



Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury



Office of Thrift Supervision
US Department of the Treasury

OCC and OTS Mortgage Metrics Report

Disclosure of National Bank and Federal Thrift Mortgage Loan Data

Third Quarter 2008

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Executive Summary

The *OCC and OTS Mortgage Metrics Report* presents performance data on first lien residential mortgages serviced by national banks and federally regulated thrifts. This is the second joint report by the Office of the Comptroller of the Currency and the Office of Thrift Supervision and provides a comprehensive picture of mortgage servicing activities of most of the industry's largest mortgage servicers, and incorporates information on all types of mortgages serviced, including subprime.

The *Mortgage Metrics Report* focuses on delinquencies and foreclosures, with the range of events that lead to home forfeiture now expanded to include short sales and deed-in-lieu-of-foreclosure as well as completed foreclosures. This report also includes the first available data on the performance of loans that have previously been modified to encourage home retention. Data on the performance of modified loans provide insight into the effectiveness of loss mitigation actions.

The conclusion of the report, in brief, is that delinquencies continue to rise, foreclosures and other actions leading to home forfeiture also continued to rise, and loan modifications were associated with high levels of re-default.

The report continues to promote a common reporting framework using standardized reporting terms and data elements, which allows for better comparisons across the industry and over time. The report uses standard definitions for prime, Alt-A, and subprime mortgages relying on common credit score ranges.

The agencies collected data from the nine national banks¹ and the five thrifts² with the largest mortgage servicing portfolios. At the end of September 2008, the 34.6 million first lien mortgage loans serviced by these institutions totaled more than \$6.1 trillion in principal balances. The combined servicing portfolio constituted more than 60 percent of all mortgages outstanding in the United States. About 88 percent of the mortgages in the total servicing portfolio were held by third parties as a result of loans sales and securitization by government-sponsored enterprises, the originating banks, and other financial institutions.

This report includes revised data for the first and second quarters of 2008 that has been submitted by participating banks and thrifts. The revised data include corrections identified by the banks and regulators, reflecting the continuing effort to improve data collection efforts. The report is based on loan-level data; none of the statistics is estimated.

Key findings include:

- Credit quality declined during the third quarter across all loan categories, continuing the trend reported from the first to the second quarters of 2008. More than nine out of 10 mortgages remain current. However, the percentage of current and performing mortgages in the portfolio declined to 91.47 percent at the end of the third quarter from 93.33 percent at the end of the first quarter.

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

² The five thrifts are Countrywide, IndyMac, Merrill Lynch, Wachovia FSB, and Washington Mutual. Washington Mutual was acquired by and merged into JPMorgan Chase in September 2008. IndyMac has been operated by the Federal Deposit Insurance Corporation since July 2008.

- Early stage delinquencies (30-59 days past due), seriously delinquent mortgages (60 or more days past due plus loans to bankrupt borrowers who are 30 or more days past due), and the number of foreclosures in process increased in the third quarter.

Delinquency and Foreclosure Rates (% of all mortgage loans in the portfolio at the end of each quarter)			
	First Quarter	Second Quarter	Third Quarter
30-59 days delinquent	2.59%	2.85%	3.20%
Seriously delinquent	2.66%	2.94%	3.54%
Foreclosures in process	1.41%	1.59%	1.78%

- Newly initiated home retention actions—loan modifications and payment plans—increased by 13 percent from the second to the third quarter 2008. New loan modifications increased by more than 16 percent from the second to the third quarter. New payment plans grew by 11 percent from the second to the third quarter.

Newly Initiated Home Retention Actions			
	First Quarter	Second Quarter	Third Quarter
Loan modifications	72,877	114,439	133,106
Payment plans	136,874	139,186	154,649
Total	209,751	253,625	287,755

- For loans modified in the first quarter of 2008, more than 37 percent of modified loans were 30 or more days delinquent or in the process of foreclosure after three months. After six months, that re-default rate was more than 55 percent. For loans modified during the second quarter, the three-month 30+ day delinquent re-default rate was more than 40 percent.

