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

ENSURING A SAFE AND SOUND
NATIONAL BANKING SYSTEM
FOR ALL AMERICANS

# OCC Mortgage Metrics Report

## Analysis and Disclosure of National Bank Mortgage Loan Data

October 2007 – March 2008

# Table of Contents

# Executive Summary

The **OCC Mortgage Metrics Report** presents key performance data on first residential mortgages serviced by national banks, focusing on delinquencies, loss mitigation actions, and foreclosures.

The Office of the Comptroller of the Currency (OCC) collects this data from the nine national banks[1] that have the largest mortgage servicing portfolios among all national banks. These nine banks combine to service more than 23 million first mortgage loans, totaling $3.8 trillion. Their combined servicing portfolio constitutes more than 90 percent of all mortgages serviced by national banks, and approximately 40 percent of all mortgages outstanding. Approximately 90 percent of the mortgages in the total servicing portfolio are held by third parties via securitization by government-sponsored enterprises and other financial institutions.

This first **OCC Mortgage Metrics Report** provides monthly mortgage performance data for two calendar quarters, from October 1, 2007, to March 31, 2008. Future reports will be issued quarterly.

There are at least three key differences between this report and other reports and data collections that provide information about mortgage performance:

> First, the data contained in the **OCC Mortgage Metrics Report** are comprehensive. The report reflects the activities of many of the industry's largest mortgage servicers, and incorporates information on all mortgages serviced, not just subprime.
>
> Second, the **OCC Mortgage Metrics Report** reflects loan-level data rather than aggregated data: information was collected for each of the more than 23 million individual loans in the total portfolio.
>
> Third, the **OCC Mortgage Metrics Report** uses terms and definitions that are standardized. In particular, the report establishes standard definitions for prime, Alt-A, and subprime mortgages using credit score ranges reported by the Fair Isaac Corporation (FICO). It also standardizes the terms used for delinquencies and for loss mitigation actions such as loan modifications and payment plans. With such standardized definitions and data elements, the OCC can compare data in a consistent way, month to month, across a large segment of the industry.

Among the key findings of this first report are the following:

- The proportion of mortgages in the total portfolio that was current and performing remained relatively constant during the reporting period at approximately 94 percent.
- Serious delinquencies, defined as bankrupt borrowers who are 30 days delinquent and all delinquencies greater than 60 days, increased just one-tenth of a percentage point during the period, from 2.1 percent to about 2.2 percent.
- As in other studies, the report confirms that foreclosures in process are plainly on the rise, with the total number increasing steadily and significantly through the reporting period from 0.9 percent of the portfolio to 1.23 percent. Interestingly, the number of new foreclosures has been quite variable. While one month does not make a trend, new foreclosures in March declined to 45,696, down 21 percent from January's high and down about 4.5 percent from the start of the reporting period last October.
- The majority of serious delinquencies was concentrated in the highest risk segment – subprime mortgages. Though these mortgages constituted less than 9 percent of the total portfolio, they sustained twice as many delinquencies as either prime or Alt-A mortgages.
- Consistent with other reports, payment plans predominated, outnumbering loan modifications in March by more than four to one. But loan modifications increased at a much faster rate during the period.
- Although subprime mortgages constituted less than 9 percent of the total portfolio, subprime loss mitigation actions constituted 43 percent of all loss mitigation actions in March.
- The emphasis on loss mitigation for subprime mortgages corresponds to the nationwide focus on this higher risk sector. Total loss mitigation actions exceeded newly initiated foreclosure proceedings by a margin of nearly 2 to 1.

[1] The nine banks are Bank of America, Citibank, First Horizon, HSBC, JPMorgan Chase, National City, USBank, Wachovia, and Wells Fargo.

# Overview

The **OCC Mortgage Metrics Report** presents key performance data on first residential mortgages serviced by national banks, focusing on delinquencies, loss mitigation actions, and foreclosures. The OCC collects this data from the nine national banks that have the largest mortgage servicing portfolios among all national banks, representing more than 90 percent of all mortgages serviced by national banks, and approximately 40 percent of all mortgages outstanding. Approximately 90 percent of the mortgages in the total servicing portfolio are held by third parties via securitization by government-sponsored enterprises and other financial institutions. These nine banks service more than 23 million first mortgage loans, totaling $3.8 trillion.

The OCC Mortgage Metrics Report is based on a data collection process covering 64 data elements for each of more than 23 million mortgages held or serviced by the nine participating national banks from October 2007 through March 2008. This is the first report to gather and analyze systematic information on this scale and in this detail about mortgage delinquencies, loss mitigation actions, and foreclosures. The OCC uses a data vendor to aggregate, validate, store, and generate reports, but retains ownership and control of the data. The OCC has shared its standard data elements and definitions with the Office of Thrift Supervision (OTS), the Federal Reserve Board (FRB), the Department of the Treasury, and the Hope Now Alliance to promote standard data collection and analysis industry wide.

In addition to providing important information to the public, the data gathering for the **OCC Mortgage Metrics Report** supports the OCC's supervision of national bank mortgage practices. It provides an additional tool to help examiners assess emerging trends, identify anomalies, compare national banks to the rest of the industry, evaluate asset quality and loan-loss reserve needs, and evaluate the effectiveness of loss mitigation actions. Over time, the OCC expects to use this information to assess performance by origination channel, state and geographic region, and key credit characteristics.

Despite its relatively comprehensive coverage, it would be inappropriate to extrapolate from the sample covered by the **OCC Mortgage Metrics Report** to draw conclusions about overall conditions in mortgage lending. The portfolio of loans serviced by these nine national banks does not represent a statistically random sample of all mortgage loans; its characteristics differ in notable ways from the overall population of mortgages. For example, the subprime mortgages serviced by these national banks comprise just 25 percent of all subprime mortgages, whereas these banks service about 40 percent of mortgages as a whole. Similarly, the prime mortgages serviced by national banks include a disproportionately high percentage of conforming loans sold to the GSEs – about 66 percent, compared to 43 percent for the industry overall.

The OCC and the nine participating banks devoted significant resources to validating the data to ensure that the information was reliable, accurate, and consistent with similar information presented elsewhere. Steps to ensure the validity of the data included comparisons to banks' quarterly Call Reports, and internal quality reviews conducted by the banks and by the external vendor that compiled the data for the OCC. However, data sets of this size and scope inevitably suffer from a degree of inconsistency, missing data, and other imperfections. For this report, the historical data for October 2007 through February 2008 was provided by the banks on a "best-efforts" basis, and some requested data elements were not readily available. The OCC is working with reporting banks to further refine the data collection process, and over time this will improve the accuracy and completeness of the reported data. The OCC expects future data submissions to be adjusted as errors and omissions are detected; the agency will identify any significant discrepancies that surface through these ongoing efforts in future reports.

# Definitions and Methods

The **OCC Mortgage Metrics Report** uses standardized definitions for three categories of mortgage creditworthiness: prime, Alt-A, and subprime. These are defined using ranges of FICO credit scores at the time of origination, as follows: prime – 660 and above; Alt-A – 620 to 659; and subprime – below 620.

Roughly 20 percent of loans in the data were not accompanied by FICO credit scores, and are classified in the report as "Other." This group of loans includes a mix of prime, Alt-A, and subprime loans, and is in large part the result of bank acquisitions of mortgage portfolios from third parties where scores were not readily available, as well as the fact that the retroactive data collection was provided on a "best-efforts" basis. The OCC is working with the participating banks to obtain and include credit scores with future submissions to reduce the percentage of loans in this category going forward.

