Office of the
Comptroller of the Currency

OCC Mortgage Metrics Report

Disclosure of National Bank Mortgage Loan Data

Fourth Quarter 2018

Office of the Comptroller of the Currency
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Contents

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 fourth quarter of 2018 for loans in which the reporting banks own or service for others as a fee-based business.
- 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.
- 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 (HELOC), and home equity conversion mortgages (reverse mortgages).
- 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 were made, beginning with the report for the third quarter of 2016:
  - Original FICO credit score had been used previously to describe borrower credit risk characteristics. 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 4, using their internal credit scoring system.
  - First-lien mortgages for the purchase of homes or refinancings of first-lien mortgages 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 beginning with the third quarter of 2016. 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 directed reporting banks to address these processing issues in the fourth quarter of 2016 and reflect any adjustments in the year-end 2016 data.

[1] The seven national banks are Bank of America, Citibank, HSBC, JPMorgan Chase, PNC, U.S. Bank, and Wells Fargo.

Executive Summary

Overall Mortgage Portfolio and Performance

- As of December 31, 2018, the reporting banks serviced approximately 16.9 million first-lien residential mortgage loans with $3.22 trillion in unpaid principal balances (see figures 1 and 2). This $3.22 trillion was 31 percent of all residential mortgage debt outstanding in the United States.[2]
- The overall performance of mortgages this quarter improved slightly from a year ago. The percentage of mortgages that were current and performing at the end of the fourth quarter of 2018 was 95.8 percent compared with 94.5 percent the previous year (see figure 6).
- Servicers initiate foreclosure actions at defined stages of loan delinquency. Foreclosure actions progress to sale of the property only when servicers and borrowers cannot arrange a permanent loss mitigation action, modification, home sale, or alternate workout solution. Servicers initiated 29,515 new foreclosures in the fourth quarter of 2018, an increase of 3.5 percent from the previous quarter and a decrease of 14.5 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 20.9 percent from a year earlier to 14,520 (see figure 8).

Number and Type of Modifications Completed and Impact on Payment Amount

Servicers completed 20,256 modifications during the fourth quarter of 2018, a 21.2 percent decrease from the prior quarter's 25,701 modifications.

- Of these 20,256 modifications, 17,487, or 86 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. Of the remaining 2,769, 2,636 loan modifications received a single action and 133 modifications were not assigned a modification type (see table 1).
- Among the 17,487 combination modifications completed during the quarter, 97.2 percent included capitalization of delinquent interest and fees, 38.3 percent included an interest rate reduction or freeze, 96.3 percent included a term extension, 1.2 percent included principal reduction, and 13.9 percent included principal deferral (see table 2).
- Of the 20,256 modifications completed during the quarter, 14,828, or 73.2 percent, reduced the loan's pre-modification monthly payment (see table 3).

Modified Loan Performance

The second quarter of 2018 is the first quarter for which all loans modified during that quarter could have aged at least six months by December 31, 2018. Of the 32,655 modifications that

[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. Data as of December 31, 2018.

were completed during the second quarter of 2018, servicers reported that 4,169, or 12.76 percent, 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).

Figure 1 reports the outstanding principal balance of reported loans and shows the declining amount of unpaid balance from the fourth quarter of 2016 through the fourth quarter of 2018.

