Office of Thrift Supervision
Department of the Treasury

To supervise savings associations and their holding companies in order to maintain their safety and soundness and compliance with consumer laws, and to encourage a competitive industry that meets America's financial services needs.

OTS Mortgage Metrics Report

Analysis and Disclosure of

OTS-Regulated Thrift Institution Mortgage Loan Data

January 2008 – March 2008

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Executive Summary

The initial Office of Thrift Supervision (OTS) Mortgage Metrics Report presents key performance data on first lien residential mortgages, covering first quarter 2008 delinquency, loss mitigation action, and foreclosure data for the five thrift-related servicers that have the largest mortgage servicing portfolios among all thrifts and their affiliates.[1]

These five servicers service 11.4 million first lien residential mortgages, with total outstanding balances of $2.3 trillion as of March 31, 2008. Their combined servicing portfolios constitute approximately 21 percent of all U.S. mortgages outstanding on a dollar value basis. More than 91 percent of the mortgages in the servicing portfolios are held by third parties via securitization by government-sponsored enterprises and other financial institutions.

The performance data are based on a corroborative data collection effort by OTS and Office of the Comptroller of the Currency (OCC). The OCC is collecting similar data from its nine largest national bank servicers. OTS used identical standardized loan term definitions in its data collection effort to produce the OTS Mortgage Metrics Report. Standard definitions for prime, Alt-A, and subprime mortgages are based on credit score ranges reported by the Fair Isaac Corporation (FICO). Identical terms were also used to define delinquencies and for loss mitigation actions such as loan modifications and payment plans. The Mortgage Banking Association (MBA) convention for measuring days past due is used. The OTS Mortgage Metrics Report is based on loan-level information on all first lien residential mortgages serviced, not just subprime mortgages, for example, or aggregate data.[2]

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 each month of the first quarter at approximately 92 percent.

• Seriously delinquent mortgages, defined as all delinquencies 60 days or more past due or borrowers in bankruptcy who are 30 days or more delinquent, also remained relatively constant during the quarter, declining slightly from 3.65 percent to 3.61 percent of all serviced mortgages.

• Foreclosures in process rose from January to March, with the total number outstanding increasing through the reporting period from 1.49 percent to 1.73 percent of all mortgage

1 The five servicers are associated with Countrywide, IndyMac, Merrill Lynch, Wachovia FSB, and Washington Mutual.
2 The OCC recently issued a Mortgage Metrics Report summarizing its first quarter performance data. Future Mortgage Metrics Reports will be issued quarterly. OTS and OCC are working toward providing a combined report for all of the servicers.

loans in the portfolio. New foreclosures during the month, as a percentage of seriously delinquent loans increased from 8.69 percent in January to 11.21 percent in March.

• The majority of seriously delinquent mortgages was concentrated in the highest risk segment – subprime mortgages. Though these mortgages constituted 9 percent of the total serviced portfolio, they sustained twice the rate of serious delinquencies as Alt-A mortgages and almost eight times the rate for prime mortgages.

• Seventy-one percent of loans involved in loss mitigation actions initiated during March are loan modifications, which outnumbered new payment plans by 2.5 to one.

• While subprime mortgages constituted nine percent of the total loans serviced, subprime loss mitigation actions constituted 41 percent of all loss mitigation actions at the end of March.

• Loss mitigation actions increased 26 percent from February to March, outpacing the number of new foreclosures, which increased 8.5 percent during the same period.

Overview

The OTS Mortgage Metrics Report presents key performance data on first lien residential mortgages serviced by thrift institutions or their affiliates, focusing on delinquencies, loss mitigation actions, and foreclosures. OTS collects these data from the five thrift-affiliated servicers that have the largest mortgage servicing portfolios in the OTS-regulated thrift industry, representing more than 91 percent of all mortgages serviced by OTS-regulated thrifts, and approximately 47 percent of all thrift mortgages held in portfolio. More than 90 percent of the mortgages in the five servicing portfolios are held by third parties via securitization by government-sponsored enterprises and other financial institutions. These five servicers serviced 11.4 million first lien residential mortgages, with total outstanding balances of $2.3 trillion as of the end of March 2008.

The OTS Mortgage Metrics Report is based on a data collection process covering 64 data elements for each of the 11.4 million first lien residential mortgages held or serviced for the period January 2008 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. OTS uses a data vendor to aggregate, validate, store, and generate reports, but retains ownership and control of the data. OTS uses the same standard data elements and definitions as the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board (FRB), the Department of the Treasury, and the Hope Now Alliance to promote standard data collection and analytic consistency across the mortgage industry.

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

Despite its relatively comprehensive coverage, it would be inappropriate to extrapolate from the sample covered by the OTS Mortgage Metrics Report to draw conclusions about overall conditions in the mortgage market. The portfolio of loans serviced by these five servicers 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, these five servicers service a smaller percentage of subprime loans than the population as a whole, and are more geographically concentrated in the West and Southeast regions of the country.

OTS asked the five participating institutions to verify the reliability of the data to ensure that the information was reliable, accurate, and consistent with similar information presented elsewhere. However, data sets of this size and scope inevitably suffer initially from a degree of inconsistency, missing data, and other imperfections. For this report, the historical data for January through March 2008 were provided on a "best-efforts" basis, and some requested data elements were not readily available. OTS is working with reporting institutions to further refine the data collection process, and over time this will improve the accuracy and completeness of the reported data. OTS 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 OTS Mortgage Metrics Report uses simple 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.

Nine 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 likely includes a mix of prime, Alt-A, and subprime loans, and is in large part the result of thrift 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.

OTS is working with the participating institutions 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" – mortgages that were 60 or more days past due and all mortgages owed 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.[3]

• "Loss mitigation action" – the mortgage was subject to a formal loan modification or payment plan.[4]

• "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 formal short-to-medium term change in scheduled terms and payments to return the mortgage to a current and performing status.

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[3] 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 and Thrift Financial Reports), institutions may use either method; generally, the MBA method results in higher reported delinquencies than the OTS method, specifically for the 30-59 day delinquency category.

[4] There were two loss mitigation actions captured in this report – payment plans and loan modifications. In future reports, OTS plans to include a broader range of loss mitigation actions such as HomeSaver Advance, FHASecure, partial claims, new subsidy programs, and refinances with principal forgiveness.

• "New foreclosure" – mortgage where the servicer commenced a formal foreclosure proceeding during the month (e.g., public notice, judicial filing).[5]

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 may not add up to precisely 100 percent because of rounding.

