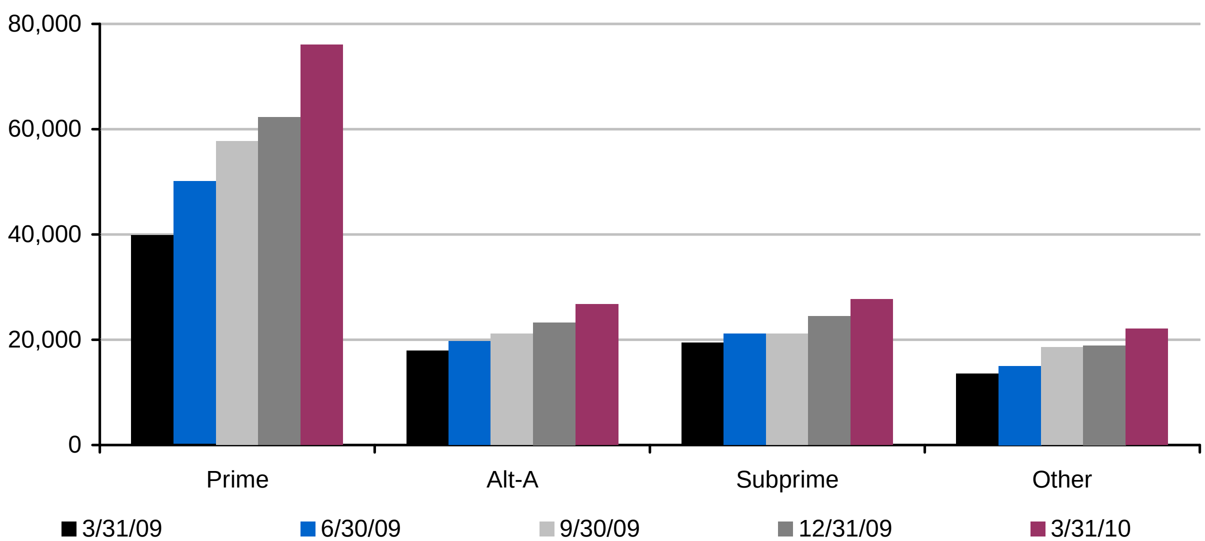
### *Completed Foreclosures*

Completed foreclosures increased to 152,654, up 18.5 percent during the quarter, following an 8.6 percent increase in the previous quarter. Completed foreclosures increased across all risk categories, with the highest percentage increase among prime mortgages. As previously stated, the increase in completed foreclosures resulted from the large number of foreclosures in process that continued to progress toward foreclosure. The foreclosure process varies by state and can take more than 15 months to complete. Many newly initiated foreclosures and foreclosures in process never reach completion, as borrowers and servicers seek other resolutions. Foreclosures are completed when ownership of the properties transfers to the servicers or investors.

***Table 45.* Number of Completed Foreclosures**

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Prime | 39,853 | 50,088 | 57,739 | 62,243 | 76,073 | 22.2% | 90.9% |
| Alt-A | 17,851 | 19,779 | 21,176 | 23,286 | 26,765 | 14.9% | 49.9% |
| Subprime | 19,409 | 21,129 | 21,162 | 24,425 | 27,661 | 13.2% | 42.5% |
| Other | 13,582 | 15,008 | 18,529 | 18,905 | 22,155 | 17.2% | 63.1% |
| Total | 90,695 | 106,004 | 118,606 | 128,859 | 152,654 | 18.5% | 68.3% |
| Percentages of Completed Foreclosures Relative to Mortgages in That Risk Category | | | | | | | |
| Prime | 0.2% | 0.2% | 0.3% | 0.3% | 0.3% | 22.8% | 89.5% |
| Alt-A | 0.5% | 0.6% | 0.6% | 0.7% | 0.8% | 14.7% | 47.9% |
| Subprime | 0.7% | 0.7% | 0.8% | 0.9% | 1.0% | 17.1% | 54.3% |
| Other | 0.3% | 0.3% | 0.4% | 0.4% | 0.5% | 10.7% | 70.0% |
| Total | 0.3% | 0.3% | 0.3% | 0.4% | 0.5% | 18.2% | 69.3% |