Other standard definitions in the report include:

- "Seriously delinquent loans" – all mortgages that were 60 or more days past due and all mortgages held by bankrupt borrowers who were 30 or more days past due. Loan delinquencies were reported following the Mortgage Bankers Association (MBA) convention that a loan is "past due" when a scheduled payment is unpaid for 30 days or more.[2]
- "Loss mitigation action" – loan modification or payment plan.[3]
- "Loan modification" – mortgage where terms of the loan were contractually changed, usually with respect to interest rates or term of the loan.
- "Payment plan" – mortgage where the servicer and a borrower have agreed to a short-to-medium term change in scheduled terms and payments to return the mortgage to a current and performing status.
- "New foreclosure" – mortgage where the servicer commenced a formal foreclosure proceeding during the month (e.g., public notice, judicial filing).[4]

The statistics and calculated ratios in this report are based on the number of loans rather than the dollar balance outstanding. Some percentage totals in the charts do not add up to 100 percent because of rounding.

[2] The Office of Thrift Supervision (OTS) method is another reporting convention used by some institutions. Under the OTS method, a loan is "past due" when the borrower fails to make a second consecutive scheduled payment. For general regulatory reporting (Call Reports), institutions may use either method; generally, the MBA method results in higher reported delinquencies than the OTS method.

[3] In addition to the two loss mitigation actions captured in this report – payment plans and loan modifications – mortgage servicers reported several alternative loss mitigation actions, including HomeSaver Advance, FHASecure, partial claims, new subsidy programs, and refinances with principal forgiveness. The OCC plans to include a broader range of loss mitigation actions in future reports.

[4] Many new foreclosures never result in the ultimate foreclosure sale or loss of the borrower's home because banks simultaneously pursue other loss mitigation actions and borrowers may act to return their mortgages to current and performing status.

# Overall Mortgage Portfolio

The size of the portfolio remained relatively unchanged during the reporting period: approximately 23 million loans totaling $3.8 trillion.

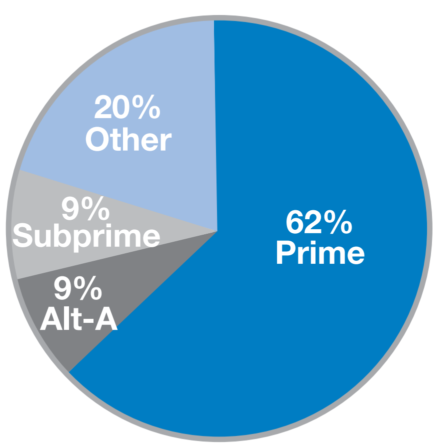
Likewise, the percentage of loans in each risk category remained constant: prime (62 percent); Alt-A (9 percent); subprime (9 percent); and other (20 percent).

As previously noted, the "other" category consists of loans for which credit scores were unavailable and is a mix of prime, Alt-A, and subprime loans.

**Overall Mortgage Portfolio**

| | October 2007 | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
|---|---|---|---|---|---|---|
| **Total Servicing** ($ Millions) | $3,721,902 | $3,754,424 | $3,776,403 | $3,802,446 | $3,794,229 | $3,811,548 |
| **Total Servicing** (# of Loans) | 22,870,228 | 23,009,739 | 23,088,628 | 23,188,685 | 23,107,715 | 23,144,866 |
| **Composition** (% of All Mortgage Loans in the Portfolio) | | | | | | |
| **Prime** | 62% | 62% | 62% | 62% | 62% | 62% |
| **Alt-A** | 9% | 9% | 9% | 9% | 9% | 9% |
| **Subprime** | 9% | 9% | 9% | 9% | 9% | 9% |
| **Other** | 20% | 20% | 20% | 20% | 20% | 20% |
| **Composition** (Actual Number of Mortgage Loans in the Portfolio) | | | | | | |
| **Prime** | 14,207,088 | 14,287,358 | 14,393,519 | 14,492,456 | 14,397,503 | 14,468,184 |
| **Alt-A** | 2,095,576 | 2,105,708 | 2,117,682 | 2,129,575 | 2,114,584 | 2,119,065 |
| **Subprime** | 2,006,596 | 2,009,563 | 2,012,224 | 2,014,811 | 1,998,721 | 1,998,435 |
| **Other** | 4,560,968 | 4,607,110 | 4,565,203 | 4,551,843 | 4,596,907 | 4,559,182 |

**Portfolio Composition**
(% of All Mortgage Loans in the Portfolio)
March 2008



## Overall Mortgage Performance

The proportion of mortgages in the total portfolio that was current and performing also remained relatively constant during the reporting period at approximately 94 percent.

Delinquencies were concentrated among loans that were 30-59 days delinquent. But as a percentage of the total portfolio, they declined from 2.61 percent in October, to 2.37 percent at the end of March.

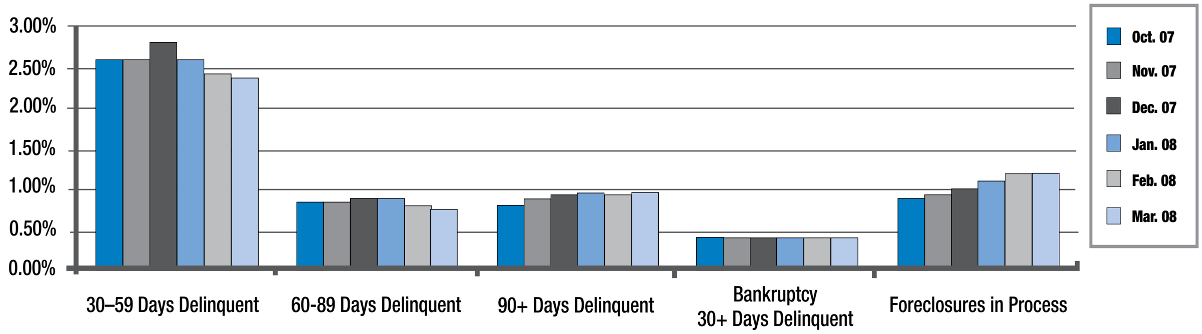
Delinquencies of 90 days or more increased from 0.82 percent in October to 0.97 percent in December. They remained just less than 1 percent of the total portfolio for the balance of the reporting period.

