

OCC Mortgage Metrics Report

Disclosure of National Bank Mortgage Loan Data

Third Quarter 2016

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

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About Mortgage Metrics

The Office of the Comptroller of the Currency (OCC) collects data on first-lien residential mortgage loans serviced by seven national banks with large mortgage-servicing portfolios.¹ The *OCC Mortgage Metrics Report* is published quarterly to promote broader understanding of mortgage portfolio performance and modification activity in the federal banking system, support supervision of regulated institutions, and fulfill section 104 of the Helping Families Save Their Homes Act of 2009 (codified at 12 USC 1715z-25), as amended by section 1493(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

- This report presents performance data for the third quarter of 2016.
- The data in this report reflect a portion of first-lien residential mortgages in the country. The characteristics of the loans included here may differ from the overall population. The loans included are not a statistically representative, random sample.
- The loans include those owned by the reporting banks, as well as loans that the banks service for others as a fee-based business.
- This report covers the performance of first-lien home mortgages in the portfolios of reporting banks. It excludes junior liens, Home Equity Lines of Credit (HELOCs), and Home Equity Conversion Mortgages (reverse mortgages) because of their unique performance characteristics.
- The OCC continually reviews the format and content of this report to ensure it supports supervisory needs and provides meaningful data. As a result of this process, the following two changes are being made, beginning with the report for the third quarter of 2016 :
 - Original FICO credit score had been used previously to describe characteristics of the portfolio of mortgages. The OCC does not endorse or require the use of any particular proprietary or vendor-provided credit scoring model for credit risk management or other reporting purposes. Therefore, servicers now submit data for prime, alt-a, subprime, and other mortgages, as displayed in figures 3 and 4 on page 6, using their internal credit scoring system.
 - First lien mortgages for the purchase of homes had previously been included in the report and continue to be included. The report now also includes first-lien, closed-end home equity loans.
- The OCC also instituted changes to its data collection method this quarter. Banks now submit aggregate data directly to the OCC rather than loan level data to a third-party aggregator. This new process resulted in some variances from previous quarters. The OCC expects reporting banks to address these processing issues in the fourth quarter of 2016. Third quarter data will be adjusted at that time.

¹ The seven national banks are Bank of America, Citibank, HSBC, JPMorgan Chase, PNC, U.S. Bank, and Wells Fargo. Data through the fourth quarter of 2015 include CIT/OneWest.

Executive Summary

Overall Mortgage Portfolio and Performance

- As of September 30, 2016, the reporting banks serviced approximately 20.4 million first-lien mortgage loans with \$3.5 trillion in unpaid principal balances (see figures 1 and 2). This \$3.5 trillion was 36 percent of all residential mortgage debt outstanding in the United States².
- The overall performance of mortgages this quarter continues to improve from a year earlier. The percentage of mortgages that were current and performing at the end of the third quarter of 2016 was 94.8 percent, compared with 93.9 percent a year earlier (see figure 6).
- Servicers initiate foreclosure actions at defined stages of loan delinquency. Foreclosure actions progress to sale of the property only if servicers and borrowers cannot arrange a permanent loss mitigation action, modification, home sale, or alternate workout solution. Servicers initiated 47,955 new foreclosures in the third quarter of 2016, a decrease of 1.6 percent from the previous quarter and 25.3 percent from a year earlier (see figure 7). Home forfeiture actions during the quarter—completed foreclosure sales, short sales, and deed-in-lieu-of-foreclosure actions—decreased 23.3 percent from a year earlier, to 32,463 (see figure 8).

Number and Type of Modifications Completed and Impact on Payment Amount

Servicers completed 35,642 modifications during the third quarter of 2016, a 3.0 percent increase from the prior quarter's modifications of 34,604. The increase was driven by process enhancements in the loss mitigation program at a major mortgage servicer.

- Of these 35,642 modifications, 93.7 percent were “combination modifications”—modifications that included multiple actions affecting affordability and sustainability of the loan, such as an interest rate reduction and a term extension. An additional 2,099 loan modifications received only a single action (see table 1).
- Among the 33,379 combination modifications completed during the quarter, 91.8 percent included capitalization of delinquent interest and fees, 80.9 percent included an interest rate reduction or freeze, 88.5 percent included a term extension, 7.4 percent included principal reduction, and 15.0 percent included principal deferral (see table 2).
- Among the 35,642 modifications completed during the quarter, 31,615, or 88.7 percent, reduced the loan's pre-modification monthly payment (see table 3).

Modified Loan Performance

The first quarter of 2016 is the first quarter for which all loans modified during the quarter could have aged at least six months by September 30, 2016. Among modifications that were completed during the first quarter of 2016, servicers reported that 3,987 were 60 or more days past due or in the process of foreclosure at the end of the month that they became six months old (see table 4).