Modified Loans 30+ Days Delinquent (30+ Re-default Rate)		
	Three Months After Modification	Six Months After Modification
First quarter 2008 loan modifications	37.44%	55.14%
Second quarter 2008 loan modifications	40.52%	--

- For loans modified in the first quarter, more than 19 percent were 60 or more days delinquent or in process of foreclosure after three months. That rate grew to nearly 37 percent after six months. For loans modified in the second quarter, that re-default rate was more than 21 percent after three months.

Modified Loans 60+ Days Delinquent (60+ Re-default Rate)		
	Three Months After Modification	Six Months After Modification
First quarter 2008 loan modifications	19.18%	36.90%
Second quarter 2008 loan modifications	21.38%	--

- Loans held on the books of servicing banks and thrifts had the lowest re-default rates at 35.06 percent after three months, and 50.86 percent after six months, compared to loans serviced on behalf of third parties. The lower re-default rate for loans held by servicers may suggest that there is greater

flexibility to modify loans in more sustainable ways when loans are held on a servicers' own books than when loans have been sold to third parties.

First Quarter 2008 Loans by Investor		
	Three Months After Modification (30+ Days Delinquent)	Six Months After Modification (30+ Days Delinquent)
On-book portfolio (loans held by servicers)	35.06%	50.86%
FHLMC (Freddie Mac)	39.09%	57.87%
FNMA (Fannie Mae)	38.34%	57.11%
Private Investors	42.28%	60.76%

- The number of completed foreclosures and other home forfeiture actions (short sales and deeds-in-lieu-of-foreclosure) increased by 11 percent from the second to the third quarter.³ The number of home retention actions—loan modifications and payment plans—was more than twice the number of completed foreclosures and other home forfeiture actions.

Completed Foreclosures and Other Home Forfeiture Actions			
	First Quarter	Second Quarter	Third Quarter
New short sales	5,834	8,222	13,254
New deed-in-lieu-of-foreclosure actions	1,074	807	843
Completed foreclosures	107,134	118,316	127,738
Total	114,042	127,345	141,835
New home retention actions relative to completed foreclosures and other home forfeiture actions	183.92%	199.16%	202.88%

- Newly initiated foreclosures fell to 281,298 in the third quarter of 2008, a 2.6 percent drop from the second quarter. The number of foreclosures completed in the third quarter increased nearly 8 percent, rising to 127,738. Many loans that start the foreclosure process never result in foreclosure of the property. On average, the foreclosure process takes about six months to complete. A foreclosure completion rate can be approximated by comparing the number of completed foreclosures with the

³ Completed foreclosures, short sales, and deed-in-lieu actions require the borrower to give up the home to pay (partially or in whole) the mortgage debt.

number of newly initiated foreclosures six months earlier. The 127,738 foreclosures completed during the third quarter represented about 44 percent of the newly initiated foreclosures during the first quarter.

Newly Initiated Foreclosures and Completed Foreclosures			
	First Quarter	Second Quarter	Third Quarter
Newly initiated foreclosures	280,161	288,689	281,298
Completed foreclosures	107,134	118,316	127,738
Completed foreclosures relative to newly initiated foreclosures (six-month lag) ⁴			43.93%

⁴ The foreclosure process varies by state and may take from two to 12 months to complete. This calculation assumes an average six-month processing period to compare the number of foreclosures completed during the third quarter against the weighted average number of foreclosures initiated during the first quarter.

Overview

The *OCC and OTS Mortgage Metrics Report* presents key performance data on first lien residential mortgages serviced by national banks and thrifts, focusing on loan modifications, payment plans, foreclosures, short sales, and deed-in-lieu-of-foreclosure actions. The OCC and OTS collect these data from the nine national banks and five thrifts that have the largest mortgage servicing portfolios among all national banks and thrifts. The data represent more than 60 percent of all mortgages outstanding. Approximately 88 percent of the mortgages in the portfolio are held by third parties as a result of loan sales and securitization by government-sponsored enterprises, the originating banks, and other financial institutions. At the end of September 2008, these institutions serviced more than 34.6 million first lien mortgage loans, totaling \$6.1 trillion in outstanding balances.