Foreclosures in process increased from the October total of 205,248, or 0.90 percent of the total servicing portfolio, to the March total of 283,988, or 1.23 percent.

| Total Mortgage Portfolio (% of All Mortgage Loans in the Portfolio) | | | | | | |
|---|---|---|---|---|---|---|
| | October 2007 | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
| Current and Performing | 94.38% | 94.26% | 93.82% | 93.93% | 94.18% | 94.19% |
| 30–59 Days Delinquent | 2.61% | 2.59% | 2.83% | 2.62% | 2.41% | 2.37% |
| The Following Three Categories Are Classified as Seriously Delinquent | | | | | | |
| 60-89 Days Delinquent | 0.85% | 0.86% | 0.91% | 0.91% | 0.80% | 0.79% |
| 90+ Days Delinquent | 0.82% | 0.90% | 0.97% | 0.98% | 0.97% | 0.98% |
| Bankruptcy 30+ Days Delinquent | 0.44% | 0.45% | 0.45% | 0.44% | 0.44% | 0.44% |
| Foreclosures in Process | 0.90% | 0.95% | 1.03% | 1.12% | 1.19% | 1.23% |
| Total Mortgage Portfolio (Actual Number of Mortgage Loans in the Portfolio) | | | | | | |
| Current and Performing | 21,585,331 | 21,689,954 | 21,662,775 | 21,780,770 | 21,763,626 | 21,800,965 |
| 30–59 Days Delinquent | 596,772 | 595,330 | 652,541 | 607,254 | 557,923 | 548,715 |
| The Following Three Categories Are Classified As Seriously Delinquent | | | | | | |
| 60-89 Days Delinquent | 193,533 | 197,037 | 210,886 | 209,873 | 184,888 | 183,195 |
| 90+ Days Delinquent | 188,356 | 207,107 | 222,907 | 228,310 | 223,994 | 226,500 |
| Bankruptcy 30+ Days Delinquent | 100,988 | 102,406 | 102,771 | 102,259 | 101,616 | 101,503 |
| Foreclosures in Process | 205,248 | 217,905 | 236,748 | 260,219 | 275,668 | 283,988 |

### Performance Overview[5]

(% of All Mortgage Loans in the Portfolio)




[5] The report presents similar data on a similar scale to allow easier comparison from one chart to the next.

## Seriously Delinquent Mortgages

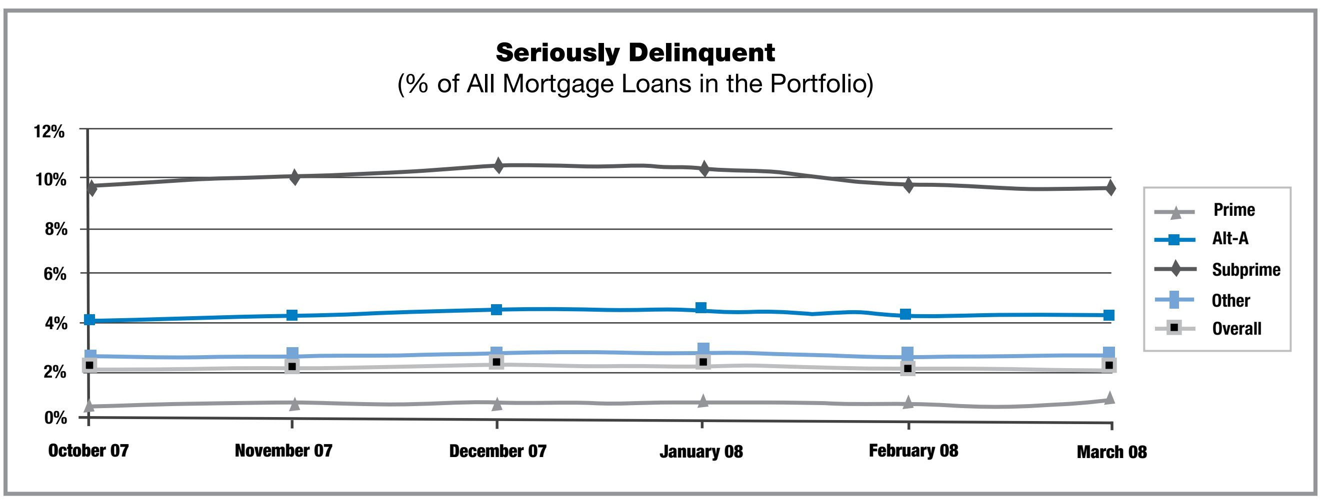
Seriously delinquent mortgages are defined as mortgages that were 60 or more days past due and those held by bankrupt borrowers that were 30 or more days past due.

As a percentage of the total portfolio, during the reporting period seriously delinquent mortgages ranged between 2.11 and 2.33 percent. Total serious delinquencies at the end of March were about 5.9 percent higher than the total at the end of October.

Seriously delinquent mortgages were lowest among prime mortgages and highest among subprime mortgages, reflecting the relative risk of these classes of borrowers.

At the end of March, the seriously delinquent rate for subprime mortgages was more than four times the rate for the total portfolio, and 13 times the rate for prime mortgages.

| Seriously Delinquent (% of All Mortgage Loans in Each Category) | | | | | | |
|---|---|---|---|---|---|---|
| | October 2007 | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
| Prime | 0.60% | 0.65% | 0.70% | 0.72% | 0.71% | 0.74% |
| Alt-A | 4.08% | 4.29% | 4.57% | 4.61% | 4.38% | 4.38% |
| Subprime | 9.67% | 10.06% | 10.57% | 10.48% | 9.72% | 9.64% |
| Other | 2.60% | 2.64% | 2.76% | 2.80% | 2.64% | 2.60% |
| Overall | 2.11% | 2.20% | 2.32% | 2.33% | 2.21% | 2.21% |
| **Seriously Delinquent (Actual Number of Mortgage Loans in the Portfolio)** | | | | | | |
| Prime | 84,682 | 92,316 | 101,198 | 103,995 | 102,064 | 107,031 |
| Alt-A | 85,439 | 90,358 | 96,823 | 98,157 | 92,589 | 92,890 |
| Subprime | 194,123 | 202,172 | 212,700 | 211,159 | 194,369 | 192,653 |
| Other | 118,633 | 121,704 | 125,843 | 127,131 | 121,476 | 118,624 |
| Overall | 482,877 | 506,550 | 536,564 | 540,442 | 510,498 | 511,198 |



## Total End-of-Month Loss Mitigation Actions

The report includes data on only the two most common types of loss mitigation actions: loan modifications and payment plans. In addition, a loan modification or payment plan is not counted until it is actually implemented. We plan to include data on other types of loss mitigation, such as HomeSaver Advance, FHASecure, partial claims, new subsidy programs, and refinances with principal forgiveness in future reports.

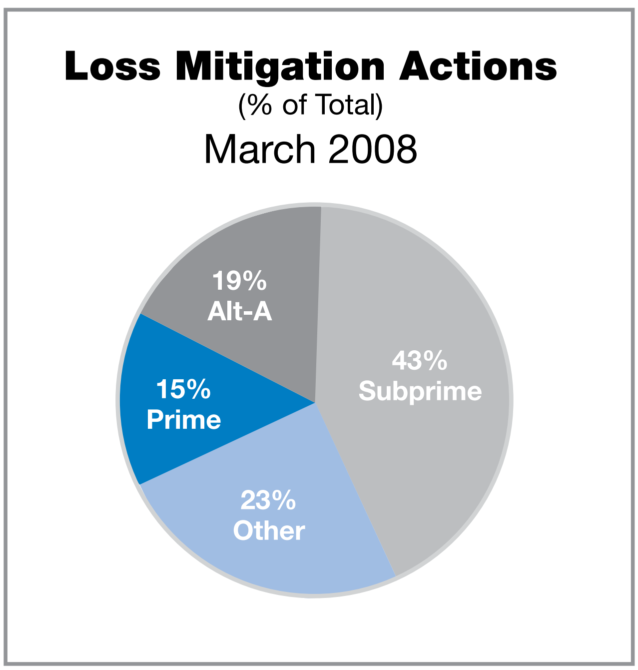
Loss mitigation actions totaled 166,879 at the end of March. Payment plans outnumbered loan modifications by more than four to one.

The greatest number of loss mitigation actions occurred with respect to subprime and Alt-A mortgages.

Although subprime mortgages constituted less than 9 percent of the total portfolio, subprime loss mitigation actions constituted 43 percent of all loss mitigation actions.