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

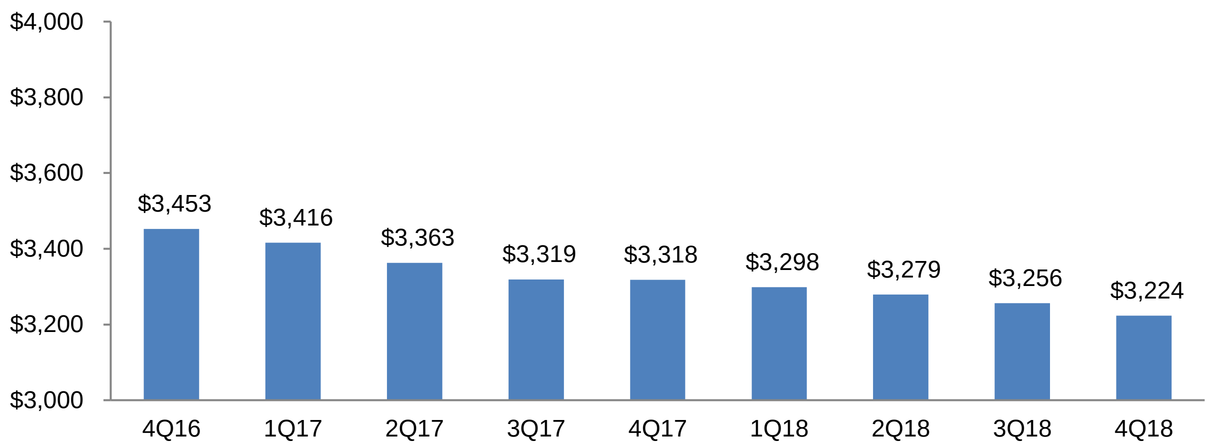


Figure 2 reports the number of first-lien residential mortgages serviced by the seven reporting banks and illustrates the decline in their servicing portfolios from the fourth quarter of 2016 through the fourth quarter of 2018.

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

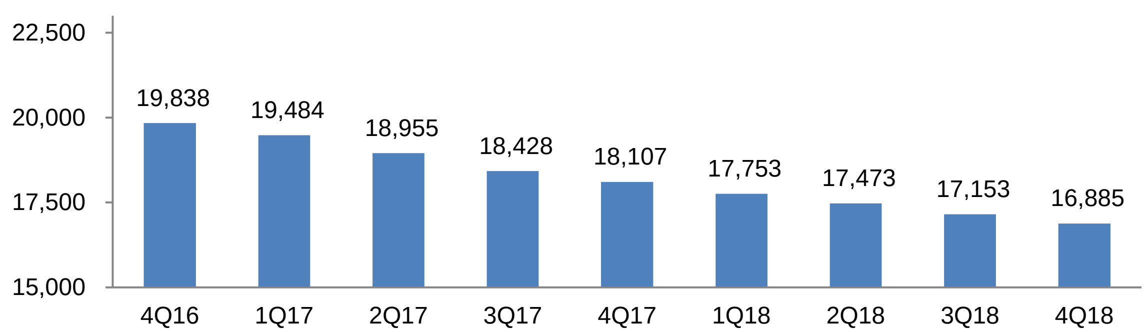
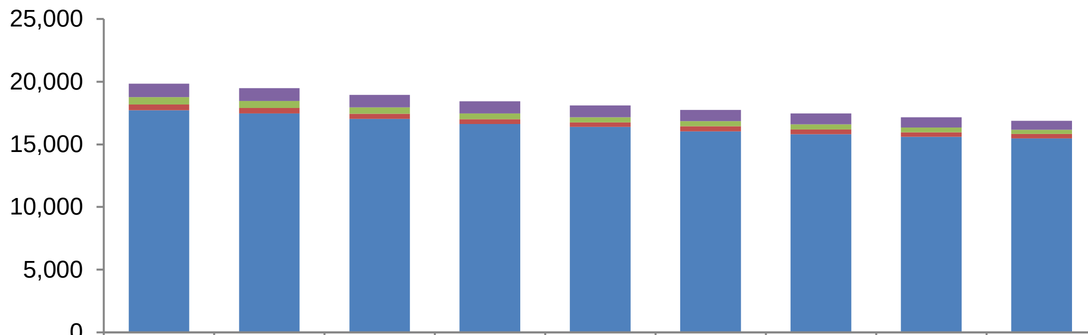


Figure 3 shows the number of loans in each risk category from the fourth quarter of 2016 through the fourth quarter of 2018.[3]