The report is based on a data collection process covering 68 data elements for each of the mortgages in the portfolio from January through September 2008. The OCC and OTS use a data vendor to aggregate, validate, store, and generate reports, but the agencies retain ownership and control of the data.

In addition to providing important information to the public, the data support the supervision of national bank and thrift mortgage practices. The report provides an additional tool to help examiners assess emerging trends, identify anomalies, compare a lender with the rest of the industry, evaluate asset quality and loan loss reserve needs, and evaluate loss mitigation actions.

The portfolio of loans serviced by these banks and thrifts does not represent a statistically random sample of all mortgage loans. The characteristics of these loans differ in notable ways from the overall population of mortgages. Additionally, there are known seasonal effects in mortgage lending. This report does not attempt to quantify or adjust for those seasonal effects.

The OCC, OTS, and the participating institutions devoted significant resources to validating the data to ensure that the information was reliable, accurate, and consistent with information presented elsewhere. Steps to ensure the validity of the data included comparisons with institutions' quarterly call and thrift financial reports, and internal quality reviews conducted by the banks and thrifts and by the external vendor that compiled the data. However, data sets of this size and scope inevitably suffer from a degree of inconsistency, missing data, and other imperfections. The OCC and OTS require prior data submissions to be adjusted as errors and omissions are detected. Data presented in this report, in some cases, reflect resubmissions from institutions that restate and correct earlier information.

Definitions and Methods

This report uses standardized definitions for three categories of mortgage creditworthiness: prime, Alt-A, and subprime. Using ranges of borrowers' credit scores at the time of origination, the categories are defined as prime—660 and above; Alt-A—620 to 659; and subprime—below 620.

Roughly 14 percent of loans in the data were not accompanied by credit scores and are classified as “other.” This group includes a mix of prime, Alt-A, and subprime. In large part, they are the result of acquisitions of portfolios from third parties where scores were not available. Set forth below are additional definitions:

- **Seriously delinquent loans**—All mortgages that are 60 or more days past due and all mortgages held by bankrupt borrowers who are 30 or more days past due. Loan delinquencies are reported using the Mortgage Bankers Association (MBA) convention that a loan is past due when a scheduled payment is unpaid for 30 days or more.
- **Home retention action**—Actions including loan modifications and payment plans⁵ that mitigate loan loss. Home retention actions allow the borrower to retain ownership/occupancy of the home, while attempting to return the loan to a current and performing status.
- **Loan modification**—Mortgage for which terms of the loan are contractually changed with respect to interest rates or other terms of the loan.
- **Payment plan**—A short- to medium-term change in scheduled terms and payments to return a mortgage to a current and performing status.
- **Re-default rate**—The percentage of modified loans that subsequently become delinquent or enter the foreclosure process. This report measures re-defaults at both 30 and 60 or more days delinquent and in process of foreclosure.
- **Short sale**—Sale of the mortgaged property at a price that nets less than the total amount due on the mortgage. The servicer and borrower negotiate a repayment program, forbearance, and/or forgiveness for any remaining deficiency balance on the mortgage debt to lessen the adverse impact of the debt on the borrower's credit record. A short sale typically has less adverse impact on the borrower than foreclosure.
- **Deed-in-lieu-of-foreclosure action**—The borrower transfers ownership of the property (deed) to the servicer in full satisfaction of the outstanding mortgage debt to lessen the adverse impact of the debt on the borrower's credit record. A deed-in-lieu-of-foreclosure action typically has less adverse impact on the borrower than foreclosure.
- **Newly initiated foreclosure**—Mortgage for which the servicer initiates a formal foreclosure proceeding during the month (*e.g.*, public notice, judicial filing). Many newly initiated foreclosures never result in the 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.