***Figure 20.* Number of Completed Foreclosures**



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

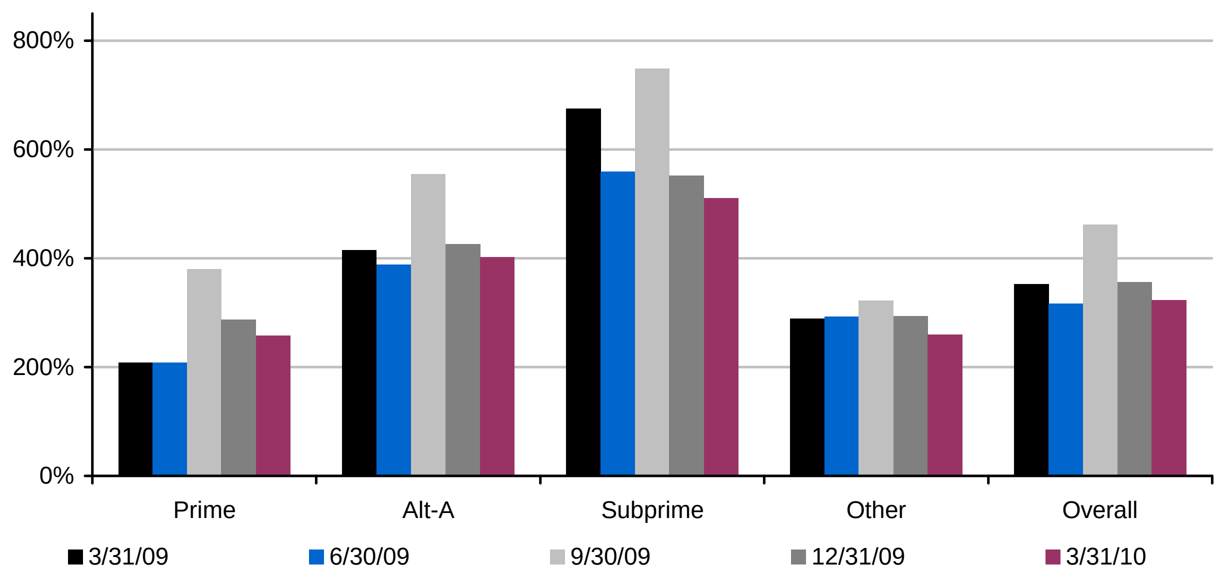
Home retention actions relative to home forfeitures declined across all risk categories during the first quarter as increases in home forfeitures outpaced the increase in new home retention actions.

***Table 46.*** **Newly Initiated Home Retention Actions**
(Percentage of Completed Foreclosures and Other Home Forfeiture Actions)

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Prime | 208.5% | 208.1% | 380.0% | 286.8% | 257.5% | −10.2% | 23.5% |
| Alt-A | 415.3% | 388.4% | 554.9% | 425.9% | 401.5% | −5.7% | −3.3% |
| Subprime | 675.0% | 559.7% | 748.5% | 551.6% | 510.3% | −7.5% | −24.4% |
| Other | 289.6% | 292.2% | 322.6% | 294.0% | 260.2% | −11.5% | −10.2% |
| Overall | 352.8% | 316.5% | 462.0% | 356.6% | 323.1% | −9.4% | −8.4% |

***Figure 21.*** **Newly Initiated Home Retention Actions**

Percentage of Completed Foreclosures and Other Home Forfeiture Actions



# Appendixes

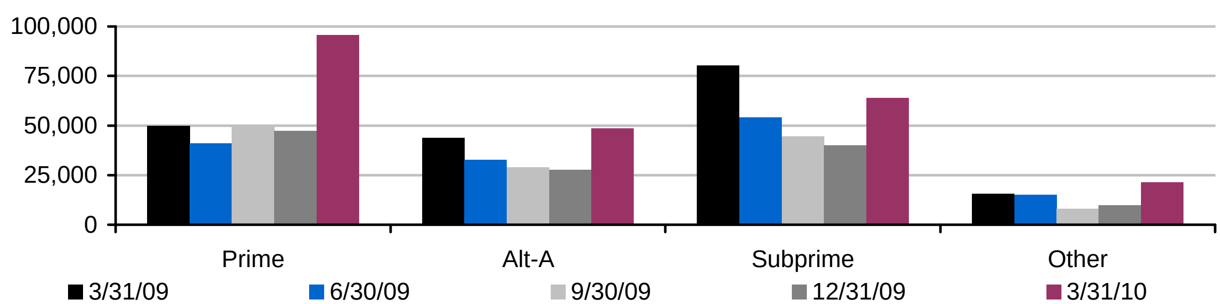
## Appendix A—New Loan Modifications

New loan modifications increased by 84.5 percent to 229,328 during the first quarter of 2010 because of the nearly four-fold increase in HAMP modifications, as well as a nearly 25 percent increase in other modifications. New modifications increased across all risk categories during the first quarter. New loan modifications relative to serious delinquencies and foreclosures in process also increased across all categories, reflecting both the increase in modifications as well as the decline in serious delinquencies.