Similarly, while Alt-A mortgages comprised about 9 percent of the total portfolio, Alt-A loss mitigation actions constituted 19 percent of all loss mitigation actions.

| Loss Mitigation Actions | March 2008 | | |
|---|---|---|---|
| Modifications | 30,906 | | |
| Payment Plans | 135,973 | | |
| Total Loss Mitigation Actions | 166,879 | | |
| **Composition** | **By Group** | **% of Total Loss Mitigation Actions** | **% of Total Loss Servicing Portfolio** |
| Prime | 25,265 | 15% | 62% |
| Alt-A | 32,001 | 19% | 9% |
| Subprime | 71,682 | 43% | 9% |
| Other | 37,931 | 23% | 20% |

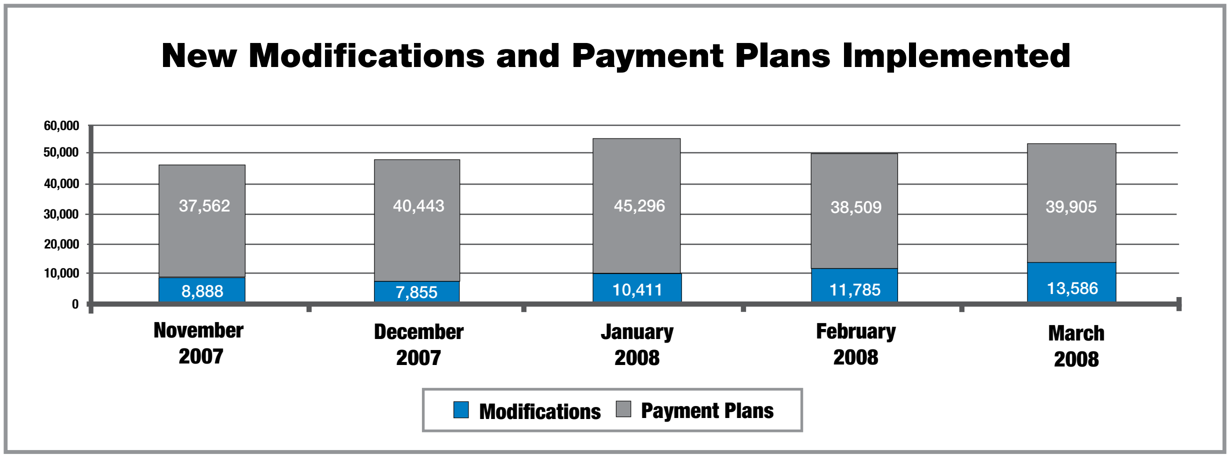


## New Loan Modifications and Payment Plans Implemented

The pace of new loss mitigation actions generally increased from November through March.

While there were substantially more payment plans than loan modifications, the latter increased at a faster rate than payment plans. That is, loan modifications as a percentage of total loss mitigation actions increased from 19 percent in November to more than 25 percent by the end of March.

| New Modifications and Payment Plans Implemented[6] | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
|---|---|---|---|---|---|
| Modifications | 8,888 | 7,855 | 10,411 | 11,785 | 13,586 |
| Payment Plans | 37,562 | 40,443 | 45,296 | 38,509 | 39,905 |
| Total Loss Mitigation Actions | 46,450 | 48,298 | 55,707 | 50,294 | 53,491 |



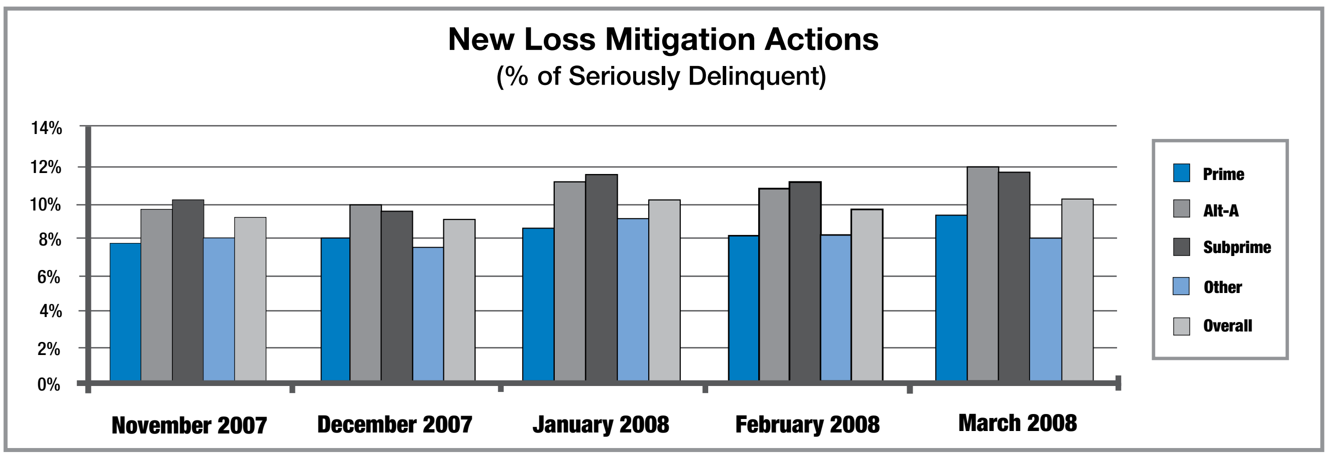

[6] New loss mitigation actions are presented from November through March because the reporting method used to calculate new actions requires data from the previous month-end. Because October was the first month with reported data, new loss mitigation actions could not be determined for that month.

## New Loss Mitigation Actions Relative to Seriously Delinquent Mortgages

The following data show new loss mitigation actions for each month as a percentage of seriously delinquent loans in each risk category. For instance, in March, the number of new loss mitigation actions for prime mortgages equaled 9.4 percent of the prime mortgages that were seriously delinquent.

In each month, among seriously delinquent loans, either subprime or Alt-A mortgages had the highest percentage of new loss mitigation actions relative to the other risk segments. Conversely, seriously delinquent prime loans consistently had the lowest relative percentage of new loss mitigation actions.

| **New Loss Mitigation Actions** (% of Seriously Delinquent) | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
|---|---|---|---|---|---|
| **Composition** | | | | | |
| Prime | 7.78% | 8.03% | 8.74% | 8.27% | 9.40% |
| Alt-A | 9.96% | 10.06% | 11.14% | 10.78% | 12.08% |
| Subprime | 10.15% | 9.81% | 11.45% | 11.20% | 11.65% |
| Other | 8.01% | 7.59% | 9.05% | 8.32% | 8.24% |
| Overall | 9.17% | 9.00% | 10.31% | 9.85% | 10.46% |