⁵ In addition to loan modifications and payment plans, mortgage servicers are implementing other alternative home retention actions, including HomeSaver Advance, FHASecure, FHA Hope for Homeowners, partial claims, new subsidy programs, and refinances with principal forgiveness. Several servicers have also announced new, expanded home retention loss mitigation programs. These alternatives are not covered by the data in this report.

- **Foreclosures in process**—The number of mortgages for which the servicer has begun a formal foreclosure proceeding (*e.g.*, public notice, judicial filing) but have not yet completed the process resulting in the loss of the borrower's home. The foreclosure process varies by state and can take from two to 12 months to complete. Many foreclosures in process never result in the 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.
- **Completed foreclosure**—Ownership of the property is transferred to the servicer or investor and the mortgage debt is extinguished. A completed foreclosure's ultimate result is the loss of the borrower's home.

The statistics and calculated ratios in this report are based on the number of loans rather than on the dollar balance outstanding.



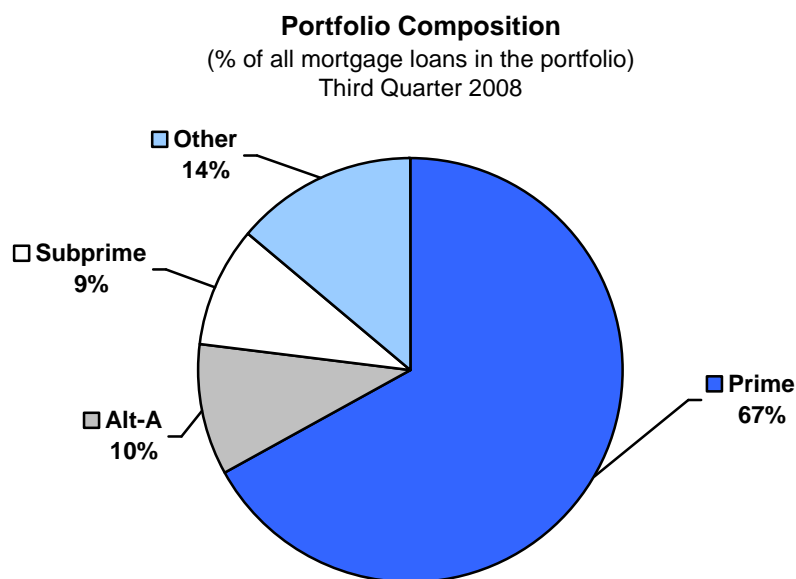
Overall Mortgage Portfolio

The size of the combined national bank and thrift servicing portfolio declined slightly during the third quarter, ending the period with more than 34.6 million loans worth more than \$6.1 trillion.

The portfolio composition remained stable at about 67 percent prime, 10 percent Alt-A, 9 percent subprime, and 14 percent “other.”

Overall Mortgage Portfolio			
	First Quarter	Second Quarter	Third Quarter
Total servicing (\$ millions)	\$6,078,099	\$6,123,456	\$6,116,999
Total servicing (number of loans)	34,606,619	34,749,256	34,643,526
Composition (% of all mortgage loans in the portfolio) *			
Prime	66%	66%	67%
Alt-A	10%	10%	10%
Subprime	9%	9%	9%
Other	15%	14%	14%
Composition (Number of loans in each risk category of the portfolio)			
Prime	22,703,076	23,097,253	23,061,958
Alt-A	3,575,564	3,598,364	3,579,146
Subprime	3,109,711	3,098,038	3,067,637
Other	5,218,268	4,955,601	4,934,785

*Totals may not add to 100 percent due to rounding.