**Table 47. Number of New Loan Modifications**

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Prime | 49,765 | 40,855 | 50,002 | 47,236 | 95,657 | 102.5% | 92.2% |
| Alt-A | 43,688 | 32,650 | 28,780 | 27,504 | 48,561 | 76.6% | 11.2% |
| Subprime | 80,319 | 53,884 | 44,452 | 39,908 | 63,866 | 60.0% | −20.5% |
| Other | 15,421 | 14,973 | 8,013 | 9,647 | 21,244 | 120.2% | 37.8% |
| Total | 189,193 | 142,362 | 131,247 | 124,295 | 229,328 | 84.5% | 21.2% |
| Percentages of New Loan Modifications Relative to Serious Delinquencies and Foreclosures in Process | | | | | | | |
| Prime | 4.8% | 3.4% | 3.6% | 3.1% | 6.4% | 103.5% | 33.3% |
| Alt-A | 8.8% | 5.9% | 4.6% | 4.1% | 7.5% | 84.3% | −15.0% |
| Subprime | 12.6% | 7.6% | 5.7% | 4.8% | 8.4% | 74.8% | −33.4% |
| Other | 5.0% | 4.4% | 1.9% | 2.1% | 4.5% | 111.4% | −8.9% |
| Total | 7.6% | 5.1% | 4.1% | 3.6% | 6.8% | 89.2% | −10.9% |

**Figure 22. Number of New Loan Modifications**



## *Appendix B—New Trial Period Plans*

Trial period plans become permanent modifications following the successful completion of the trial period. The following table includes information on the combined total of HAMP and other trial period plans. Total trial period plans of 280,917 initiated during the first quarter were 20.9 percent less than the fourth quarter of 2009 and 29.8 percent less than the high of 400,304 trial plans implemented in the third of quarter 2009. Servicers report that this decline is primarily because of the decrease in HAMP trial plans, resulting from both the reduction from the initial surge of new activity in the second and third quarters of 2009 and the requirement to provide all necessary documentation before starting a new trial plan.

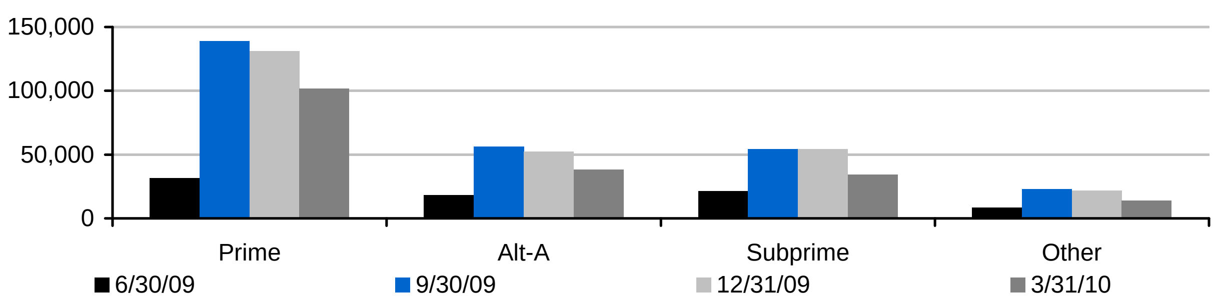
The percentage of new trial plans relative to the number of serious delinquencies and foreclosures in process decreased by 18.8 percent from the previous quarter as the decline in trial plans exceeded the decline in serious delinquencies and foreclosures in process.

Borrowers receiving home retention actions during a reporting period are not necessarily the same borrowers who were seriously delinquent or in the process of foreclosure at the end of the period. Home retention actions may have been offered to borrowers who were seriously delinquent or in process of foreclosure in a prior period. Correspondingly, borrowers who were seriously delinquent or in process of foreclosure at the end of the current reporting period may be offered home retention actions later.