[5] Many new foreclosures actions do not result in the ultimate foreclosure sale or loss of the borrower's home because servicers simultaneously pursue other loss mitigation actions and borrowers may act to return their mortgages to current and performing status.

Overall Mortgage Portfolio

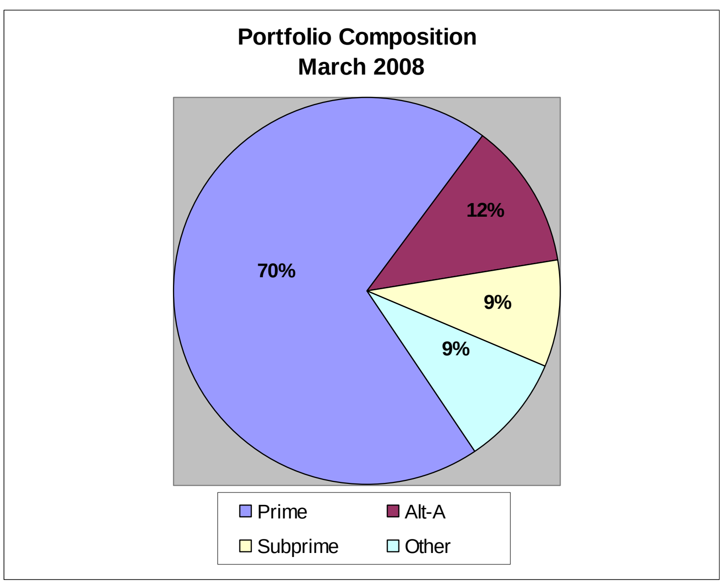
Between January and March 2008, the servicing portfolio increased slightly and now stands at $2.29 trillion in outstanding principal balances, held in 11.4 million first lien residential mortgages.

As of March 2008, the loan composition, as a percent of the total serviced portfolio is as follows:

Prime:	69.8%
Alt-A:	12.0%
Subprime:	9.0%
Other:	9.2%
Total	100%

The "other" category contains loans that could not be categorized due to the unavailability of credit scores.

Overall Mortgage Portfolio			
	Jan-08	Feb-08	Mar-08
Total Servicing **($ millions)**	$2,255,795	$2,289,763	$2,291,934
Total Servicing **(# of loans)**	11,277,610	11,423,681	11,419,872
Composition (% of all mortgage loans in the portfolio)			
Prime	69.11%	69.36%	69.80%
Alt-A	12.07%	12.01%	12.03%
Subprime	9.00%	8.94%	8.97%
Other	9.83%	9.69%	9.20%



Overall Mortgage Performance

Throughout the first three months of 2008, approximately 92 percent of mortgages in the total portfolio were current and performing.

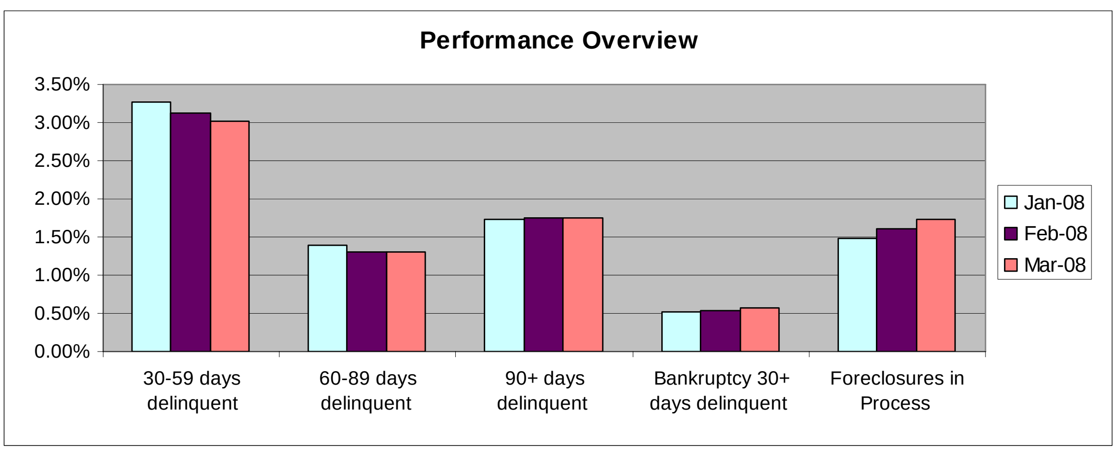
The highest level of delinquencies was concentrated in loans that were 30-59 days delinquent. These loans decreased slightly from 3.27 percent of the total portfolio in January to 3.02 percent in March.

Loans 90 days or more delinquent remained constant at 1.74 percent of the total portfolio in March, unchanged from January.

Foreclosures in process represented the largest percentage increase, from 1.49 percent of the total portfolio in January to 1.73 percent in March, a 16 percent increase.

Overall Mortgage Portfolio
(% of all mortgage loans in the portfolio)

	Jan-08	Feb-08	Mar-08
Current and performing	91.58%	91.68%	91.64%
30-59 days delinquent	3.27%	3.13%	3.02%
The following three categories are classified as Seriously Delinquent			
60-89 days delinquent	1.39%	1.31%	1.30%
90+ days delinquent	1.74%	1.74%	1.74%
Bankruptcy 30+ days delinquent	0.52%	0.53%	0.56%
Foreclosures in Process	1.49%	1.61%	1.73%