² Residential mortgage debt is determined using the quarterly Federal Reserve Statistical Release, Z.1 Financial Accounts of the United States, Table L.218 Home Mortgages, Household Sector liabilities. This data are available after December 8, 2016. The second quarter 2016 statistic was 37 percent.

Figure 1. Total Serviced Mortgage Portfolio—Outstanding Principal in \$ Billions

Figure 1 reports the outstanding principal balance of reported loans and shows the declining amount of unpaid balance from the third quarter of 2014 through the third quarter of 2016.

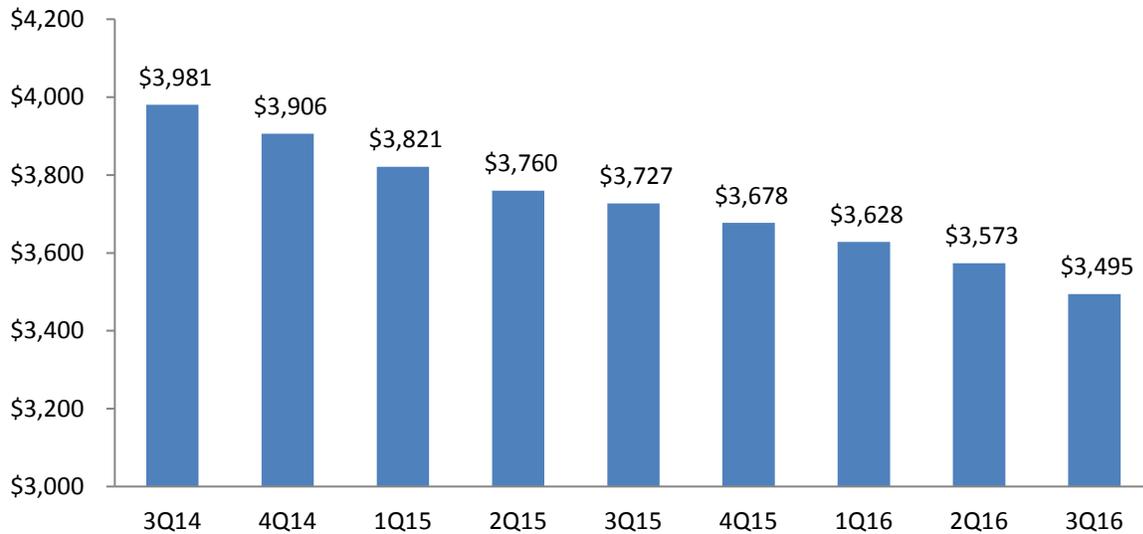


Figure 2. Total Serviced Mortgage Portfolio—Number of Loans in Thousands

Figure 2 reports the number of first-lien residential mortgages serviced by the seven reporting banks and illustrates the decline in their servicing portfolios from the third quarter of 2014 through the third quarter of 2016.

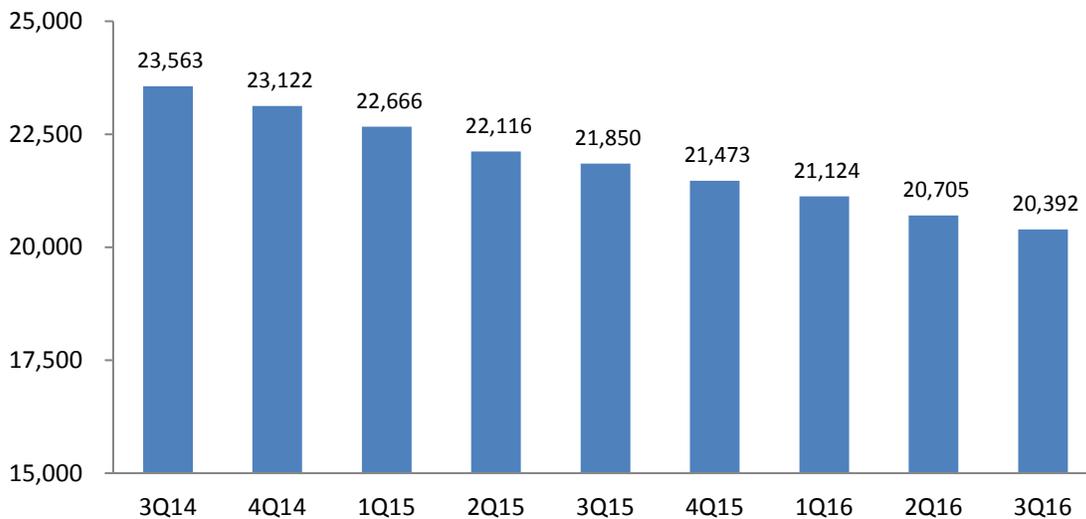


Figure 3. Composition—Loans in Thousands by Borrower Risk Category

Figure 3 shows the number of loans in each risk category from the third quarter of 2014 through the third quarter of 2016.³