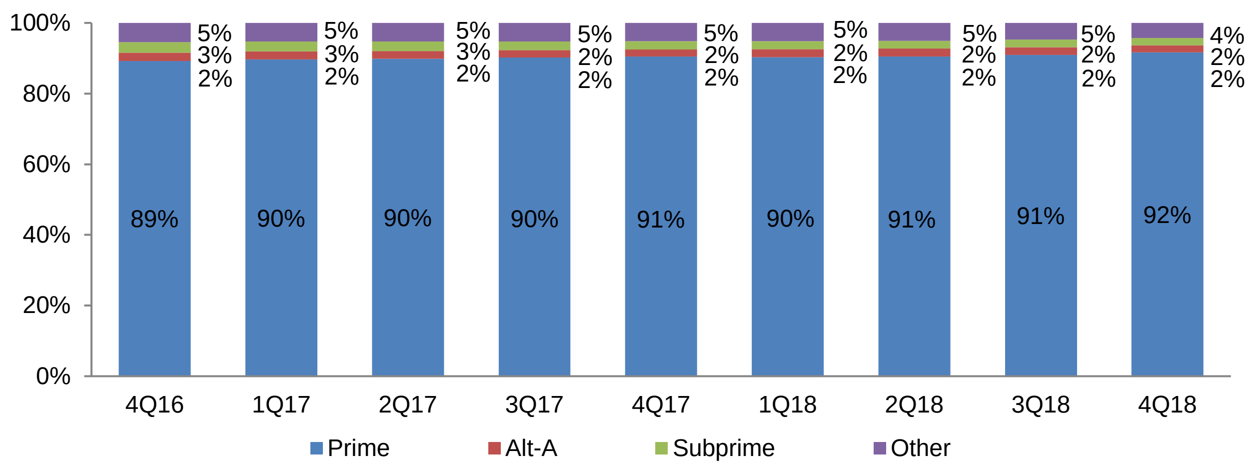
Figure 3: Composition—Loans in Thousands by Borrower Risk Category



	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Other	1,076	1,028	998	968	938	914	886	811	713
Subprime	591	546	515	455	427	402	387	373	352
Alt-A	465	444	415	383	352	398	385	369	338
Prime	17,707	17,465	17,027	16,622	16,391	16,039	15,815	15,600	15,482

Figure 4 reports the percentage of loans in each risk category and shows that composition has remained relatively stable since the fourth quarter of 2016.

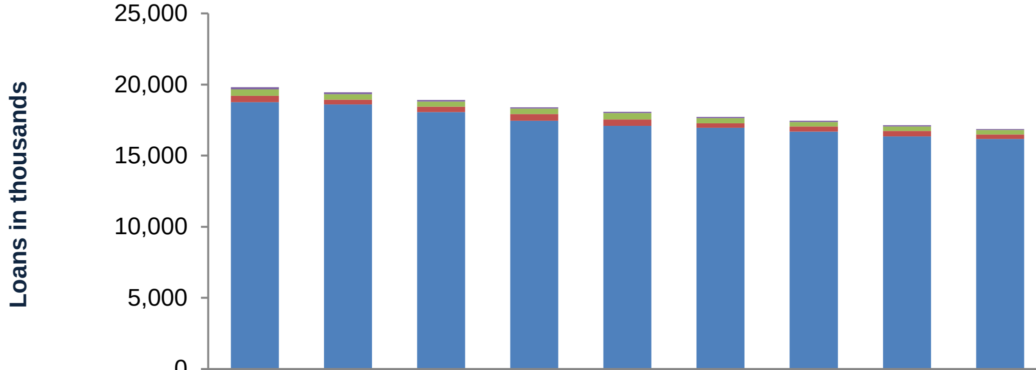
Figure 4: Composition—Percentage of Mortgages by Borrower Risk Category



[3] In the third quarter of 2016, the borrower risk categories were adjusted to reflect the banks' internal credit scoring for Prime, Alt-A, or Subprime borrowers. The three categories are defined in appendix A.

Figure 5 provides the quarterly number of loans in each category of delinquency from the fourth quarter of 2016 through the fourth quarter of 2018.

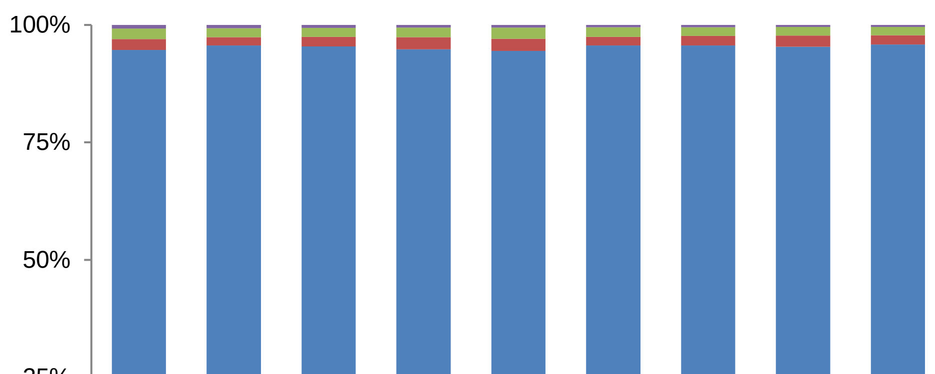
Figure 5: Number of Loans in Delinquency and Foreclosures in Process