***Table 48.*** **Number of Trial Period Plans**

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Prime | 8,984 | 46,645 | 183,209 | 158,942 | 127,671 | −19.7% | 1,321.1% |
| Alt-A | 11,539 | 32,543 | 81,631 | 72,270 | 57,422 | −20.5% | 397.6% |
| Subprime | 24,495 | 47,699 | 95,653 | 88,893 | 66,488 | −25.2% | 171.4% |
| Other | 8,187 | 17,314 | 39,811 | 34,903 | 29,336 | −15.9% | 258.3% |
| Total | 53,205 | 144,201 | 400,304 | 355,008 | 280,917 | −20.9% | 428.0% |
| Percentages of New Loan Modifications and Trial Period Plans Relative to Serious Delinquencies and Foreclosures in Process | | | | | | | |
| Prime | 0.87% | 3.91% | 13.29% | 10.57% | 8.53% | −19.3% | 885.7% |
| Alt-A | 2.32% | 5.88% | 13.01% | 10.65% | 8.83% | −17.1% | 280.5% |
| Subprime | 3.83% | 6.76% | 12.29% | 10.66% | 8.70% | −18.3% | 127.3% |
| Other | 2.63% | 5.13% | 9.52% | 7.73% | 6.24% | −19.3% | 137.0% |
| Total | 2.14% | 5.17% | 12.50% | 10.24% | 8.31% | −18.8% | 288.2% |

***Figure 23.*** **New Trial Period Plans**



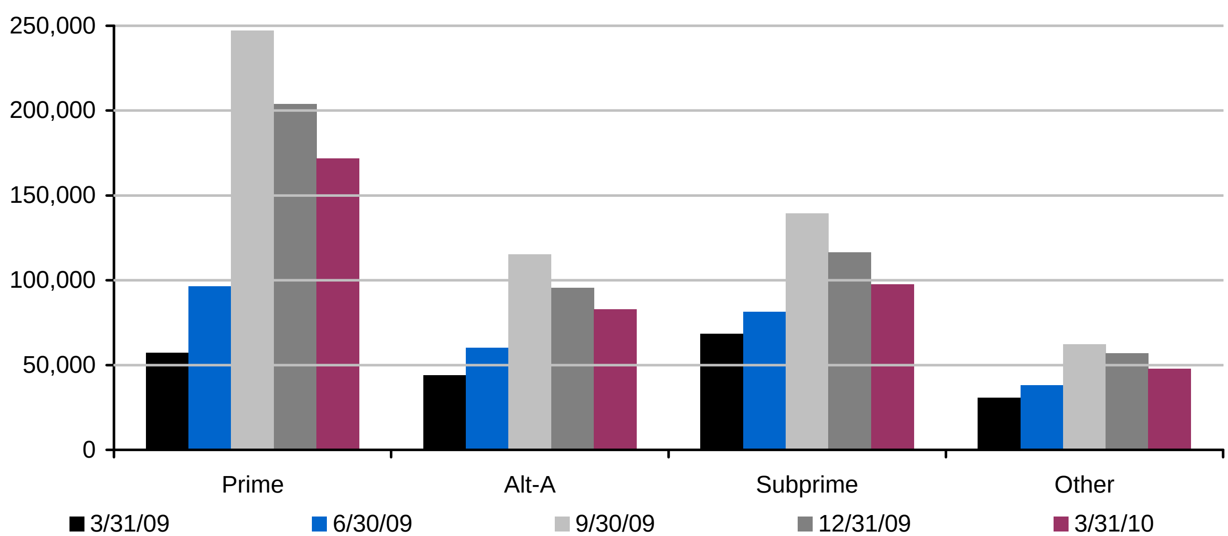
## *Appendix C—New Payment Plans*

New payment plans declined by 15.4 percent to 400,350 during the first quarter of 2010. New payment plans decreased across all risk categories in the first quarter, continuing the declines reported in the prior quarter, as servicers emphasized HAMP and other trial period plans instead of shorter-term payment plans. The number of new payment plans relative to the number of borrowers seriously delinquent or in process of foreclosure also decreased during the first quarter as the decline in the number of payment plans exceeded declines in serious delinquencies.