## New Loss Mitigation Actions Relative to New Foreclosures

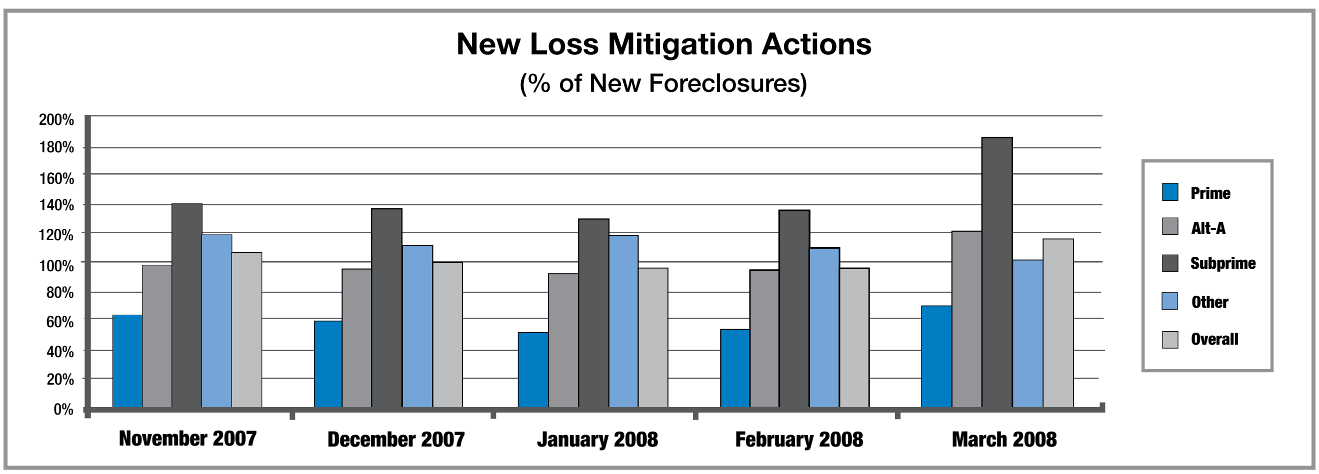
For a given month, “new foreclosures” consisted of all mortgages on which servicers commenced formal foreclosure proceedings (e.g., public notice, judicial filing). New foreclosures often do not result in a foreclosure sale or loss of the borrower’s home because banks simultaneously pursue other loss mitigation strategies or borrowers take action to return their mortgages to a current and performing status.

For each month, the following data show new loss mitigation actions as a percentage of new foreclosures. Thus, for a given category like subprime, a percentage exceeding 100 percent means that there were more new loss mitigation actions than new foreclosures.

Subprime mortgages consistently had the highest ratio of new loss mitigation actions to new foreclosures; prime mortgages consistently had the lowest. In fact, the total number of new loss mitigation actions for subprime mortgages consistently exceeded the number of new foreclosures. The opposite was true for prime mortgages, where new foreclosures exceeded new loss mitigation actions each month.

The emphasis on loss mitigation for subprime mortgages corresponds to the nationwide focus on this higher risk sector. Indeed, for such mortgages in March, new loss mitigation actions were nearly twice as frequent as new foreclosures (i.e., 86 percent greater).

| **New Loss Mitigation Actions** (% of New Foreclosures) | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
|---|---|---|---|---|---|
| **Composition** | | | | | |
| Prime | 63.06% | 58.15% | 51.05% | 51.91% | 67.54% |
| Alt-A | 99.79% | 96.65% | 91.01% | 95.28% | 122.48% |
| Subprime | 140.77% | 136.24% | 129.64% | 138.26% | 185.68% |
| Other | 118.62% | 111.79% | 118.73% | 110.23% | 102.26% |
| Overall | 107.52% | 100.77% | 95.78% | 97.38% | 117.06% |

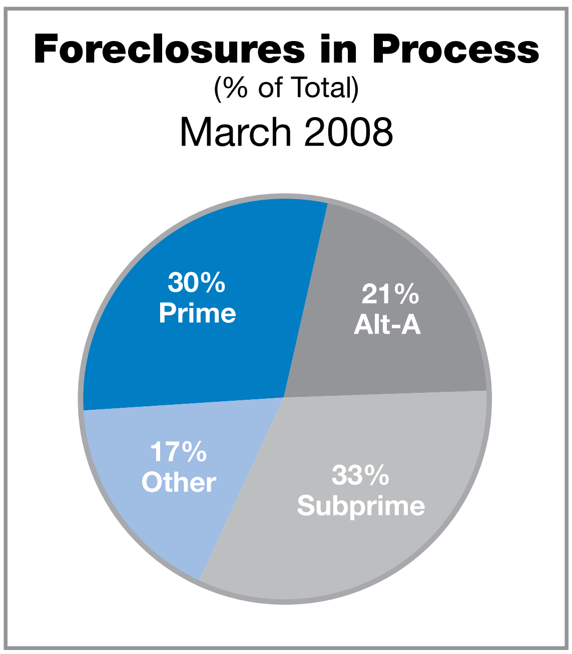


## Total End-of-Month Foreclosures in Process

Foreclosures in process totaled 283,988 at the end of March. Subprime mortgages comprised almost 33 percent of total foreclosures in process, while representing less than 9 percent of the total number of mortgages.

Conversely, prime mortgages comprised 30 percent of all foreclosures, while representing 62 percent of the total servicing portfolio.

| Total Foreclosures in Process | March 2008 | | |
|---|---|---|---|
| Total | 283,988 | | |
| Composition | By Group | % of Total Foreclosures in Process | % of Total Servicing Portfolio |
| Prime | 84,559 | 30% | 62% |
| Alt-A | 59,160 | 21% | 9% |
| Subprime | 93,159 | 33% | 9% |
| Other | 47,110 | 17% | 20% |



## Numbers of New Foreclosures

New foreclosures ranged from a low of 43,201 in November to a high of 58,163 in January.

The total decreased in the past two months. By the end of March, new foreclosures numbered 45,696, down more than 21 percent from January's high and down about 4.5 percent from October.

Sixty-two percent of all mortgages in the total portfolio were prime mortgages; so it is not surprising that in February and March, prime mortgages saw more new foreclosures than the other categories.

Subprime mortgages, which constituted just 9 percent of the total portfolio, had a disproportionately large share of new foreclosures, leading that category in four of the six months reported.

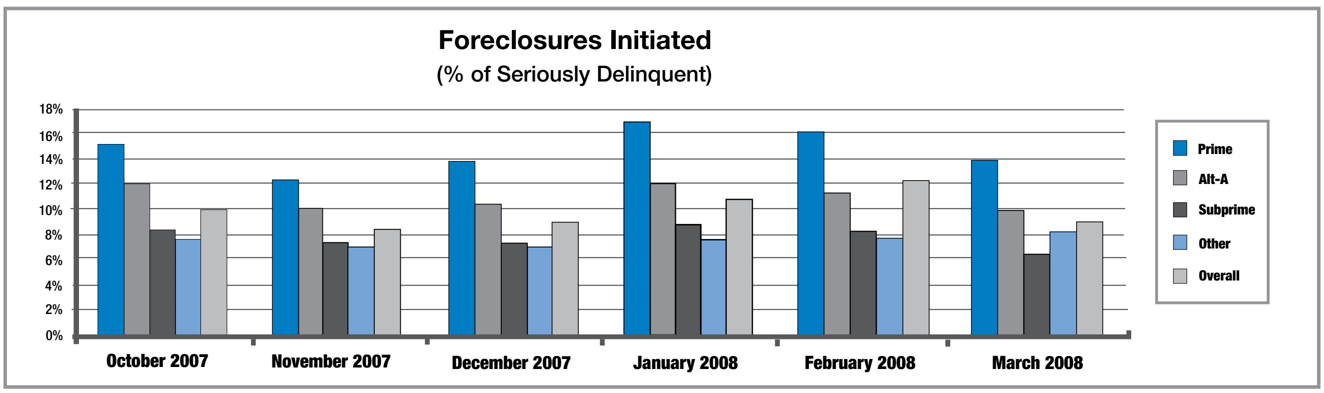
| Newly Initiated Foreclosures | October 2007 | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
|---|---|---|---|---|---|---|
| **Composition** | | | | | | |
| Prime | 12,838 | 11,387 | 13,982 | 17,808 | 16,258 | 14,894 |
| Alt-A | 10,267 | 9,017 | 10,078 | 12,020 | 10,476 | 9,160 |
| Subprime | 15,998 | 14,578 | 15,322 | 18,646 | 15,744 | 12,084 |
| Other | 8,733 | 8,219 | 8,546 | 9,689 | 9,167 | 9,558 |
| Overall | 47,836 | 43,201 | 47,928 | 58,163 | 51,645 | 45,696 |

## New Foreclosures Relative to Seriously Delinquent Mortgages

New foreclosures as a percentage of seriously delinquent mortgages varied from a low of 8.53 percent in November to a high of 10.76 percent in January.