	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Foreclosures in process	146	135	118	102	98	90	81	75	70
Seriously delinquent	455	372	362	378	439	355	322	316	299
30-59 days delinquent	454	348	386	473	459	329	360	400	334
Current and performing	18,747	18,595	18,058	17,447	17,085	16,954	16,686	16,343	16,163

Figure 6 provides the quarterly percentage of mortgages in each category of delinquency from the fourth quarter of 2016 through the fourth quarter of 2018. Data show that the concentration of seriously delinquent loans and foreclosures in process remains relatively low.

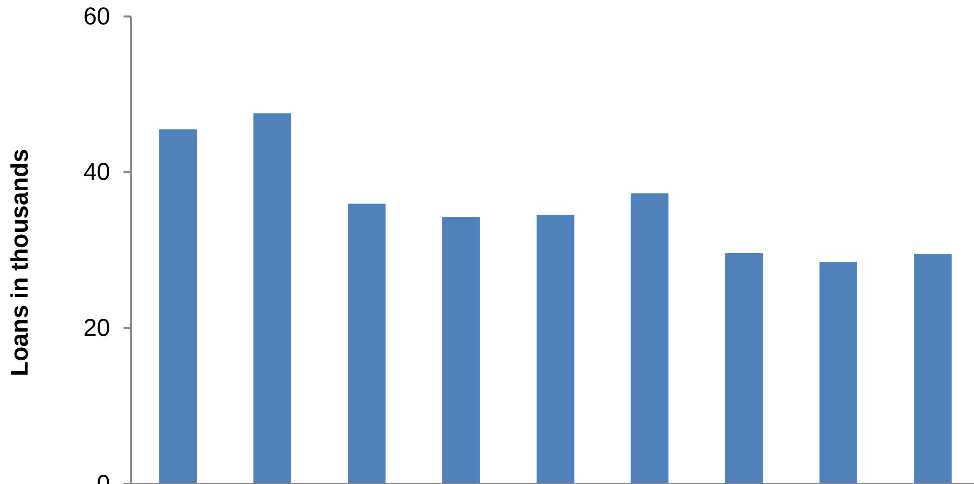
Figure 6: Percentage of Loans Current and Performing and in Delinquency



	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Foreclosures in process	0.7%	0.7%	0.6%	0.6%	0.5%	0.5%	0.5%	0.4%	0.4%
Seriously delinquent	2.3%	1.9%	1.9%	2.1%	2.4%	2.0%	1.8%	1.8%	1.8%
30-59 days delinquent	2.3%	1.8%	2.0%	2.6%	2.5%	1.9%	2.1%	2.3%	2.0%
Current and performing	94.7%	95.6%	95.4%	94.8%	94.5%	95.6%	95.6%	95.4%	95.8%

Figure 7 reports the number of new foreclosure actions initiated quarterly from the fourth quarter of 2016 through the fourth quarter of 2018. New foreclosure actions decreased to 29,515, or 14.5 percent, compared with 34,519 in the fourth quarter of 2017.

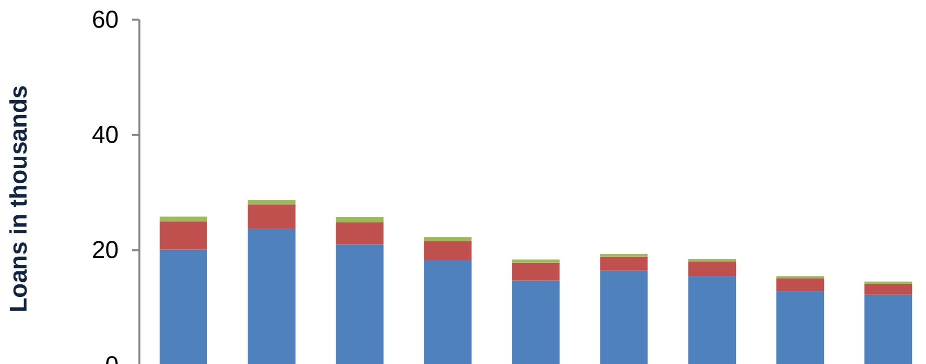
Figure 7: Newly Initiated Foreclosures—Loans in Thousands