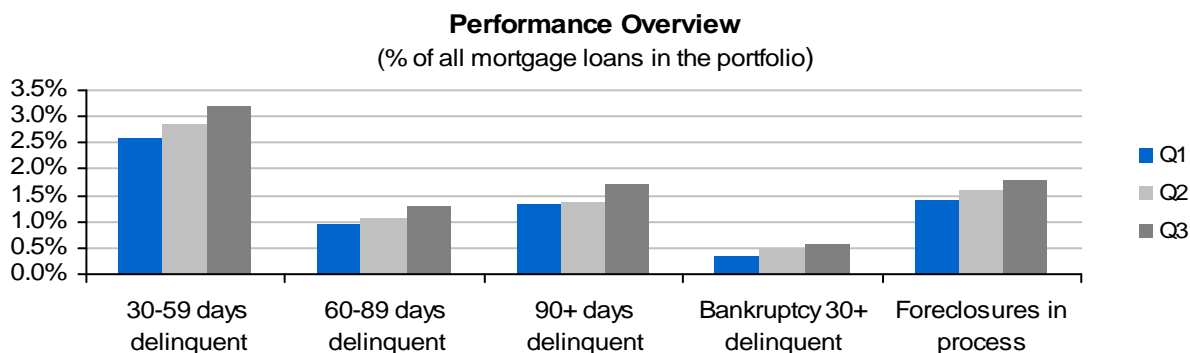
Overall Mortgage Performance

Credit quality declined during the third quarter across all risk categories, continuing the trend reported from the first to the second quarters of 2008. More than nine out of 10 mortgages remain current. However, the percentage of current and performing mortgages in the portfolio declined to 91.47 percent at the end of the third quarter from 93.33 percent at the end of the first quarter.

Seriously delinquent loans, defined as mortgages 60 or more days past due and all mortgages held by bankrupt borrowers that are 30 or more days past due, increased to 3.54 percent from 2.94 percent at the end of the second quarter. Foreclosures in process also increased to 1.78 percent of the total portfolio at the end of the third quarter, continuing the trend reported in the second quarter.

Total Mortgage Portfolio (% of all mortgage loans in the portfolio)*			
	First Quarter	Second Quarter	Third Quarter
Current and performing	93.33%	92.61%	91.47%
30-59 days delinquent	2.59%	2.85%	3.20%
The following three categories are classified as seriously delinquent.			
60-89 days delinquent	0.97%	1.06%	1.29%
90+ days delinquent	1.34%	1.37%	1.70%
Bankruptcy 30+ days delinquent	0.35%	0.51%	0.56%
Subtotal for seriously delinquent	2.66%	2.94%	3.54%
Foreclosures in process	1.41%	1.59%	1.78%
Total Mortgage Portfolio (Number of mortgage loans in the portfolio)			
Current and performing	32,299,865	32,182,548	31,689,516
30-59 days delinquent	896,633	990,347	1,108,701
The following three categories are classified as seriously delinquent.			
60-89 days delinquent	335,413	368,527	446,339
90+ days delinquent	463,271	477,256	588,399
Bankruptcy 30+ days delinquent	122,026	176,849	192,929
Subtotal for seriously delinquent	920,710	1,022,632	1,227,667
Foreclosures in process	489,411	553,729	617,642

*Totals may not add to 100 percent due to rounding.