The ratio was consistently highest for prime mortgages and consistently lowest for subprime mortgages. The lower ratio for subprime borrowers corresponds with the nationwide emphasis on loss mitigation and foreclosure prevention for these higher risk borrowers.

| Foreclosures Initiated (% of Seriously Delinquent) | October 2007 | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
|---|---|---|---|---|---|---|
| Composition | | | | | | |
| Prime | 15.16% | 12.33% | 13.82% | 17.12% | 15.93% | 13.92% |
| Alt-A | 12.02% | 9.98% | 10.41% | 12.25% | 11.31% | 9.86% |
| Subprime | 8.24% | 7.21% | 7.20% | 8.83% | 8.10% | 6.27% |
| Other | 7.36% | 6.75% | 6.79% | 7.62% | 7.55% | 8.06% |
| Overall | 9.91% | 8.53% | 8.93% | 10.76% | 10.12% | 8.94% |



# Appendix A – Loan Modifications

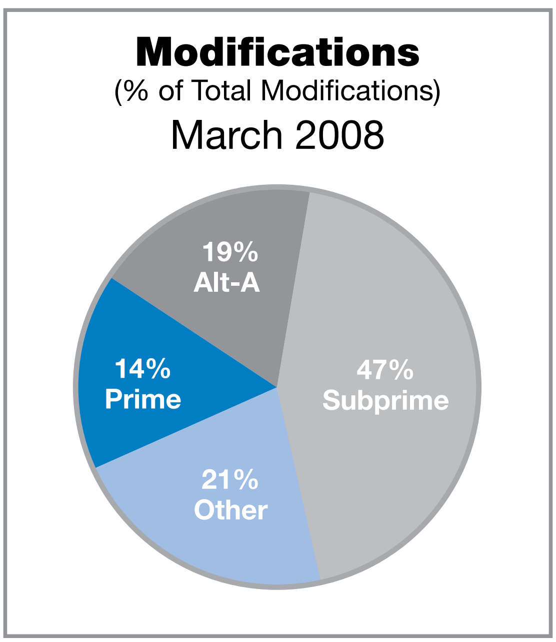
## *Overview*

Loan modifications are defined as mortgages for which terms of the loan were contractually changed.

Loan modifications were predominantly offered on subprime mortgages. Although subprime mortgages constituted less than 9 percent of the total portfolio, modifications of subprime mortgages comprised nearly 50 percent of all modified loans.

Conversely, prime mortgages, which constituted over 62 percent of the total portfolio, comprised only 14 percent of all modified mortgages.

| Loan Modification Actions | March 2008 | |
|---|---|---|
| Total Loan Modifications | 30,906 | |
| **Composition** | **By Group** | **% of Total Modified Loans** |
| Prime | 4,174 | 14% |
| Alt-A | 5,905 | 19% |
| Subprime | 14,420 | 47% |
| Other | 6,407 | 21% |



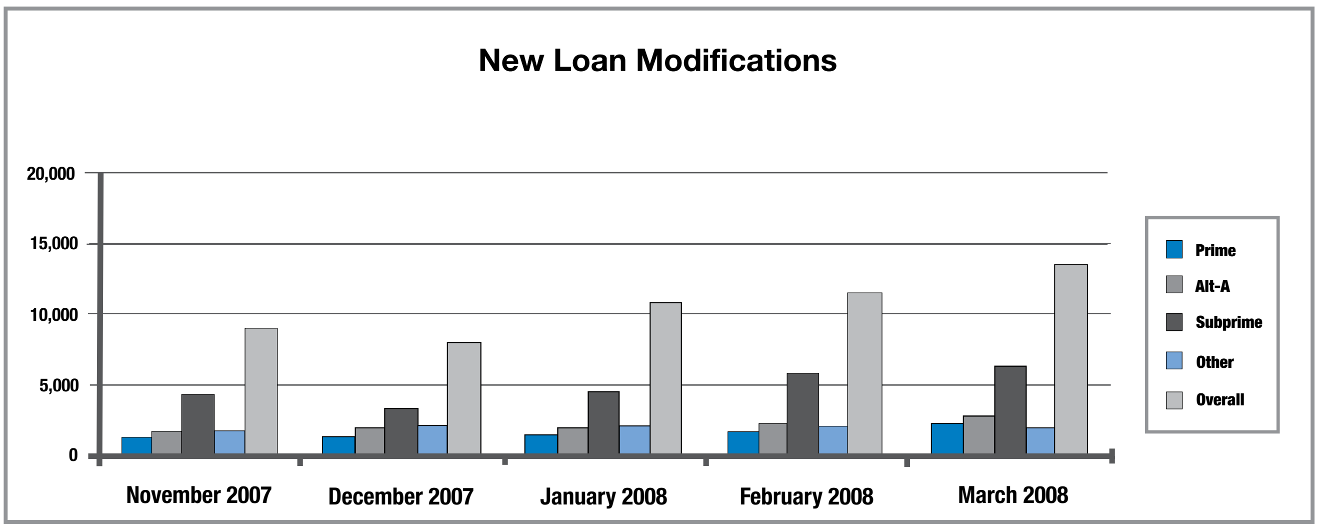
## *New Loan Modifications*

The number of new loan modifications decreased from November to December, then increased steadily from December through March.

The largest number of new loan modifications each month was in subprime mortgages, with more than twice that of any other category.

Prime mortgages consistently had the lowest number of new loan modifications among the defined loan categories.

| New Loan Modifications | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
|---|---|---|---|---|---|
| **Composition** | | | | | |
| **Prime** | 1,331 | 1,157 | 1,493 | 1,635 | 2,397 |
| **Alt-A** | 1,700 | 1,492 | 1,997 | 2,274 | 2,873 |
| **Subprime** | 4,125 | 3,683 | 4,956 | 5,655 | 6,297 |
| **Other** | 1,732 | 1,523 | 1,965 | 2,221 | 2,019 |
| **Overall** | 8,888 | 7,855 | 10,411 | 11,785 | 13,586 |