	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Newly initiated foreclosures	45.5	47.5	36.0	34.3	34.5	37.3	29.6	28.5	29.5

Figure 8 shows the number of foreclosure and other home forfeiture actions completed quarterly from the fourth quarter of 2016 through the fourth quarter of 2018. Completed foreclosures and other forfeiture actions decreased 20.9 percent to 14,520 compared with 18,353 in the fourth quarter of 2017.

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



	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18
New deed-in-lieu-of-foreclosure	0.8	0.8	0.9	0.7	0.6	0.5	0.5	0.4	0.4
New short sales	4.9	4.2	3.9	3.3	3.1	2.5	2.6	2.2	1.9
Completed foreclosures	20.1	23.7	21.0	18.3	14.7	16.4	15.5	12.9	12.2

Table 1: Number of Mortgage Modification Actions Implemented in the Fourth Quarter of 2018								
States	Capitalization	Rate reduction or freeze	Term extension	Principal reductions	Principal deferral	Combination	Not reported	Total modifications
Total—all states	322	231	1,734	25	324	17,487	133	20,256
Alabama	1	2	24	0	1	296	2	326
Alaska	1	0	9	0	2	30	0	42
Arizona	5	3	22	0	7	325	4	366
Arkansas	1	2	10	0	3	187	1	204
California	23	18	80	0	54	867	17	1,059
Colorado	2	0	11	0	2	156	0	171
Connecticut	3	3	23	1	4	248	2	284
Delaware	2	0	9	0	2	116	0	129
District of Columbia	0	2	1	0	1	41	0	45
Florida	77	17	358	6	37	2,276	11	2,782
Georgia	15	11	91	0	10	757	4	888
Hawaii	1	0	1	0	0	37	0	39
Idaho	0	1	4	0	2	45	0	52
Illinois	14	16	55	5	18	784	6	898
Indiana	5	3	29	0	2	453	3	495
Iowa	1	0	3	0	5	130	2	141
Kansas	1	1	6	0	1	118	1	128
Kentucky	2	1	8	0	1	161	1	174
Louisiana	6	6	34	0	2	372	2	422
Maine	1	2	10	0	0	51	1	65
Maryland	9	14	58	3	14	547	15	660
Massachusetts	3	4	29	0	4	219	1	260
Michigan	6	6	25	1	3	316	2	359
Minnesota	1	4	16	0	8	338	0	367
Mississippi	3	2	11	0	4	153	0	173
Missouri	9	5	18	0	4	298	0	334
Montana	0	0	1	0	0	42	0	43
Nebraska	1	2	5	0	2	103	0	113
Nevada	4	3	10	1	6	136	4	164
New Hampshire	0	1	4	0	0	46	0	51
New Jersey	8	6	69	1	10	594	9	697
New Mexico	2	2	2	0	1	103	2	112
New York	13	12	83	2	13	798	10	931
North Carolina	17	8	51	0	14	625	1	716
North Dakota	0	0	0	0	0	12	0	12
Ohio	5	2	47	2	10	609	3	678
Oklahoma	4	3	12	0	1	191	1	212
Oregon	0	1	11	0	3	115	0	130
Pennsylvania	6	13	61	2	21	728	4	835
Rhode Island	0	1	5	0	1	41	1	49
South Carolina	13	4	18	0	12	337	4	388
South Dakota	0	0	1	0	1	24	0	26
Tennessee	3	6	27	0	5	276	4	321
Texas	37	27	302	0	15	2,306	8	2,695
Utah	1	1	11	0	1	103	1	118
Vermont	0	0	0	0	0	19	0	19
Virginia	6	8	38	1	8	413	2	476
Washington	3	4	14	0	5	221	3	250
West Virginia	1	0	3	0	1	56	0	61
Wisconsin	3	3	10	0	3	216	1	236
Wyoming	1	1	2	0	0	33	0	37
Other	2	0	2	0	0	19	0	23