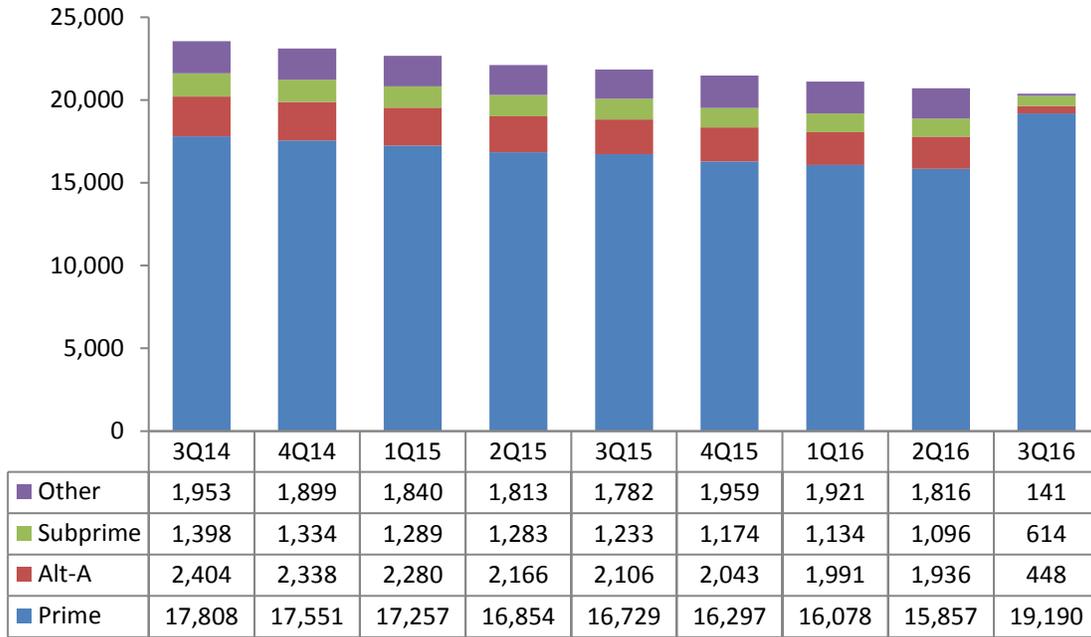
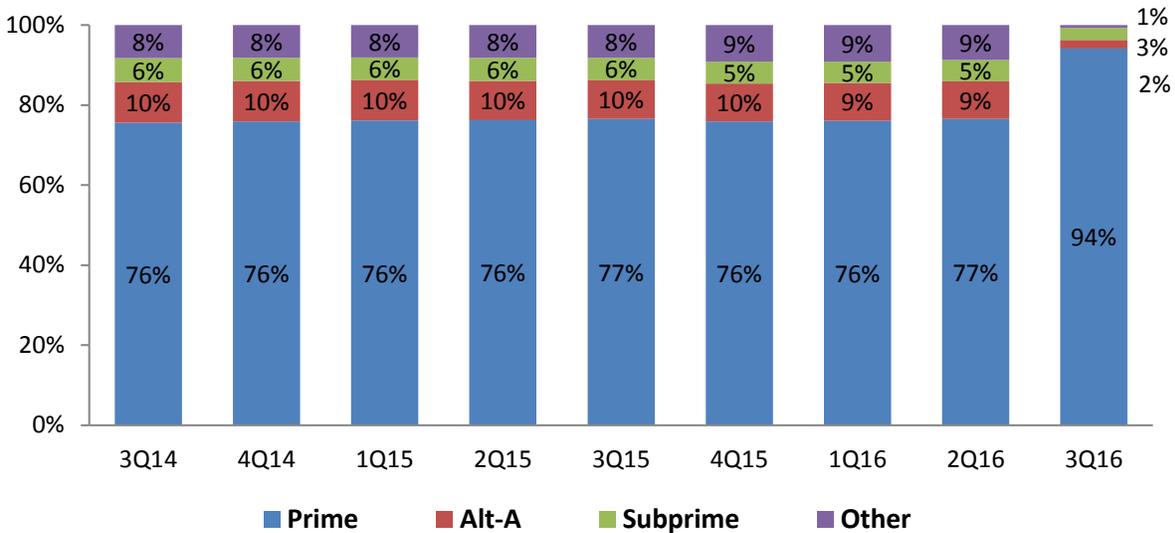


Figure 4. Composition—Percentage of Mortgages by Borrower Risk Category

Figure 4 reports the percentage of loans in each risk category and shows that composition has remained relatively stable from the third quarter of 2014 through the second quarter of 2016.