Seriously Delinquent Mortgages

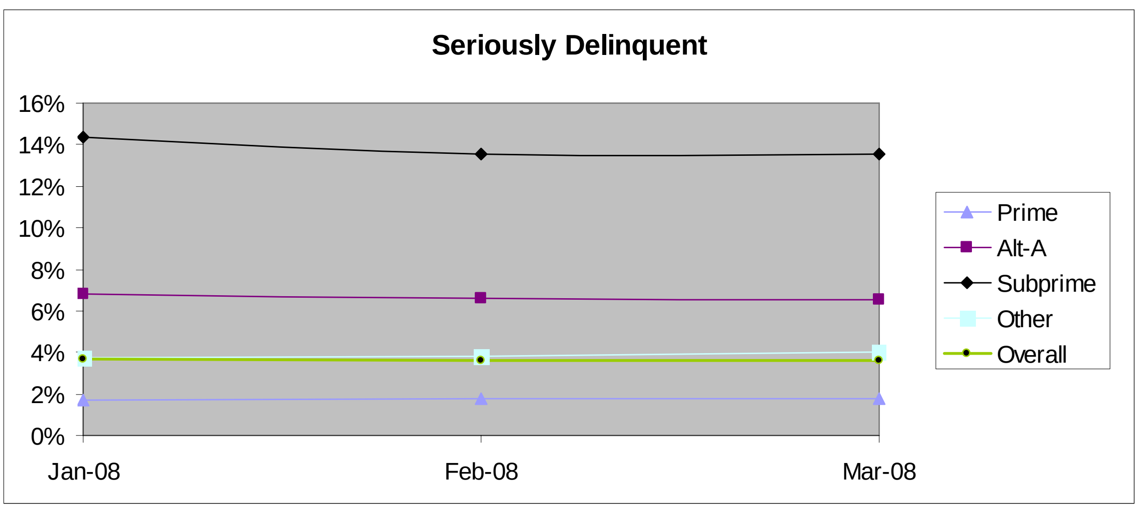
The definition used for “seriously delinquent” is a mortgage 60 days or more past due and those owed by bankrupt borrowers that are 30 or more days past due.

Seriously delinquent loans declined slightly as a percentage of all mortgage loans in the portfolio from 3.65 percent in January to 3.61 percent in March.

Seriously delinquent subprime loans are significantly higher than prime loans (13.5 percent vs. 1.8 percent), reflecting the higher overall risk profile of subprime borrowers. However, the 13.5 percent level of seriously delinquent subprime loans in March is down from 14.4 percent in January.

Seriously Delinquent
(% of all mortgage loans in each category)

Seriously Delinquent	Jan-08	Feb-08	Mar-08
Composition			
Prime	1.69%	1.74%	1.77%
Alt-A	6.80%	6.58%	6.57%
Subprime	14.37%	13.57%	13.52%
Other	3.75%	3.83%	4.05%
Overall	3.65%	3.58%	3.61%



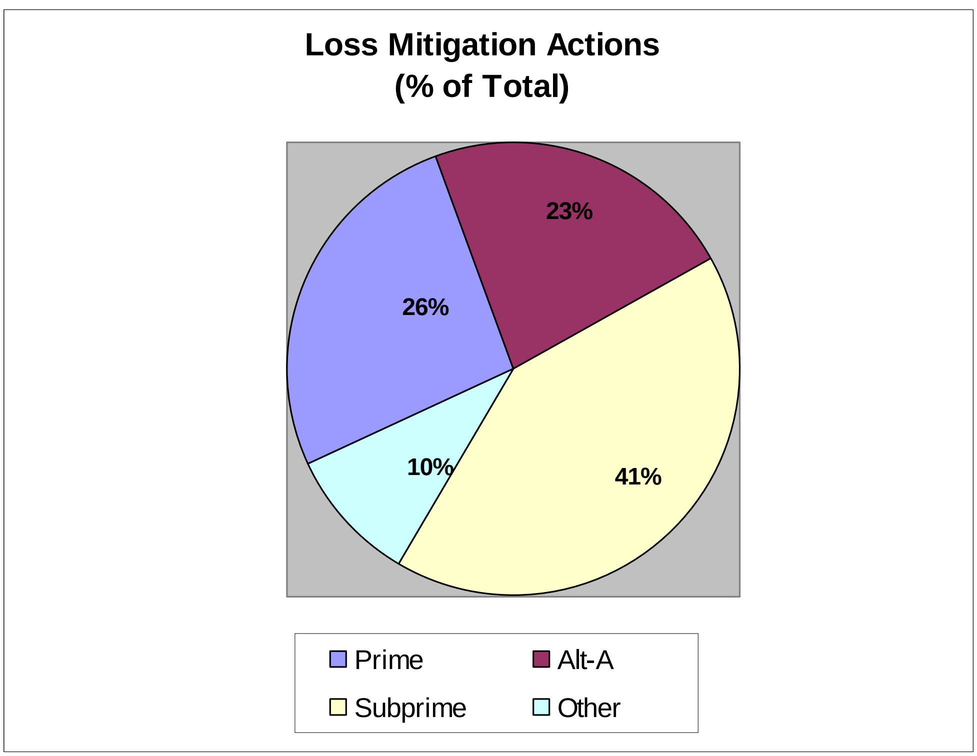
Total End-of-Month Loss Mitigation Actions

Data are collected on the two most common types of loss mitigation actions: loan modifications and payment plans. However, a loan modification or payment plan is not counted until it is actually implemented. In the future, the report will collect data on other types of loss mitigation, such as HomeSaver Advance, FHASecure, partial claims, new subsidiary programs, and refinances with principal forgiveness.

Loss mitigation actions totaled 49,044 at the end of March or 24.6 percent of total loans in foreclosure.

Loss Mitigation Actions

	Mar-08		
Modified Loans	28,600		
Loans under Payment Plans	20,444		
Total Loans in Loss Mitigation	49,044		
Composition	**By Group**	**% of Total Loss Mitigation Actions**	**% of Total Servicing Portfolio**
Prime	12,925	26%	69.80%
Alt-A	11,044	23%	12.03%
Subprime	20,248	41%	8.97%
Other	4,827	10%	9.20%

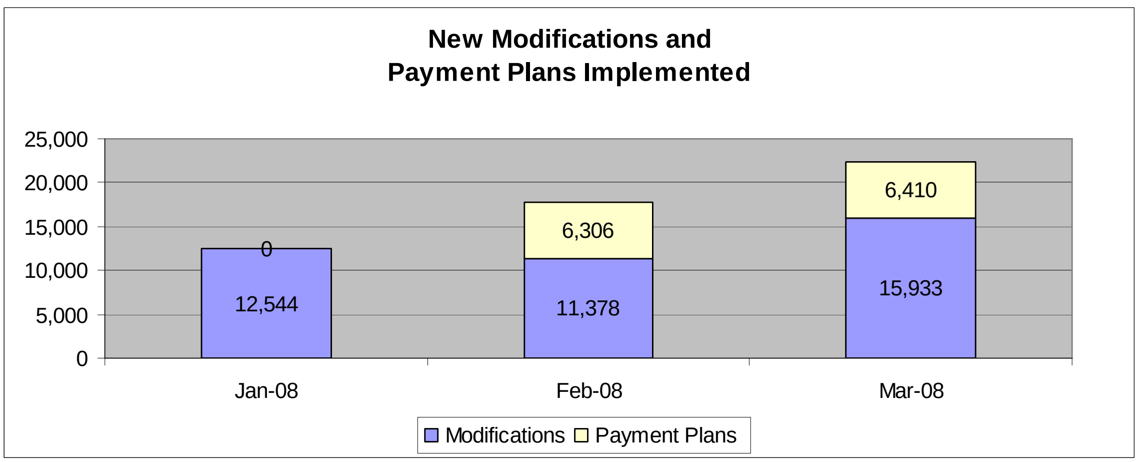


New Loan Modifications and Payment Plans Implemented

The pace of new loss mitigation actions, including new loan modifications and payment plans, increased over the first quarter 2008. There were substantially more loan modifications than payment plans, representing 71 percent of all loss mitigation actions in March. No data on payment plans in January is an artifact of the way in which that particular field is calculated, as it requires month-end data from the prior month and January was the first month for which the data were collected.