Table 2: Number of Modification Actions in Combination Actions Implemented in the Fourth Quarter of 2018						
States	Capitalization	Rate reduction or freeze	Term extension	Principal reduction	Principal deferral	Total combination modifications
Total—all states	16,989	6,698	16,846	216	2,434	17,487
Alabama	290	137	284	5	53	296
Alaska	28	7	29	-	5	30
Arizona	319	134	314	6	49	325
Arkansas	184	87	180	3	14	187
California	844	306	803	6	154	867
Colorado	150	54	153	1	14	156
Connecticut	237	94	236	6	60	248
Delaware	113	46	109	1	14	116
District of Columbia	41	13	39	-	4	41
Florida	2,179	807	2,142	25	462	2,276
Georgia	742	253	739	6	90	757
Hawaii	36	14	35	-	5	37
Idaho	44	14	45	-	4	45
Illinois	753	349	746	31	148	784
Indiana	445	174	442	3	42	453
Iowa	126	47	128	-	11	130
Kansas	115	54	116	-	10	118
Kentucky	155	71	158	-	14	161
Louisiana	366	159	366	3	40	372
Maine	48	22	50	1	8	51
Maryland	533	182	527	11	99	547
Massachusetts	216	68	210	-	34	219
Michigan	312	111	310	4	40	316
Minnesota	333	114	328	-	37	338
Mississippi	149	78	146	2	11	153
Missouri	288	127	285	7	25	298
Montana	41	16	42	-	2	42
Nebraska	97	47	98	-	12	103
Nevada	134	57	126	3	20	136
New Hampshire	45	14	46	-	5	46
New Jersey	575	242	556	16	154	594
New Mexico	100	41	101	2	20	103
New York	771	326	761	19	159	798
North Carolina	612	237	610	3	74	625
North Dakota	11	5	12	-	2	12
Ohio	597	267	593	12	60	609
Oklahoma	185	77	189	-	13	191
Oregon	114	33	115	1	15	115
Pennsylvania	709	264	705	14	111	728
Rhode Island	40	17	38	2	9	41
South Carolina	330	119	329	5	48	337
South Dakota	24	9	24	-	4	24
Tennessee	267	115	271	2	23	276
Texas	2,237	899	2,259	2	106	2,306
Utah	102	25	103	-	12	103
Vermont	18	4	18	1	5	19
Virginia	403	154	402	4	59	413
Washington	217	68	220	1	18	221
West Virginia	54	27	53	1	3	56
Wisconsin	208	91	206	6	48	216
Wyoming	28	15	28	-	1	29
Other	6	3	6	-	-	6

Table 3: Changes in Monthly Principal and Interest Payments by State Modifications Implemented in the Fourth Quarter of 2018							
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	6,909	4,090	3,829	870	4,962	33	20,256
Alabama	120	79	70	1	60	-	326
Alaska	14	11	6	2	10	-	42
Arizona	138	91	51	11	80	1	366
Arkansas	80	49	35	5	42	-	204
California	436	301	145	60	185	3	1,059
Colorado	53	49	29	2	40	-	171
Connecticut	121	62	41	4	67	-	284
Delaware	43	24	24	2	37	-	129
District of Columbia	16	10	7	1	11	-	45
Florida	642	426	720	366	662	4	2,782
Georgia	290	178	174	21	241	-	888
Hawaii	12	16	5	-	6	-	39
Idaho	16	17	7	2	10	-	52
Illinois	368	176	147	21	209	-	898
Indiana	155	90	94	12	143	1	495
Iowa	43	28	27	8	37	-	141
Kansas	51	18	23	3	33	-	128
Kentucky	54	41	30	6	47	-	174
Louisiana	152	86	87	4	101	-	422
Maine	30	8	13	-	16	-	65
Maryland	243	140	103	17	177	-	660
Massachusetts	90	56	49	4	66	-	260
Michigan	145	77	66	5	73	-	359
Minnesota	113	103	50	10	99	-	367
Mississippi	62	49	30	5	31	-	173
Missouri	115	74	56	5	90	1	334
Montana	9	9	12	1	13	-	43
Nebraska	53	18	17	2	26	-	113
Nevada	57	36	22	5	44	3	164
New Hampshire	21	13	11	-	8	-	51
New Jersey	295	133	121	12	153	-	697
New Mexico	40	28	16	1	30	1	112
New York	337	214	148	16	233	9	931
North Carolina	262	141	139	16	173	1	716
North Dakota	7	2	1	-	2	-	12
Ohio	232	108	119	12	212	2	678
Oklahoma	78	39	38	2	61	1	212
Oregon	49	32	28	4	21	-	130
Pennsylvania	345	161	123	23	202	1	835
Rhode Island	18	8	9	1	14	1	49
South Carolina	133	77	65	14	105	-	388
South Dakota	7	11	3	1	4	-	26
Tennessee	139	60	72	8	57	-	321
Texas	797	461	573	145	745	1	2,695
Utah	35	26	26	1	32	-	118
Vermont	7	4	1	-	7	-	19
Virginia	165	103	91	11	119	2	476
Washington	85	58	43	7	63	-	250
West Virginia	29	14	10	2	10	-	61
Wisconsin	89	58	38	4	49	1	236
Wyoming	12	16	5	-	4	-	37
Other	6	1	9	5	2	-	23