³ In the third quarter of 2016, the borrower risk categories were adjusted to reflect the banks' internal credit rating for Prime, Alt-A, or Subprime borrowers. The new definitions are incorporated in Appendix A.

Figure 5. Number of Loans in Delinquency and Foreclosures in Process

Figure 5 provides the quarterly number of loans in each category of delinquency from the third quarter of 2014 through the third quarter of 2016. Data show delinquencies have declined gradually during that period.

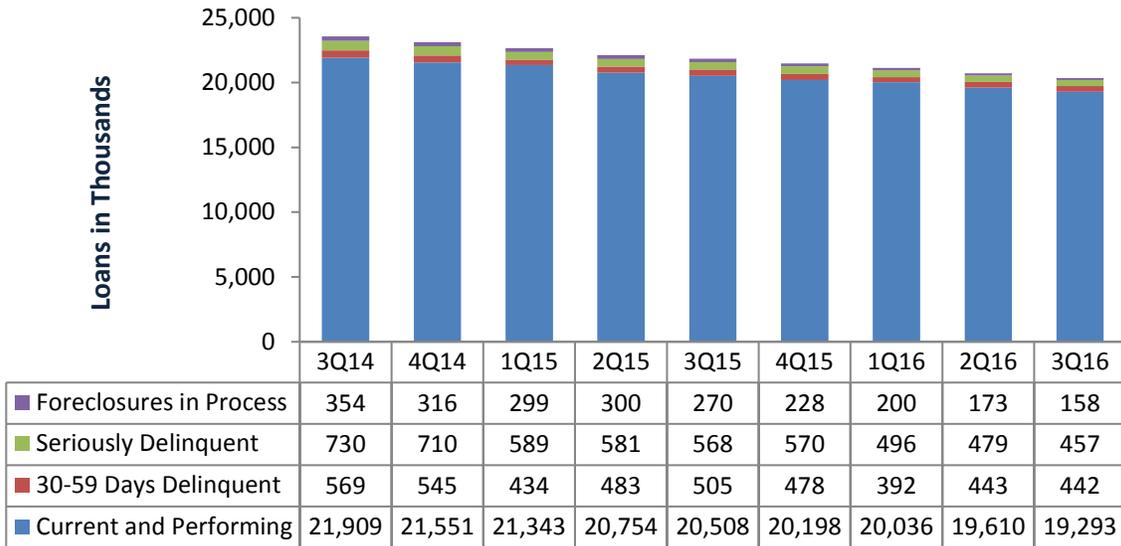


Figure 6. Percentage of Loans Current and Performing and in Delinquency

Figure 6 provides the quarterly percentage of mortgages in each category of delinquency from the third quarter of 2014 through the third quarter of 2016. Data show the concentration of seriously delinquent loans and foreclosures in process continue to decline.

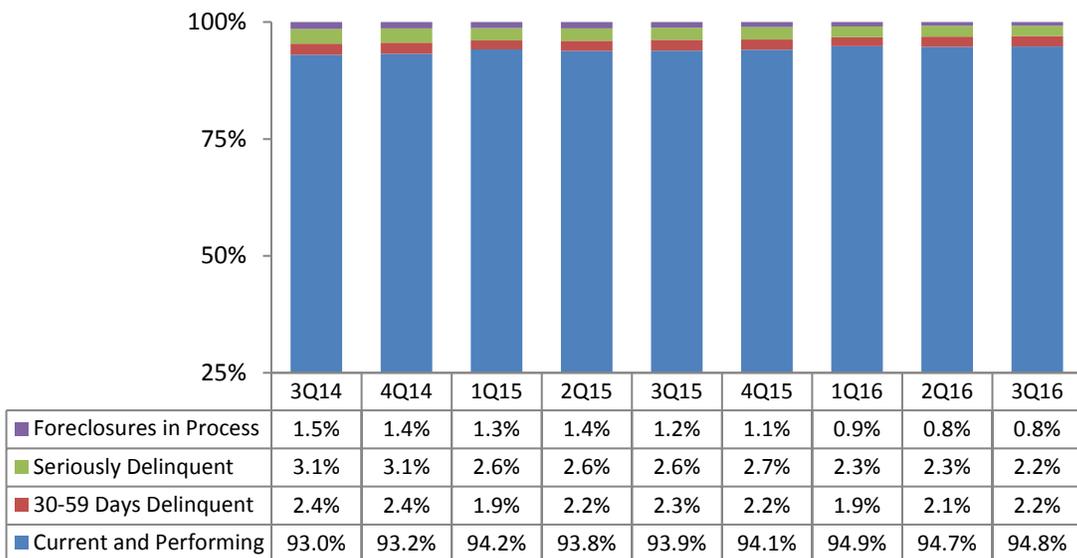


Figure 7. Newly Initiated Foreclosures—Loans in Thousands

Figure 7 reports the number of new foreclosure actions initiated quarterly from the third quarter of 2014 through the third quarter of 2016.