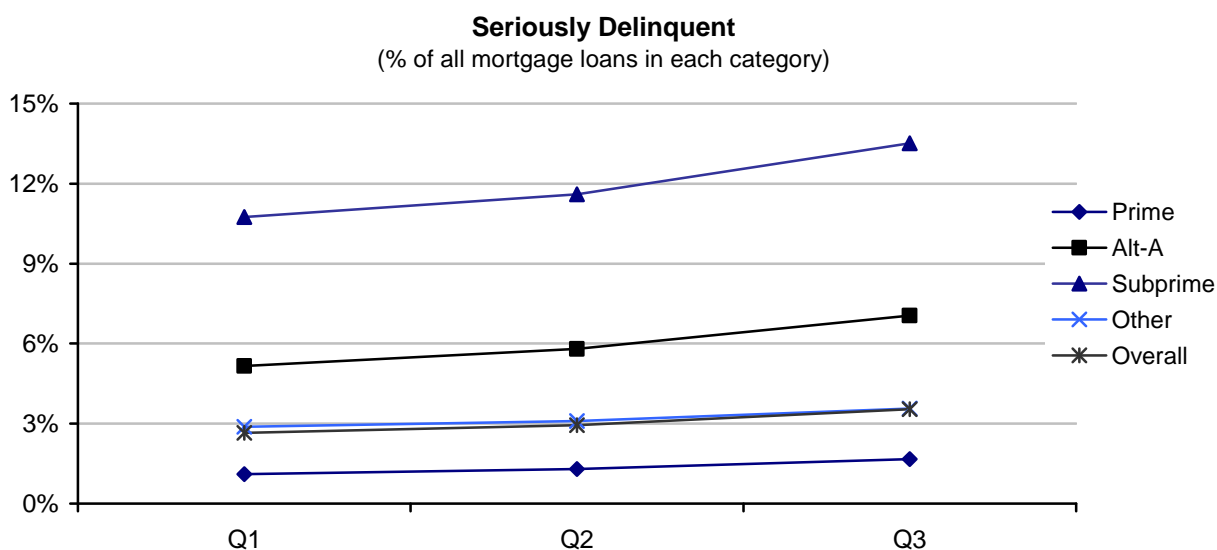
Seriously Delinquent Mortgages

Seriously delinquent mortgages, defined as mortgages that are 60 or more days past due plus loans to bankrupt borrowers who are 30 or more days past due, increased to 3.54 percent of the total portfolio in the third quarter of 2008 from 2.94 percent in the second quarter.

Seriously delinquent mortgages increased across all risk categories during the third quarter, continuing the trend reported in the second quarter. At the end of the third quarter, serious delinquencies were highest for subprime loans at 13.51 percent and lowest for prime loans at 1.67 percent, reflecting the higher overall risk profile of subprime loans.

Seriously Delinquent (% of all mortgage loans in each category)			
	First Quarter	Second Quarter	Third Quarter
Prime	1.11%	1.30%	1.67%
Alt-A	5.17%	5.80%	7.05%
Subprime	10.75%	11.60%	13.51%
Other	2.88%	3.10%	3.57%
Overall	2.66%	2.94%	3.54%

Seriously Delinquent (Number of loans in the portfolio)			
Prime	250,905	301,069	384,781
Alt-A	185,018	208,770	252,319
Subprime	334,245	359,314	414,498
Other	150,542	153,479	176,069
Total	920,710	1,022,632	1,227,667