***Table 49.*** **Number of New Payment Plans**

| | 3/31/09 | 6/30/09 | 9/30/09 | 12/31/09 | 3/31/10 | 1Q %Change | 1Y %Change |
|---|---|---|---|---|---|---|---|
| Prime | 57,410 | 96,546 | 247,297 | 203,869 | 171,942 | −15.7% | 199.5% |
| Alt-A | 44,099 | 60,082 | 115,393 | 95,671 | 82,916 | −13.3% | 88.0% |
| Subprime | 68,555 | 81,398 | 139,397 | 116,402 | 97,656 | −16.1% | 42.4% |
| Other | 30,947 | 38,149 | 62,412 | 57,006 | 47,836 | −16.1% | 54.6% |
| Total | 201,011 | 276,175 | 564,499 | 472,948 | 400,350 | −15.4% | 99.2% |
| Percentages of New Payment Plans Relative to Serious Delinquencies and Foreclosures in Process | | | | | | | |
| Prime | 0.3% | 0.4% | 1.1% | 0.9% | 0.7% | −15.3% | 197.3% |
| Alt-A | 1.3% | 1.7% | 3.3% | 2.7% | 2.3% | −13.5% | 85.5% |
| Subprime | 2.4% | 2.9% | 5.0% | 4.2% | 3.7% | −13.2% | 54.2% |
| Other | 0.6% | 0.8% | 1.3% | 1.3% | 1.0% | −20.7% | 61.1% |
| Total | 0.6% | 0.8% | 1.7% | 1.4% | 1.2% | −15.5% | 100.3% |

***Figure 24.*** **Number of New Payment Plans**



## *Appendix D—Breakdown of Individual and Combination Modification Actions*

Servicers generally use a combination of actions to achieve payment sustainability when modifying a mortgage. These combination modifications accounted for 83.6 percent of all modifications implemented during the first quarter.

**Table 50. Changes in Loan Terms Made for Modifications Made Through the First Quarter of 2010**

| | Total Number of Changes in Each Category | | | Percentage of Modifications | | |
|---|---|---|---|---|---|---|
| | 9/30/09 | 12/31/09 | 3/31/10 | 9/30/09 (of 131,247) | 12/30/09 (of 124,295) | 3/31/10 (of 229,328) |
| Combination Modifications* | 106,267 | 107,689 | 191,671 | 81.0% | 86.6% | 83.6% |
| Capitalization | 11,196 | 10,716 | 21,174 | 8.5% | 8.6% | 9.2% |
| Rate Reduction | 9,636 | 2,773 | 11,495 | 7.3% | 2.2% | 5.0% |
| Rate Freeze | 498 | 651 | 935 | 0.4% | 0.5% | 0.4% |
| Term Extension | 988 | 901 | 1,733 | 0.8% | 0.7% | 0.8% |
| Principal Reduction | 3 | 0 | 10 | 0.0% | 0.0% | 0.0% |
| Principal Deferral | 32 | 50 | 309 | 0.0% | 0.0% | 0.1% |
| Unknown** | 2,627 | 1,515 | 2,001 | 2.0% | 1.2% | 0.9% |
| Total Modifications | 131,247 | 124,295 | 229,328 | 100.0% | 100.0% | 100.0% |

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

Most combination modifications included interest rate reduction and extension of the loan maturity on modifications that included capitalization of missed fees and payments. Principal deferral was included in 11.9 percent of the combination modifications, up from 6.6 percent in the prior quarter, while principal reduction was included in 2.3 percent of all combination modifications.

**Table 51. Changes in Loan Terms for Combination Modifications Made Through the First Quarter of 2010**

| | Total Number of Changes in Each Category | | | Percentage of Modifications | | |
|---|---|---|---|---|---|---|
| | 9/30/09 | 12/31/09 | 3/31/10 | 9/30/09 (of 100,296) | 12/31/09 (of 107,689) | 3/31/09 (of 191,665) |
| Capitalization | 78,044 | 92,169 | 166,330 | 73.4% | 85.6% | 86.8% |
| Rate Reduction | 96,655 | 102,339 | 185,457 | 91.0% | 95.0% | 96.8% |
| Rate Freeze | 2,734 | 1,472 | 1,722 | 2.6% | 1.4% | 0.9% |
| Term Extension | 61,734 | 56,952 | 105,560 | 58.1% | 52.9% | 55.1% |
| Principal Reduction | 17,320 | 8,435 | 4,412 | 16.3% | 7.8% | 2.3% |
| Principal Deferral | 4,008 | 7,155 | 22,892 | 3.8% | 6.6% | 11.9% |
| Unknown** | 2,627 | 1,515 | 2,001 | 2.5% | 1.4% | 1.0% |

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

## ***Index of Tables***

## ***Index of Figures***