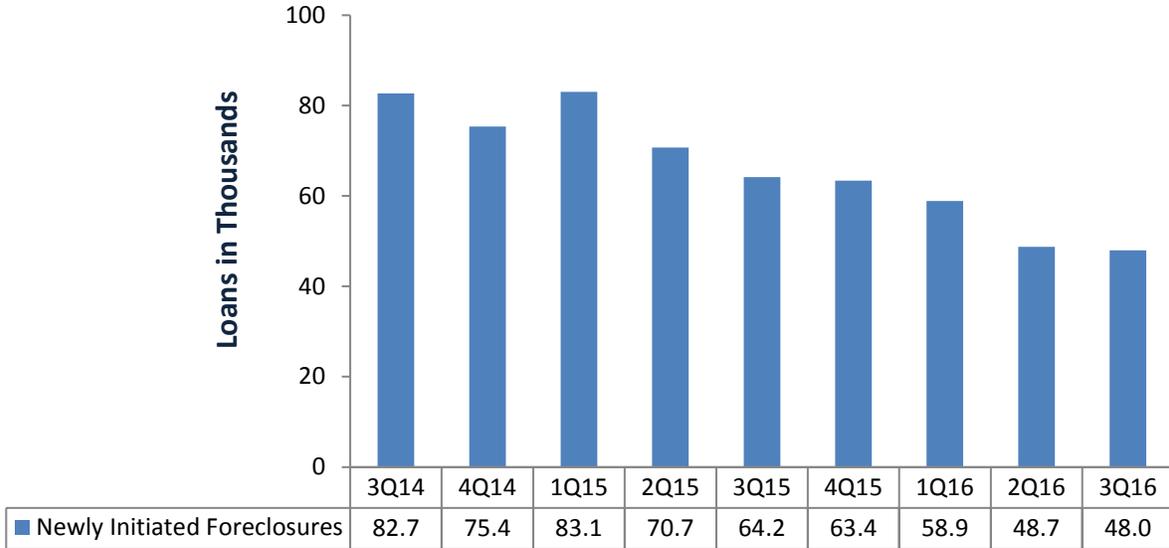


Figure 8. Completed Foreclosures and Other Home Forfeiture Actions—Loans in Thousands

Figure 8 shows the number of foreclosure and other home forfeiture actions completed quarterly from the third quarter of 2014 through the third quarter of 2016.

