Press Releases

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OTS 09-056 - OCC and OTS Release Mortgage Metrics Report for Second Quarter 2009

Joint Release

Office of the Comptroller of the Currency
Office of Thrift Supervision

For Immediate Release
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Washington, D.C. — Actions to keep Americans in their homes grew by almost 22 percent during the second quarter of 2009, according to a report released today by the Office of the Comptroller of the Currency and the Office of Thrift Supervision.

The latest OCC and OTS Mortgage Metrics Report showed that difficult economic conditions resulted in higher rates of mortgage delinquencies and foreclosures in process, which increased to 8.5 percent and 2.9 percent of all serviced mortgages, respectively, but as the Administration's "Making Home Affordable" program got underway during the quarter, efforts to assist homeowners and avoid loss were also on the rise.

Since the first quarter of 2008, these home retention actions have increased by nearly 75 percent.

The "Making Home Affordable" program requires borrowers to successfully complete a three-month trial period before loan terms can be permanently modified. The Mortgage Metrics Report classified actions under this program as payment plans. As a result, payment plans increased by 73.9 percent for the second quarter of 2009, while loan modifications declined by 25.2 percent. Successfully completed trial period payment plans will be reported as loan modifications in future reports.

The percentage of modifications that reduced borrowers' monthly principal and interest payments continued to increase to more than 78 percent of all new modifications, up from about 54 percent in the previous quarter. Also, the percentage of modifications that reduced principal more than tripled to 10 percent, from 3.1 percent in the first quarter. This trend represents a significant shift from earlier quarters, when the vast majority of loan modifications either did not change monthly payments or increased them. As noted in prior reports, modifications that reduce borrowers' monthly payments continued to produce lower levels of re-defaults and longer term sustainability than modifications that either increased payments or did not change them.

Other key findings of the report include:

- The percentage of current and performing mortgages fell by 1.4 percent to 88.6 percent of the 34 million loans in the portfolios of reporting servicers.

- Economic factors continued to adversely affect credit quality, with delinquencies up across all risk categories—prime, Alt-A, and subprime. The percentage of serious delinquencies increased to 5.3 percent of all loans in the portfolio.
- Servicers implemented almost 440,000 new home retention actions in the quarter; these actions continued to increase more quickly than new foreclosures.
- Although delinquencies rose, the number of new foreclosure actions remained about the same as in the previous quarter. Total foreclosures in process continued to grow and reached 993,000 mortgages, or about 2.9 percent of the portfolio.
- Servicers changed more than one feature of mortgages in more than 75 percent of modifications they made. The most common changes were reducing interest rates, capitalizing missed fees and payments, and extending the length of the loans.
- New to this report are performance data on Payment Option Adjustable Rate Mortgages (ARMs), which allow borrowers to choose from a variety of payment options each month, including payments that reduce principal, cover interest only, or result in unpaid interest being added to the balance of the loan, resulting in an increased amount owed. The risks of these loans and geographical concentration caused them to perform significantly worse than the overall portfolio. In the second quarter, 15.2 percent of the more than 900,000 Payment Option ARMs in the portfolio were seriously delinquent, compared with 5.3 percent of all mortgages, and 10 percent were in the process of foreclosure, more than triple the 2.9 percent rate for all mortgages.

The report, produced quarterly, covers 34 million loans totaling about $6 trillion in principal balances and representing about 64 percent of all first lien mortgages in the country. The full series of reports provides information from the beginning of 2008 through the second quarter of 2009.

Attachments:

- OCC and OTS Mortgage Metrics Report, Second Quarter 2009 - http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2009-56a.pdf

- OCC/OTS Mortgage Metrics – Loan Level Data Collection: Field Definitions - http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2009-56b.pdf

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