New Modifications and Payment Plans

New Modifications and Payment Plans Implemented	Jan-08	Feb-08	Mar-08
Modifications	12,544	11,378	15,933
Payment Plans		6,306	6,410
Total Loss Mitigation Actions	12,544	17,684	22,343

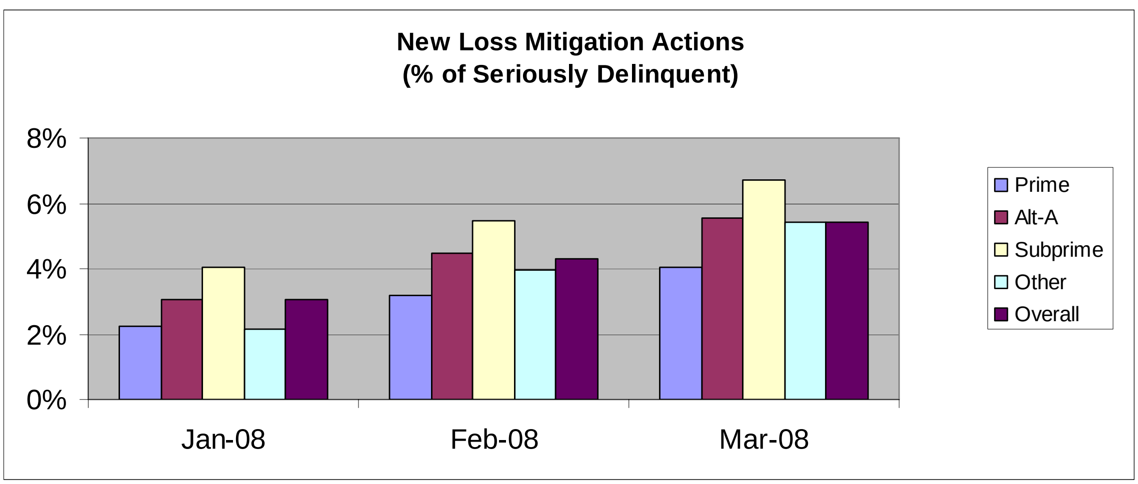


New Loss Mitigation Actions Relative to Seriously Delinquent Mortgages

The following data show new loss mitigation actions for each month in the first quarter 2008 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 4 percent of the prime mortgages that were seriously delinquent. Because of data limitations, the data for January do not include any loan payment plans, so the January column should be interpreted carefully.

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)	**Jan-08**	**Feb-08**	**Mar-08**
Composition			
Prime	2.22%	3.19%	4.02%
Alt-A	3.06%	4.45%	5.57%
Subprime	4.04%	5.46%	6.73%
Other	2.16%	3.96%	5.43%
Overall	3.05%	4.32%	5.41%

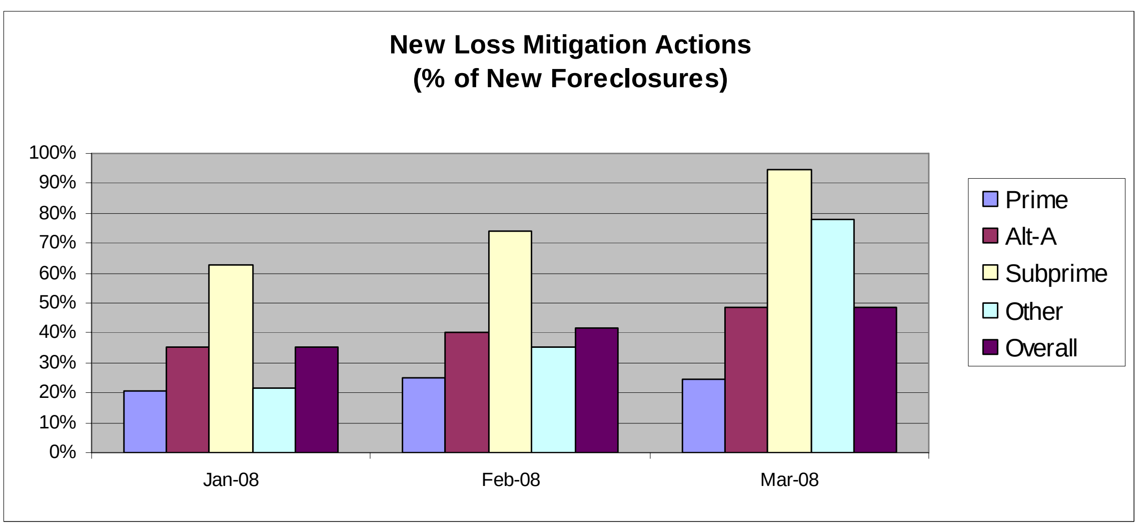


New Loss Mitigation Actions Relative to New Foreclosures

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 servicers simultaneously pursue other loss mitigation strategies or borrowers take action to return their mortgages to a current and performing status. For each month in the first quarter 2008, the following data show new loss mitigation actions as a percentage of new foreclosures. Thus, for a given category like subprime, a percentage close to 100 percent means that there were almost as many new loss mitigation actions as new foreclosures. Because of data limitations, the data for January do not include any loan payment plans, so the January column should be interpreted carefully.

Subprime mortgages consistently had the highest ratio of new loss mitigation actions to new foreclosures; prime mortgages consistently had the lowest. In fact, in March the total number of new loss mitigation actions for subprime mortgages almost equaled the number of new foreclosures.