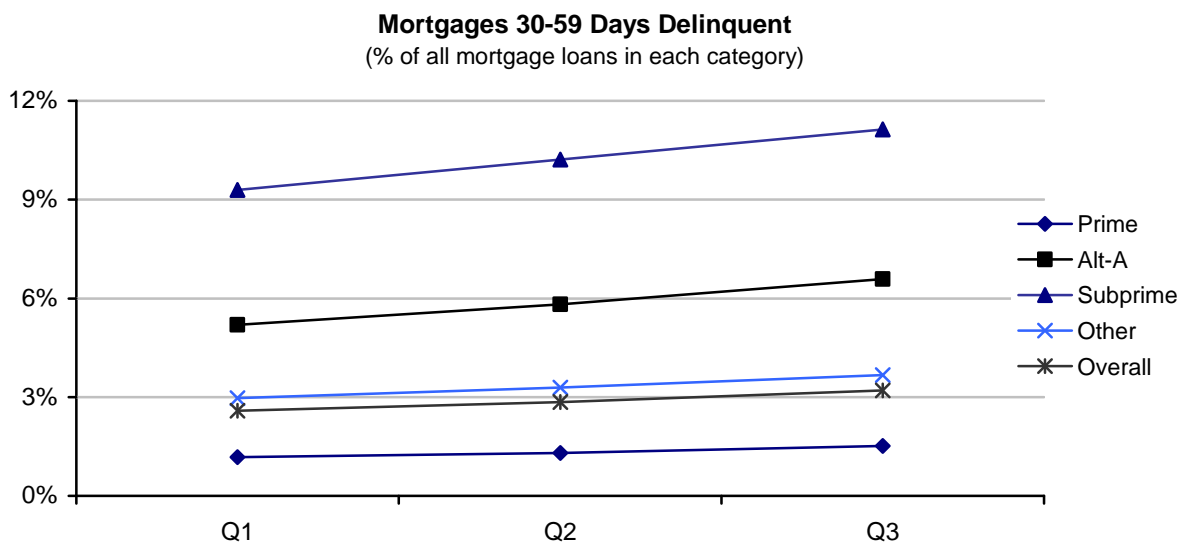
Mortgages 30-59 Days Delinquent

Mortgages delinquent 30-59 days increased during the third quarter across all risk categories, continuing the trend reported in the second quarter. Overall, mortgages 30-59 days delinquent increased to 3.20 percent at the end of the third quarter from 2.85 percent of the total portfolio at the end of the second quarter.

At the end of the third quarter, mortgages 30-59 days delinquent were highest for subprime loans at 11.13 percent, and lowest for prime loans at 1.52 percent.

Mortgages 30-59 Days Delinquent (% of all mortgage loans in each category)			
	First Quarter	Second Quarter	Third Quarter
Prime	1.18%	1.30%	1.52%
Alt-A	5.20%	5.82%	6.59%
Subprime	9.29%	10.22%	11.13%
Other	2.97%	3.29%	3.67%
Overall	2.59%	2.85%	3.20%

Mortgages 30-59 Days Delinquent (Number of loans in the portfolio)			
Prime	266,892	301,306	350,284
Alt-A	185,820	209,577	235,808
Subprime	289,025	316,528	341,437
Other	154,896	162,936	181,172
Total	896,633	990,347	1,108,701