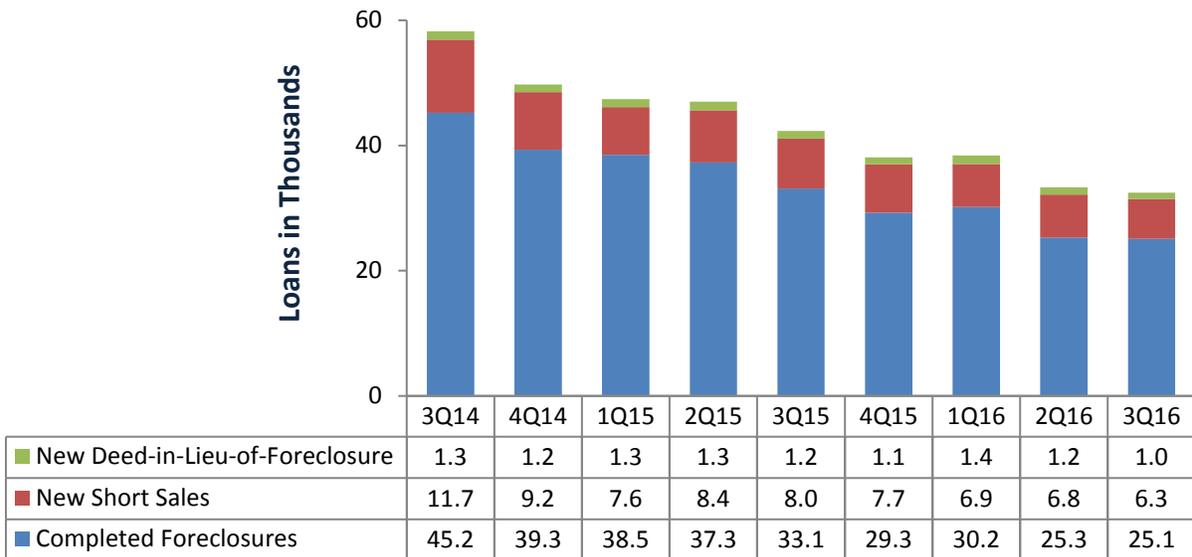


Table 1. Number of Mortgage Modification Actions Implemented in the Third Quarter of 2016								
States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reductions	Principal Deferral	Combination	Not Reported	Total Modifications
Total - All States	623	97	1,055	18	306	33,379	164	35,642
Alabama	6	1	11	0	3	507	4	532
Alaska	0	0	4	0	0	35	0	39
Arizona	12	1	25	2	8	587	6	641
Arkansas	6	0	2	0	0	282	0	290
California	97	27	95	5	47	2,849	34	3,154
Colorado	3	0	27	0	5	366	1	402
Connecticut	3	0	14	0	5	509	1	532
Delaware	3	0	6	0	2	227	0	238
District of Columbia	3	1	1	0	2	58	2	67
Florida	45	9	62	1	24	2,429	19	2,589
Georgia	26	3	52	1	10	1,461	6	1,559
Hawaii	1	0	3	0	0	79	0	83
Idaho	1	1	2	0	1	140	1	146
Illinois	20	5	54	0	7	1,773	15	1,874
Indiana	12	0	13	0	2	753	2	782
Iowa	2	0	8	0	5	229	1	245
Kansas	7	2	7	0	1	225	0	242
Kentucky	4	1	4	0	4	326	2	341
Louisiana	9	0	15	0	5	559	0	588
Maine	6	0	6	0	3	114	0	129
Maryland	28	1	66	2	19	1,154	4	1,274
Massachusetts	8	4	24	1	7	617	1	662
Michigan	12	6	9	1	3	724	6	761
Minnesota	7	0	17	0	8	608	2	642
Mississippi	4	1	13	0	3	246	0	267
Missouri	16	1	12	0	7	531	1	568
Montana	2	0	1	0	0	82	0	85
Nebraska	4	0	5	0	5	145	0	159
Nevada	8	1	11	1	3	353	3	380
New Hampshire	7	0	1	0	0	111	0	119
New Jersey	24	1	58	0	11	1,769	5	1,868
New Mexico	4	0	3	0	4	215	2	228
New York	24	8	54	1	16	2,343	7	2,453
North Carolina	28	0	41	0	7	1,176	2	1,254
North Dakota	3	0	1	0	0	24	0	28
Ohio	15	2	29	1	8	1,262	3	1,320
Oklahoma	3	0	7	0	5	311	1	327
Oregon	4	2	9	0	5	293	2	315
Pennsylvania	25	3	54	2	16	1,558	7	1,665
Rhode Island	2	0	7	0	2	156	3	170
South Carolina	13	3	22	0	9	659	0	706
South Dakota	0	0	3	0	1	40	0	44
Tennessee	22	1	19	0	1	639	1	683
Texas	41	6	99	0	3	2,597	10	2,756
Utah	6	0	9	0	1	252	2	270
Vermont	3	1	0	0	0	37	0	41
Virginia	27	2	34	0	11	898	4	976
Washington	11	1	19	0	11	538	4	584
West Virginia	1	0	1	0	2	89	0	93
Wisconsin	5	2	13	0	4	406	0	430
Wyoming	0	0	3	0	0	27	0	30
Other	0	0	0	0	0	11	0	11

Table 2. Number of Modification Actions in Combination Actions Implemented in the Third Quarter of 2016						
States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Total Combination Modifications
Total - All States	30,656	26,992	29,531	2,474	5,007	33,379
Alabama	474	408	445	23	33	507
Alaska	33	27	31	1	3	35
Arizona	531	473	513	35	70	587
Arkansas	270	243	257	11	23	282
California	2,604	2,216	2,286	334	588	2,849
Colorado	328	279	333	13	29	366
Connecticut	465	406	451	66	93	509
Delaware	206	191	201	9	33	227
District of Columbia	50	41	53	1	12	58
Florida	2,271	2,001	2,047	324	538	2,429
Georgia	1,313	1,222	1,320	85	173	1,461
Hawaii	77	56	60	12	12	79
Idaho	126	106	129	6	14	140
Illinois	1,626	1,497	1,589	183	500	1,773
Indiana	712	652	688	22	62	753
Iowa	219	178	212	5	14	229
Kansas	209	184	203	4	12	225
Kentucky	301	275	297	6	24	326
Louisiana	517	473	485	29	57	559
Maine	105	94	90	3	13	114
Maryland	1,034	959	1,004	102	213	1,154
Massachusetts	561	478	561	46	106	617
Michigan	659	608	631	63	97	724
Minnesota	562	468	555	15	64	608
Mississippi	237	216	213	15	18	246
Missouri	499	449	491	27	50	531
Montana	75	60	76	2	10	82
Nebraska	137	119	138	12	17	145
Nevada	313	275	297	37	78	353
New Hampshire	103	76	101	8	12	111
New Jersey	1,606	1,419	1,553	243	411	1,769
New Mexico	203	184	201	7	21	215
New York	2,189	1,782	2,122	217	487	2,343
North Carolina	1,092	917	1,064	40	130	1,176
North Dakota	24	13	24	0	0	24
Ohio	1,181	1,078	1,151	89	124	1,262
Oklahoma	286	257	281	6	17	311
Oregon	272	203	257	16	30	293
Pennsylvania	1,413	1,234	1,423	97	200	1,558
Rhode Island	145	120	132	19	35	156
South Carolina	616	511	591	27	65	659
South Dakota	39	31	36	2	2	40
Tennessee	586	525	528	35	60	639
Texas	2,308	2,224	2,420	50	179	2,597
Utah	222	199	230	8	19	252
Vermont	37	26	29	2	3	37
Virginia	822	707	782	47	112	898
Washington	504	410	481	30	64	538
West Virginia	88	68	77	7	9	89
Wisconsin	373	322	358	33	66	406
Wyoming	22	24	23	0	4	27
Other	11	8	11	0	1	11