New Loss Mitigation Actions (% of New Foreclosures)	Jan-08	Feb-08	Mar-08
Composition			
Prime	20.48%	25.01%	24.62%
Alt-A	35.44%	40.13%	48.67%
Subprime	62.65%	73.98%	94.66%
Other	21.79%	35.51%	77.74%
Overall	35.06%	41.49%	48.31%

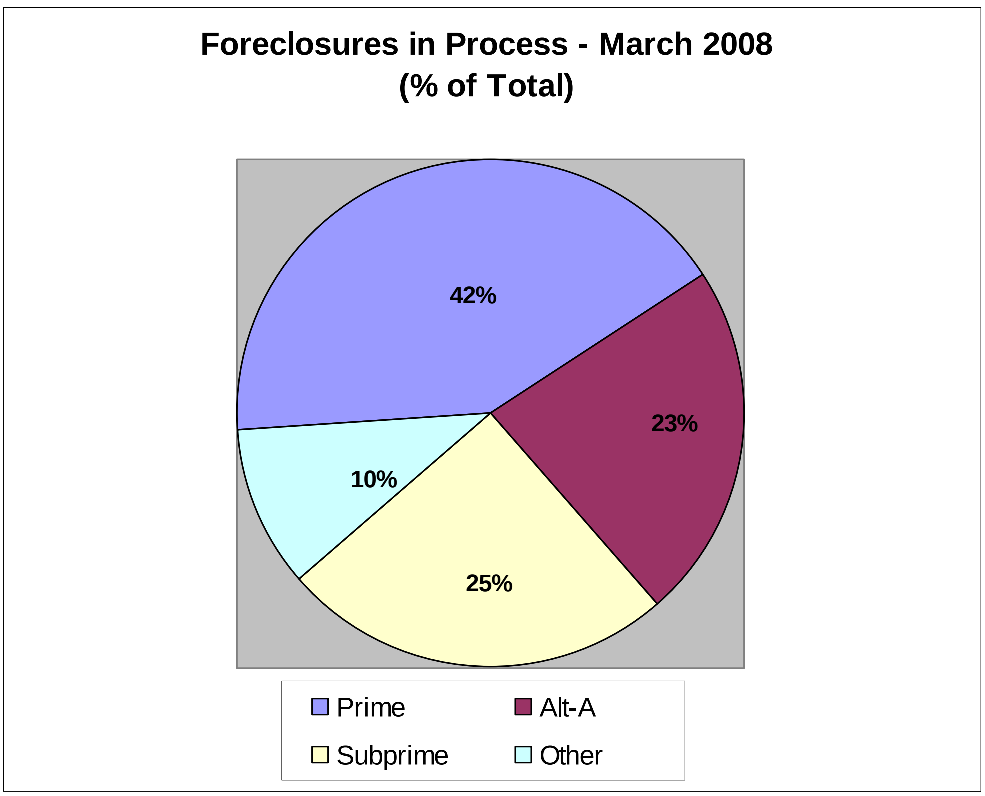


Total End-of-Month Foreclosures in Process

Foreclosures in process totaled 197,260 at the end of March. Subprime mortgages constituted 25 percent of total foreclosures in process, while representing 9 percent of the total number of mortgages.

Conversely, prime mortgages constituted 42 percent of all foreclosures, while representing 70 percent of the total servicing portfolio.

Total Foreclosures in Process	Mar-08		
Total	197,260		
Composition		% of Total	Portfolio Composition
Prime	82,842	42.00%	69.80%
Alt-A	44,945	22.78%	12.03%
Subprime	49,344	25.01%	8.97%
Other	20,129	10.20%	9.20%



Numbers of New Foreclosures

During the first quarter, new foreclosures increased from 35,780 in January to 46,249 in March. The increase is almost entirely due to the increase in prime and Alt-A foreclosures initiated.

Prime mortgages experienced the greatest new foreclosures in each month of the first quarter. This is not surprising given that 70 percent of all mortgages in the total portfolio were prime mortgages.

Subprime mortgages, which constituted only nine percent of the total portfolio, had a disproportionately large share of new foreclosures, but their share of foreclosures initiated fell from 26.3 percent in January to 21.3 percent in March.

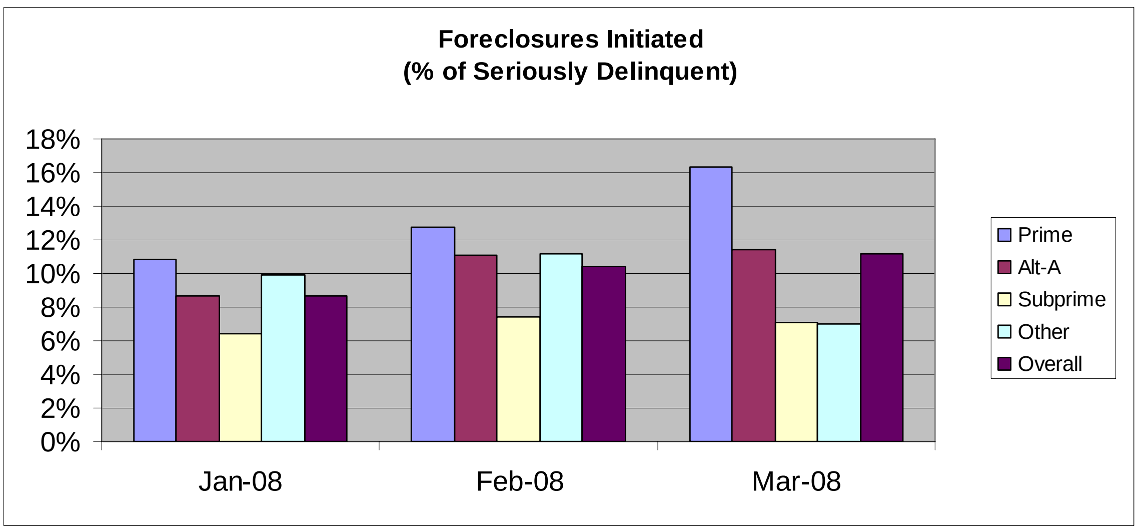
Newly Initiated Foreclosures

	Jan-08	Feb-08	Mar-08
New Foreclosures	35,780	42,619	46,249
Composition			
Prime	14,268	17,639	23,107
Alt-A	7,999	10,014	10,329
Subprime	9,405	10,241	9,844
Other	4,108	4,725	2,969

New Foreclosures Relative to Seriously Delinquent Mortgages

New foreclosures, as a percentage of seriously delinquent loans increased from 8.7 percent in January to 11.2 percent in March, a 29 percent increase. For the same time period, the rate of foreclosures relative to seriously delinquent prime loans increased by 50.8 percent, from 10.8 percent in January to 16.3 percent in March. The lower rate of subprime foreclosures, which is less than half that of prime seriously delinquent loans, also increased, but by only 10.2 percent.