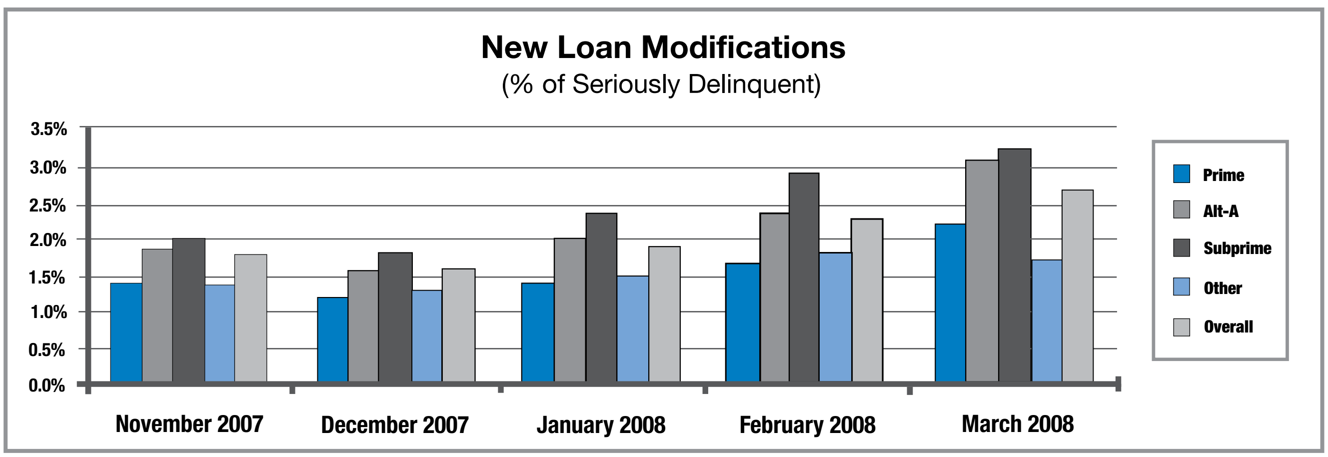
## *New Loan Modifications Relative to Seriously Delinquent Mortgages*

Over the full reporting period, there was an increase in overall new loan modifications as a percentage of seriously delinquent loans.

While the ratio declined in every category from November to December, it thereafter increased in every category in each succeeding month.

The largest percentages of new loan modifications relative to seriously delinquent loans were in the highest risk segments of the portfolio – subprime and Alt-A.

| New Loan Modifications (% of Seriously Delinquent) | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
|---|---|---|---|---|---|
| Composition | | | | | |
| Prime | 1.44% | 1.14% | 1.44% | 1.60% | 2.24% |
| Alt-A | 1.88% | 1.54% | 2.03% | 2.46% | 3.09% |
| Subprime | 2.04% | 1.73% | 2.35% | 2.91% | 3.27% |
| Other | 1.42% | 1.21% | 1.55% | 1.83% | 1.70% |
| Overall | 1.75% | 1.46% | 1.93% | 2.31% | 2.66% |

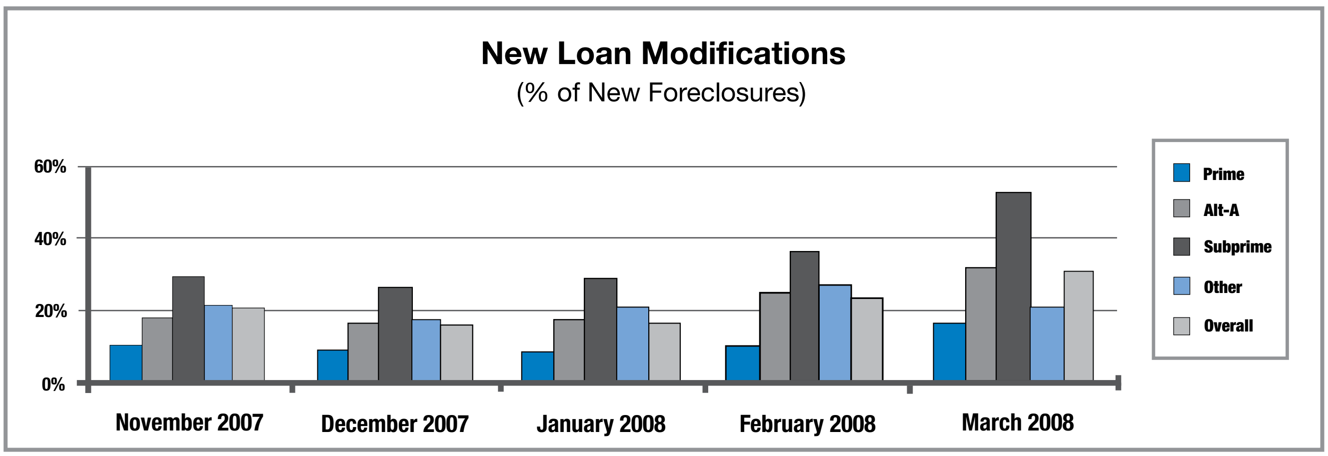


## *New Loan Modifications Relative to New Foreclosures*

New loan modifications as a percentage of new foreclosures increased in all categories between November and March.

The ratio was also higher the greater the risk of the loan category. Prime mortgages received the fewest loan modifications relative to new foreclosure actions. Conversely, subprime mortgages had the highest ratios, and in March, they had just over half as many new loan modifications as new foreclosures.

| **New Loan Modifications** (% of New Foreclosures) | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
|---|---|---|---|---|---|
| **Composition** | | | | | |
| Prime | 11.69% | 8.27% | 8.38% | 10.06% | 16.09% |
| Alt-A | 18.85% | 14.80% | 16.61% | 21.71% | 31.36% |
| Subprime | 28.30% | 24.04% | 26.58% | 35.92% | 52.11% |
| Other | 21.07% | 17.82% | 20.28% | 24.23% | 21.12% |
| Overall | 20.57% | 16.39% | 17.90% | 22.82% | 29.73% |



# Appendix B – Payment Plans

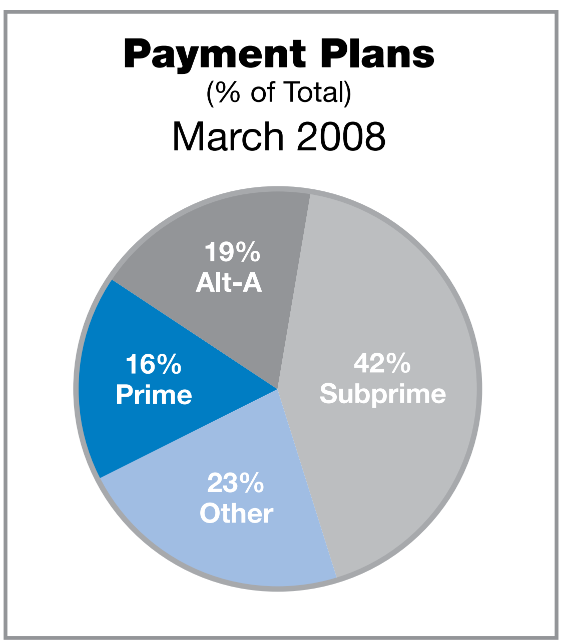
## *Overview*

Payment plans included those mortgages where the servicer and a borrower have agreed to a short-to-medium-term change in scheduled terms and payments in order to return a mortgage to a current and performing status.

At the end of March, 42 percent of all payment plans were implemented for subprime mortgages, even though such loans comprised less than 9 percent of the total portfolio.