Table 3. Changes in Monthly Principal and Interest Payments by State Modifications Implemented in the Third Quarter of 2016							
States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	18,269	7,464	5,882	297	3,591	139	35,642
Alabama	257	123	90	4	55	3	532
Alaska	23	5	9	0	2	0	39
Arizona	303	152	126	6	52	2	641
Arkansas	142	60	60	0	28	0	290
California	1,774	693	414	27	243	3	3,154
Colorado	217	89	79	4	13	0	402
Connecticut	263	102	94	5	67	1	532
Delaware	109	49	51	2	25	2	238
District of Columbia	34	18	7	2	6	0	67
Florida	1,347	516	387	18	304	17	2,589
Georgia	816	334	281	9	118	1	1,559
Hawaii	41	15	17	1	9	0	83
Idaho	66	37	26	2	15	0	146
Illinois	1,130	294	266	11	162	11	1,874
Indiana	362	183	137	3	93	4	782
Iowa	105	57	54	6	23	0	245
Kansas	119	48	47	1	27	0	242
Kentucky	147	91	59	7	29	8	341
Louisiana	291	129	96	3	69	0	588
Maine	50	23	31	2	23	0	129
Maryland	636	256	223	14	141	4	1,274
Massachusetts	323	151	101	7	78	2	662
Michigan	420	137	121	3	71	9	761
Minnesota	314	135	112	11	69	0	642
Mississippi	138	50	60	2	17	1	267
Missouri	273	128	104	1	62	0	568
Montana	39	21	17	1	7	0	85
Nebraska	75	37	21	6	20	0	159
Nevada	211	83	52	3	31	0	380
New Hampshire	71	23	17	0	8	0	119
New Jersey	1,009	386	262	9	195	7	1,868
New Mexico	113	45	44	3	22	1	228
New York	1,256	520	346	23	296	12	2,453
North Carolina	605	252	234	15	141	7	1,254
North Dakota	8	12	3	0	5	0	28
Ohio	704	228	216	7	156	9	1,320
Oklahoma	156	73	49	5	44	0	327
Oregon	143	82	49	4	36	1	315
Pennsylvania	836	369	265	17	158	20	1,665
Rhode Island	95	27	28	1	17	2	170
South Carolina	304	161	148	11	81	1	706
South Dakota	14	8	13	1	8	0	44
Tennessee	379	117	98	3	85	1	683
Texas	1,396	585	477	13	278	7	2,756
Utah	109	78	58	0	25	0	270
Vermont	17	8	8	1	7	0	41
Virginia	474	214	208	13	67	0	976
Washington	269	132	119	6	56	2	584
West Virginia	42	23	20	2	6	0	93
Wisconsin	221	97	75	2	34	1	430
Wyoming	18	5	3	0	4	0	30
Other	5	3	0	0	3	0	11