Foreclosures Initiated (% of Seriously Delinquent)	Jan-08	Feb-08	Mar-08
Composition			
Prime	10.83%	12.77%	16.33%
Alt-A	8.65%	11.10%	11.44%
Subprime	6.45%	7.39%	7.11%
Other	9.89%	11.15%	6.98%
Overall	8.69%	10.41%	11.21%



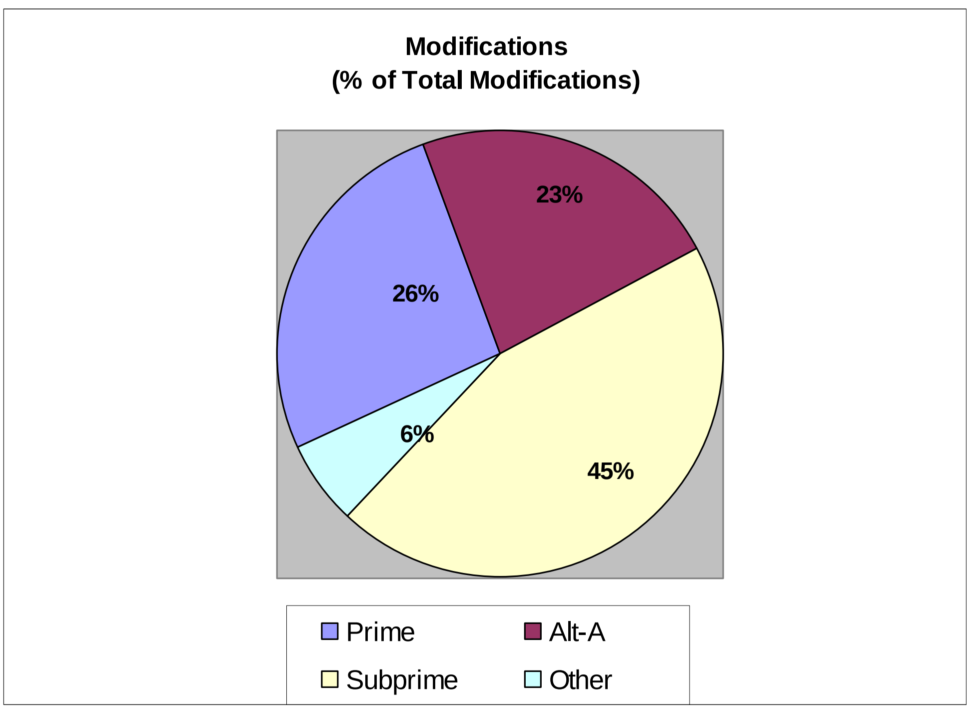
Appendix A – Loan Modifications

Overview

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

Subprime loans have received the highest level of loan modifications (45 percent) although they constitute only 9 percent of the total portfolio. Prime loans, on the other hand, have received only 26.4 percent of the loan modifications while constituting 70 percent of the total servicing portfolio.

Loan Modification Actions	Mar-08	
Total Loan Modifications	28,600	
Composition		% of Total Modified Loans
Prime	7,547	26.4%
Alt-A	6,484	22.7%
Subprime	12,852	44.9%
Other	1,717	6.0%



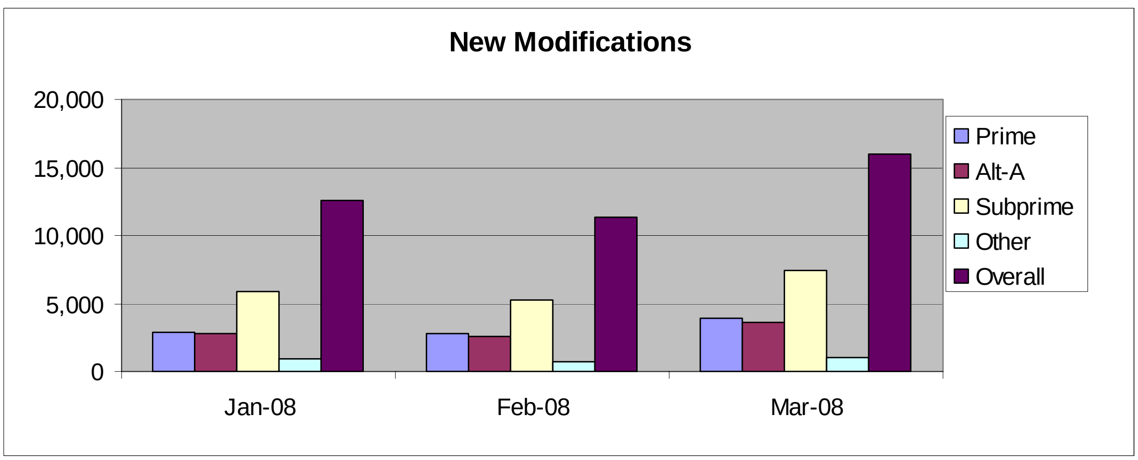
New Loan Modifications

The number of new loan modifications increased 40 percent in March over February, after dipping slightly in February from January.

The largest number of new loan modifications continues to be in subprime mortgages, with close to twice that or more of any other category.

Alt-A mortgages consistently had the lowest number of new loan modifications among the defined loan categories.