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	924	778	982	133	1,346	6	4,169
Alabama	14	13	11	-	30	2	70
Alaska	2	-	1	1	2	-	6
Arizona	19	17	15	-	11	-	62
Arkansas	13	6	8	1	29	-	57
California	37	31	36	1	39	-	144
Colorado	4	6	8	-	4	-	22
Connecticut	14	19	6	-	17	-	56
Delaware	8	2	5	1	13	-	29
District of Columbia	3	2	5	-	1	-	11
Florida	57	62	94	73	89	1	376
Georgia	38	38	54	4	80	-	214
Hawaii	1	2	-	-	3	-	6
Idaho	1	1	5	-	3	-	10
Illinois	54	44	51	2	75	-	226
Indiana	21	17	38	2	41	-	119
Iowa	7	10	6	1	17	-	41
Kansas	8	2	9	-	15	-	34
Kentucky	13	7	13	1	20	-	54
Louisiana	23	13	25	-	50	-	111
Maine	2	-	-	-	4	-	6
Maryland	29	28	29	1	54	-	141
Massachusetts	11	10	12	2	26	-	61
Michigan	24	13	21	-	21	-	79
Minnesota	18	19	16	-	14	-	67
Mississippi	7	11	9	-	15	-	42
Missouri	19	16	18	2	28	-	83
Montana	3	1	1	-	5	-	10
Nebraska	2	4	13	-	9	-	28
Nevada	6	6	3	-	6	-	21
New Hampshire	1	2	6	1	2	-	12
New Jersey	36	37	23	2	46	1	145
New Mexico	9	6	4	-	4	-	23
New York	53	30	45	1	60	2	191
North Carolina	36	49	43	1	63	-	192
North Dakota	-	-	1	-	-	-	1
Ohio	44	21	43	-	52	-	160
Oklahoma	14	17	17	-	13	-	61
Oregon	6	4	9	-	6	-	25
Pennsylvania	58	39	41	1	39	-	178
Rhode Island	3	3	3	1	2	-	12
South Carolina	13	15	26	1	50	-	105
South Dakota	-	1	-	-	1	-	2
Tennessee	22	18	12	-	28	-	80
Texas	108	95	146	29	180	-	558
Utah	5	7	9	1	10	-	32
Vermont	1	1	-	-	1	-	3
Virginia	28	16	21	2	38	-	105
Washington	3	6	8	-	10	-	27
West Virginia	4	-	2	-	5	-	11
Wisconsin	21	11	10	1	11	-	54
Wyoming	1	-	1	-	4	-	6
Other	-	-	-	-	-	-	-

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. Alt-A mortgages are based on the borrower's credit conditions at origination.

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 before 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. Other mortgages are based on the borrower's credit conditions at origination.

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. Prime mortgages are based on the borrower's credit conditions at origination.

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, 2019 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, 2019, 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. A weakened credit history may include prior delinquencies, judgments, bankruptcies, or foreclosures on the credit report at the time of underwriting. Subprime mortgages are based on the borrower’s credit conditions at origination.

Term extensions: Actions that delay the final maturity date of the loan that was in effect before 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.