Table 4. Number of Re-Defaults for Loans Modified Six Months Previously Modified Loans 60 or More Days Delinquent After Six Months by Changes in Principal and Interest Payments							
States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Re-Defaults
Total - All States	1,474	827	795	50	822	19	3,987
Alabama	32	23	21	2	13	0	91
Alaska	1	0	3	0	0	0	4
Arizona	25	13	14	0	11	0	63
Arkansas	15	13	9	0	10	0	47
California	91	49	40	1	26	0	207
Colorado	11	16	5	1	15	0	48
Connecticut	21	13	11	0	10	0	55
Delaware	3	6	4	0	4	0	17
District of Columbia	4	3	1	0	1	0	9
Florida	98	45	36	2	69	0	250
Georgia	65	34	38	3	34	1	175
Hawaii	0	1	2	0	1	0	4
Idaho	7	1	0	0	2	0	10
Illinois	111	35	36	1	35	4	222
Indiana	46	23	29	1	32	1	132
Iowa	12	4	9	0	6	0	31
Kansas	10	8	7	0	7	0	32
Kentucky	17	6	9	1	14	2	49
Louisiana	29	23	14	0	31	0	97
Maine	5	3	3	1	4	0	16
Maryland	54	25	34	1	28	1	143
Massachusetts	32	13	15	1	13	1	75
Michigan	39	20	20	0	12	0	91
Minnesota	15	11	16	1	12	0	55
Mississippi	21	8	8	0	12	0	49
Missouri	31	23	12	0	13	0	79
Montana	2	1	2	0	1	0	6
Nebraska	4	3	1	0	5	0	13
Nevada	6	2	6	0	6	0	20
New Hampshire	6	4	1	1	3	0	15
New Jersey	82	47	31	1	37	2	200
New Mexico	6	3	6	0	6	0	21
New York	78	51	45	3	52	0	229
North Carolina	51	37	37	3	31	0	159
North Dakota	0	1	0	0	0	0	1
Ohio	66	40	43	2	45	0	196
Oklahoma	11	8	13	1	11	0	44
Oregon	13	5	8	1	7	0	34
Pennsylvania	64	41	40	4	36	5	190
Rhode Island	6	3	2	0	2	0	13
South Carolina	37	14	17	0	16	0	84
South Dakota	1	0	0	0	0	0	1
Tennessee	29	15	17	5	11	0	77
Texas	124	62	65	7	63	0	321
Utah	12	9	6	1	4	0	32
Vermont	1	4	1	1	1	0	8
Virginia	37	27	33	1	34	0	132
Washington	24	17	11	0	21	2	75
West Virginia	2	3	1	0	2	0	8
Wisconsin	14	10	12	3	12	0	51
Wyoming	1	1	1	0	1	0	4
Other	2	0	0	0	0	0	2

Appendix A—Definitions and Method

The *OCC Mortgage Metrics Report* relies on reporting elements and conventions standard in the residential mortgage industry.

- **Alt-A**—Mortgages to prime quality borrowers but do not satisfy the criteria for conforming or jumbo loan programs. For example, these loans may lack high loan-to-value mortgage insurance, have minimal documentation, or be secured by collateral other than the borrower's primary residence.
- **Capitalization**—Actions that increase the unpaid principal balance of the loan by the amount of any delinquent payments and fees.
- **Combination modifications**—Modifications that include more than one type of modification action. Most modifications generally require changes to more than one term of a loan to bring a loan current and reduce monthly payments to an amount that is affordable and sustainable.
- **Foreclosures in process**—Mortgages for which servicers have begun formal foreclosure proceedings but have not yet completed the foreclosure process. The foreclosure process varies by state. Many foreclosures in process never result in the loss of borrowers' homes because servicers simultaneously pursue other loss mitigation actions, and borrowers may return their mortgages to current and performing status.
- **Interest rate reductions and freezes**—Actions that reduce or freeze the contractual interest rate of the loan that was in effect prior to the modification action.
- **Loan modifications**—Actions that contractually change the terms of mortgages with respect to interest rates, maturity, principal, or other terms of the loan.
- **Other**—Mortgages in the portfolio that could not be classified by the bank as Prime, Alt-A, or Subprime.
- **Prime**—Mortgages to borrowers underwritten as part of a conforming or jumbo loan program. Typically these borrowers are eligible for standard loan programs and pricing. For example, borrowers typically have mortgage insurance when the loan-to-value exceeds 80 percent of the collateral property value.
- **Principal deferral modifications**—Modifications that remove a portion of the unpaid principal from the amount used to calculate monthly principal and interest payments for a set period. The deferred amount becomes due at the end of the loan term.
- **Principal reduction modifications**—Modifications that permanently reduce the unpaid principal owed on a mortgage.
- **Re-default**—For purposes of this report, a loan is defined as in re-default if it was 60 or more days past due as of the end of the month at which the modification was six months old. For example, a loan that was modified as of January 1, 2016, would be defined as in re-default if it was 60 or more days past due or 30 or more days past due and in the process of foreclosure as of its July 31, 2016, reporting date.

- **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.
- **Subprime**—Mortgages to borrowers that display a range of credit risk characteristics that may include a weakened credit history, reduced repayment capacity, or incomplete credit history. For example, a weakened credit history may include prior delinquencies, judgements, bankruptcies, or foreclosures on the credit report at the time of underwriting.
- **Term extensions**—Actions that delay the final maturity date of the loan that was in effect prior to the modification action.

Loan delinquencies are reported using the Mortgage Bankers Association convention that a loan is past due when a scheduled payment has not been made by the due date of the following scheduled payment. The statistics are based on the number of loans, unless stated otherwise.

Percentages are rounded to one decimal place unless the result is less than 0.1 percent, which is rounded to two decimal places. The report uses whole numbers when approximating. Values in tables may not total 100 percent because of rounding.

Results are not seasonally adjusted.