New Loan Modifications	Jan-08	Feb-08	Mar-08
Composition			
Prime	2,922	2,786	3,939
Alt-A	2,835	2,526	3,609
Subprime	5,892	5,305	7,382
Other	895	761	1,003
Overall	12,544	11,378	15,933

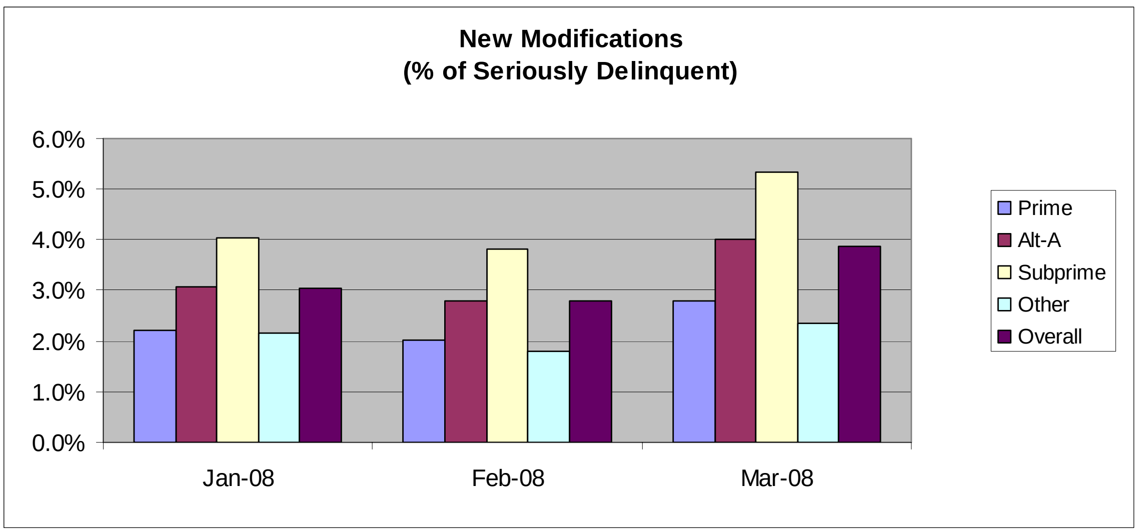


New Loan Modifications Relative to Seriously Delinquent Mortgages

During the first quarter, there was an increase in new loan modifications as a percentage of seriously delinquent loans despite a slight decline during February.

Subprime and Alt-A loans, the higher risk segments of the portfolio, represented the largest percentages of new loan modifications relative to seriously delinquent loans.

New Modifications (% of Seriously Delinquent)	Jan-08	Feb-08	Mar-08
Composition			
Prime	2.22%	2.02%	2.78%
Alt-A	3.06%	2.80%	4.00%
Subprime	4.04%	3.83%	5.33%
Other	2.16%	1.80%	2.36%
Overall	3.05%	2.78%	3.86%



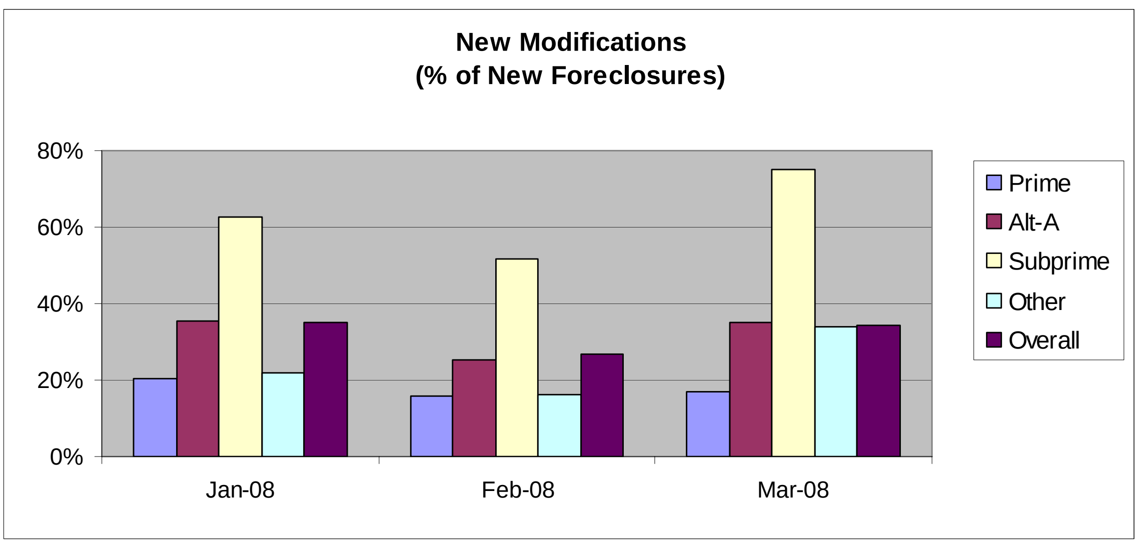
New Loan Modifications Relative to New Foreclosures

Overall, new loan modifications as a percentage of new foreclosures decreased in February before increasing in March.

In all three months of the reporting period, the ratio was 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, had 4.4 times the ratio of new loan modifications as a percentage of new foreclosures than prime loans.

New Loan Modifications (% of New Foreclosures)	Jan-08	Feb-08	Mar-08
Composition			
Prime	20.48%	15.79%	17.05%
Alt-A	35.44%	25.22%	34.94%
Subprime	62.65%	51.80%	74.99%
Other	21.79%	16.11%	33.78%
Overall	35.06%	26.70%	34.45%



Appendix B – Payment Plans

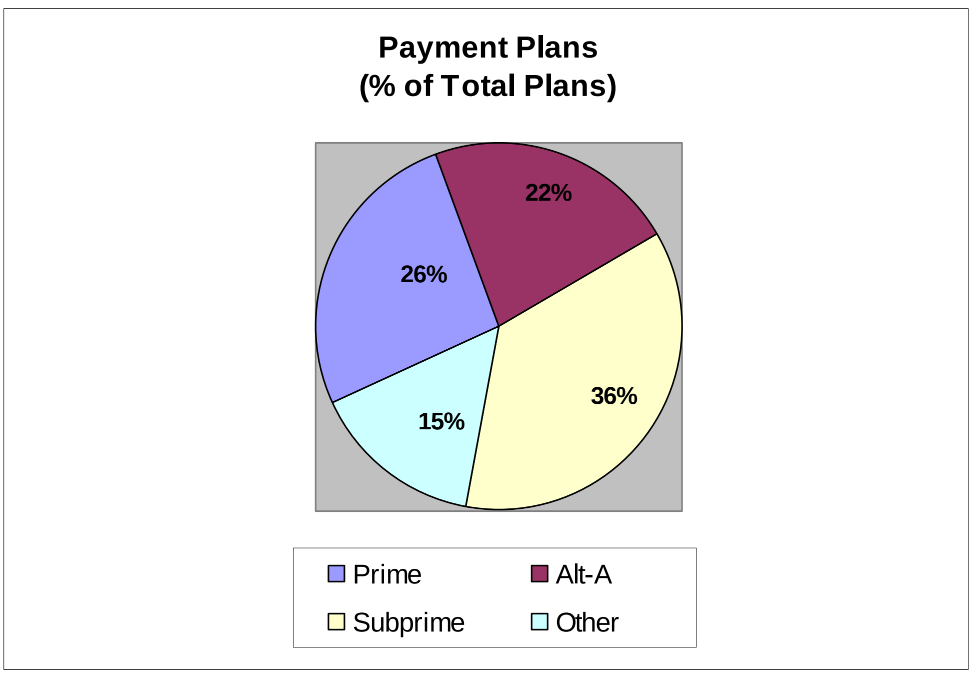
Overview

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, 36 percent of all payment plans were implemented for subprime mortgages, even though such loans constituted 9 percent of the total portfolio.