In contrast, prime mortgages accounted for only 16 percent of payment plans, while comprising more than 62 percent of the total portfolio.

| Payment Plans | March 2008 | |
|---|---|---|
| Total Payment Plans | 135,973 | |
| **Composition** | **By Group** | **% of Total Payment Plans** |
| Prime | 21,091 | 16% |
| Alt-A | 26,096 | 19% |
| Subprime | 57,262 | 42% |
| Other | 31,524 | 23% |

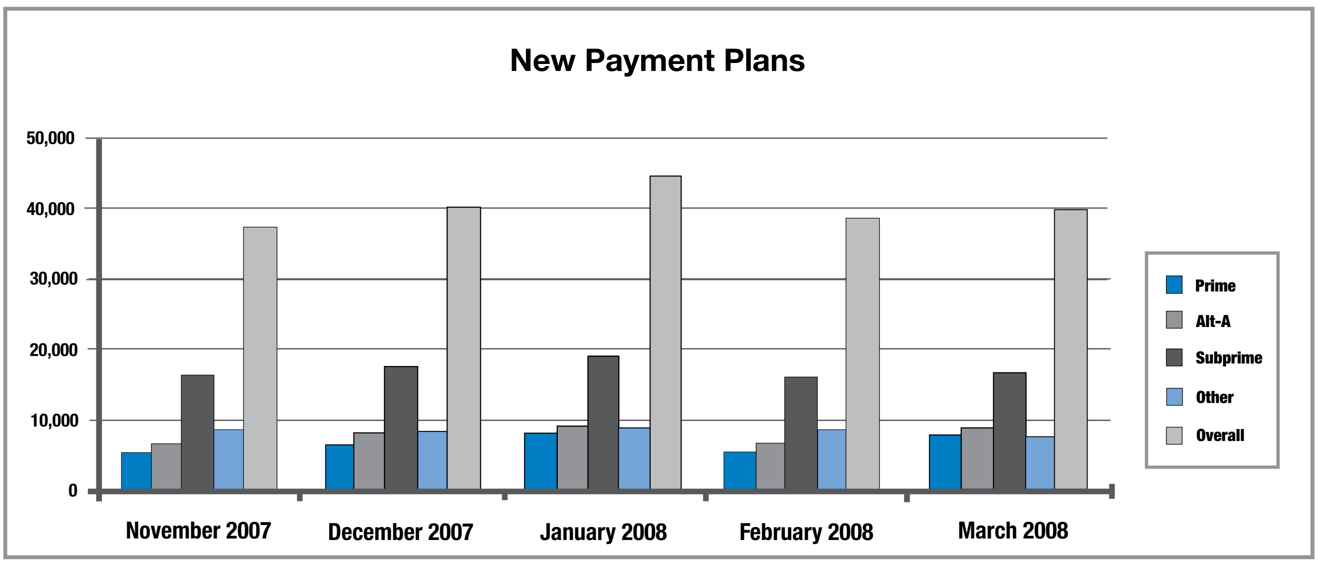


## *New Payment Plans*

New payment plans declined in February after consistently increasing over the prior three months but increased again in March.

In each month, subprime mortgages received the largest number of new payment plans, with nearly twice as many in March as any other category of loans.

| New Payment Plans | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
|---|---|---|---|---|---|
| **Composition** | | | | | |
| Prime | 5,850 | 6,973 | 7,598 | 6,805 | 7,663 |
| Alt-A | 7,298 | 8,248 | 8,942 | 7,708 | 8,346 |
| Subprime | 16,397 | 17,191 | 19,217 | 16,112 | 16,141 |
| Other | 8,017 | 8,031 | 9,539 | 7,884 | 7,755 |
| Overall | 37,562 | 40,443 | 45,296 | 38,509 | 39,905 |

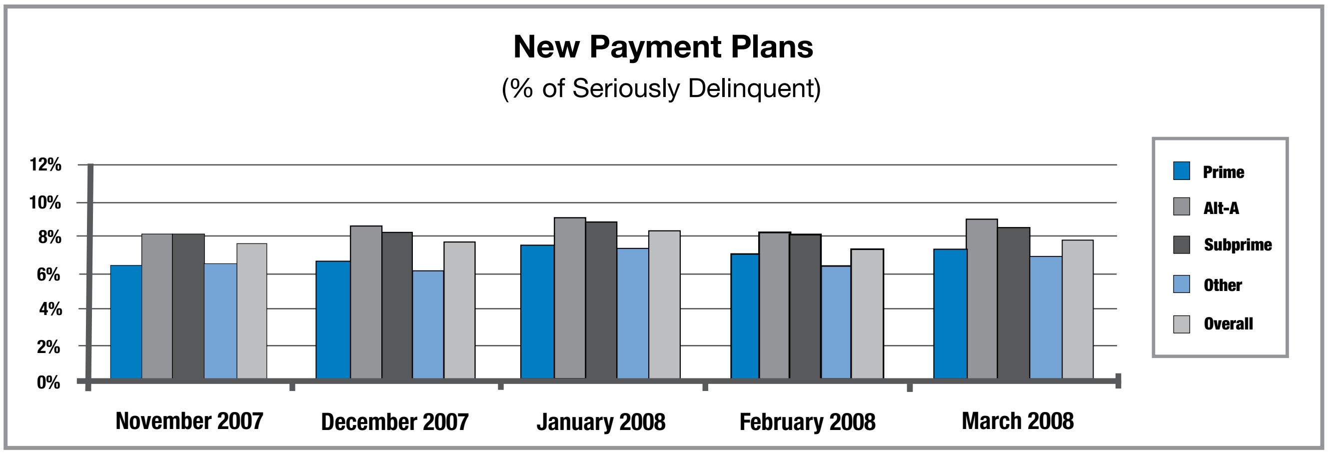


## *New Payment Plans Relative to Seriously Delinquent Mortgages*

Overall, new payment plans as a percentage of seriously delinquent loans varied from a low in November of 7.42 percent to a high of 8.38 percent in January.

In March, 7.81 percent of seriously delinquent loans received payment plans, up slightly from the beginning of the reporting period.

| New Payment Plans (% of Seriously Delinquent) | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
|---|---|---|---|---|---|
| **Composition** | | | | | |
| **Prime** | 6.34% | 6.89% | 7.31% | 6.67% | 7.16% |
| **Alt-A** | 8.08% | 8.52% | 9.11% | 8.32% | 8.98% |
| **Subprime** | 8.11% | 8.08% | 9.10% | 8.29% | 8.38% |
| **Other** | 6.59% | 6.38% | 7.50% | 6.49% | 6.54% |
| **Overall** | 7.42% | 7.54% | 8.38% | 7.54% | 7.81% |



## *New Payment Plans Relative to New Foreclosures*

From November through February, new payment plans as a percentage of new foreclosures gradually declined across all portfolio risk segments as new foreclosure actions increased at a faster pace. There was, however, a significant increase in March, where new payment plans constituted 87.33 percent of new foreclosures.

Subprime mortgages had the highest ratio of new payment plans to new foreclosures. In March, such loans had over 33 percent more payment plans than new foreclosures.

| **New Payment Plans** (% of New Foreclosures) | November 2007 | December 2007 | January 2008 | February 2008 | March 2008 |
|---|---|---|---|---|---|
| **Composition** | | | | | |
| **Prime** | 51.37% | 49.87% | 42.67% | 41.86% | 51.45% |
| **Alt-A** | 80.94% | 81.84% | 74.39% | 73.58% | 91.11% |
| **Subprime** | 112.48% | 112.20% | 103.06% | 102.34% | 133.57% |
| **Other** | 97.54% | 93.97% | 98.45% | 86.00% | 81.14% |
| **Overall** | 86.95% | 84.38% | 77.88% | 74.56% | 87.33% |