In contrast, prime mortgages accounted for 26 percent of payment plans, while constituting 70 percent of the total portfolio.

Payment Plans	**Mar-08**	
Total Payment Plans	20,444	
Composition		**% of Total Payment Plans**
Prime	5,378	26%
Alt-A	4,560	22%
Subprime	7,396	36%
Other	3,110	15%

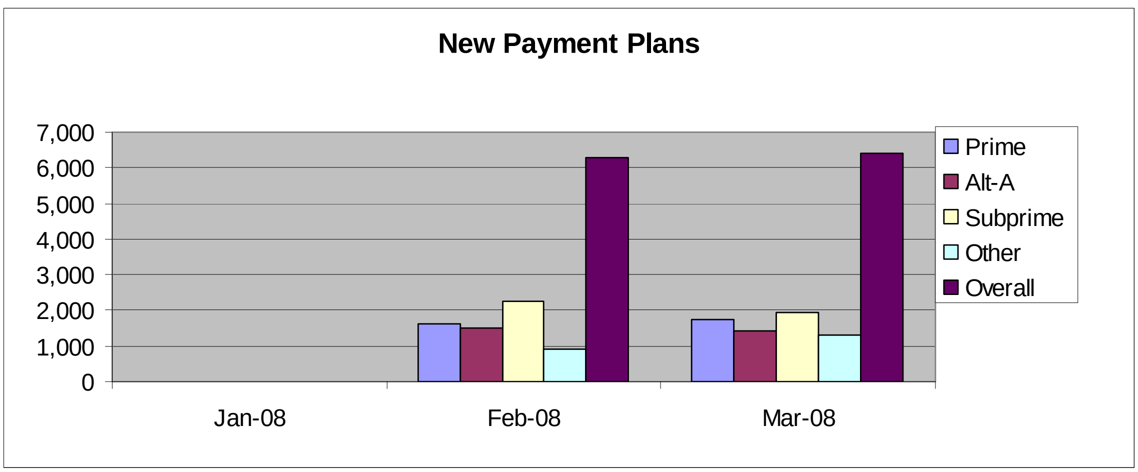


New Payment Plans

Payment plan data were not reported in January, but they increased slightly (2 percent) between February and March. No data on payment plans in January is an artifact of the way in which that particular field is calculated, as it requires month-end data from the prior month and January was the first month we collected the data.

In March, subprime mortgage loan new payment plans represented 30 percent of all new payment plans while Prime and Alt-A mortgages represented 27 and 22 percent respectively.

New Payment Plans	Jan-08	Feb-08	Mar-08
Composition			
Prime		1,625	1,751
Alt-A		1,493	1,418
Subprime		2,271	1,936
Other		917	1,305
Overall		6,306	6,410

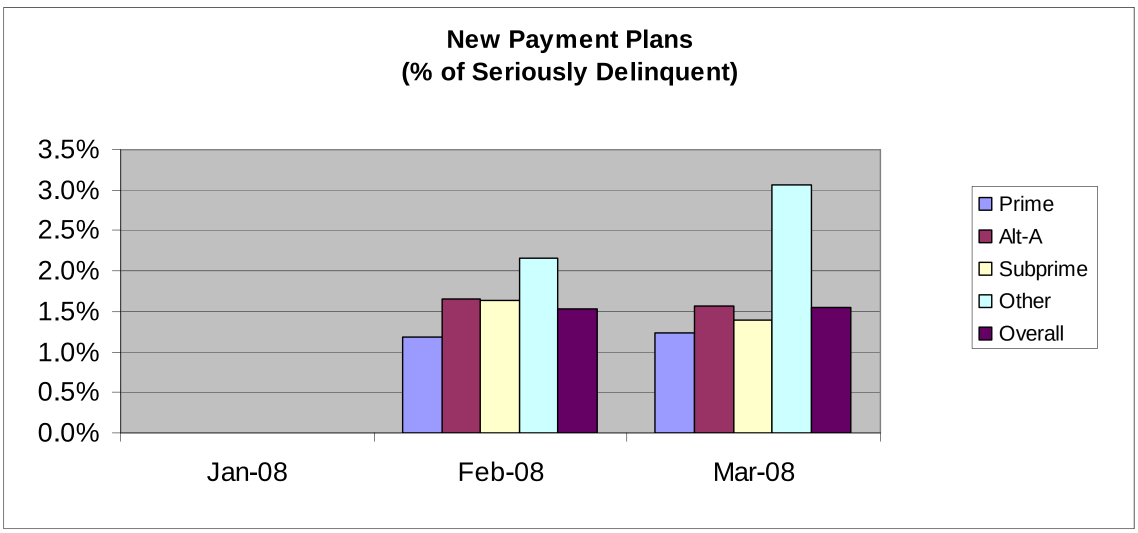


New Payment Plans Relative to Seriously Delinquent Mortgages

New payment plans as a percentage of seriously delinquent loans increased slightly from 1.54 percent in February to 1.55 percent in March.

During March, Alt-A loans had the highest percentage of new payment plans initiated relative to serious delinquencies, at 1.57 percent.

New Payment Plans (% of Seriously Delinquent)	**Jan-08**	**Feb-08**	**Mar-08**
Composition			
Prime		1.18%	1.24%
Alt-A		1.65%	1.57%
Subprime		1.64%	1.40%
Other		2.16%	3.07%
Overall		1.54%	1.55%



New Payment Plans Relative to New Foreclosures

New payment plans as a percentage of new foreclosures decreased from 14.8 percent in February to 13.9 percent in March.

Consistent with previous data, for defined categories, subprime mortgages had the highest ratio of new payment plans to new foreclosures.

New Payment Plans (% of New Foreclosures)	**Jan-08**	**Feb-08**	**Mar-08**
Composition			
Prime		9.21%	7.58%
Alt-A		14.91%	13.73%
Subprime		22.18%	19.67%
Other		19.41%	43.95%
Overall		14.80%	13.86%