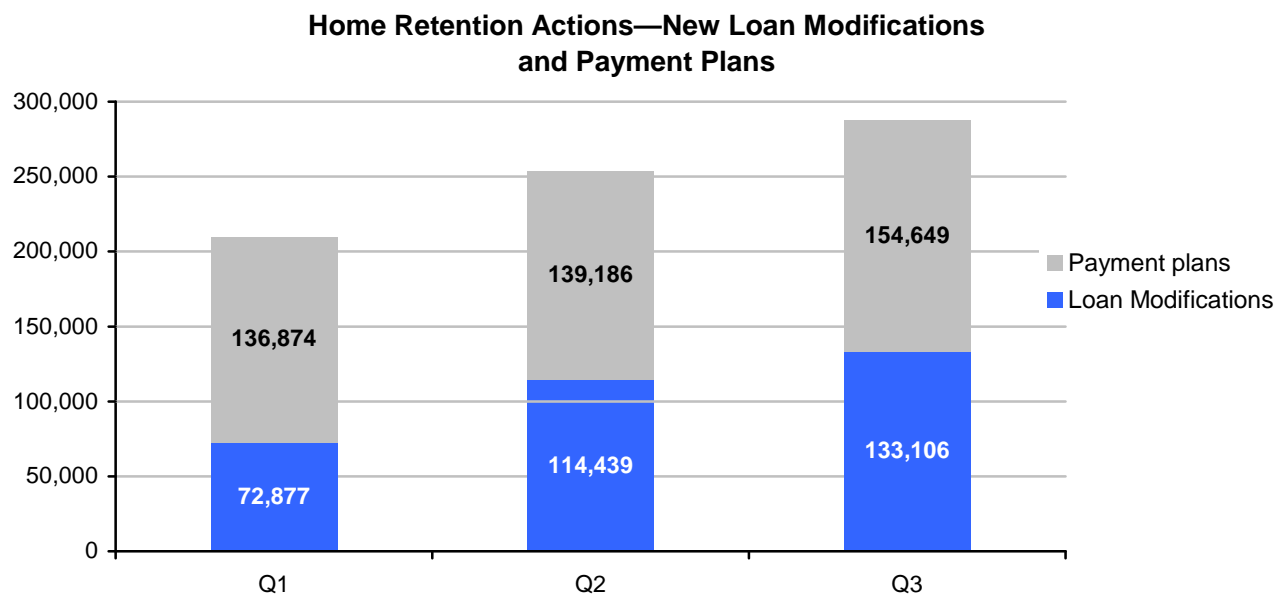


Newly Initiated Home Retention Actions

Newly initiated home retention actions totaled 287,755 during the third quarter, an increase of more than 13 percent from the second quarter.

New loan modifications increased at a faster pace than new payment plans during the quarter, rising more than 16 percent compared to an increase in payment plans of 11 percent. Modifications comprised more than 46 percent of all newly initiated home retention actions during the third quarter, compared to 45 percent during the second quarter.

Home Retention Actions		New Loan Modifications and Payment Plans		
		First Quarter	Second Quarter	Third Quarter
Loan modifications		72,877	114,439	133,106
Payment plans		136,874	139,186	154,649
Total		209,751	253,625	287,755



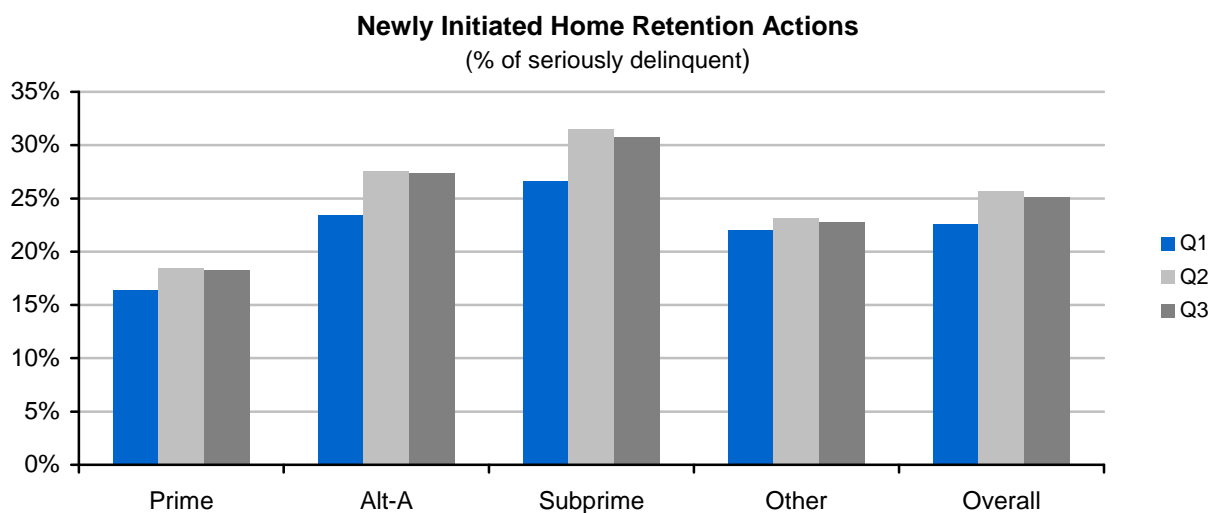
Newly Initiated Home Retention Actions Relative to Seriously Delinquent Mortgages

The following data compare newly initiated home retention actions during the quarter to the number of seriously delinquent loans. Newly initiated home retention actions during the quarter are expressed as a percentage of the monthly weighted average⁶ of seriously delinquent mortgages.

Seriously delinquent subprime loans received more home retention actions than other loan categories, continuing the trend reported in both the first and second quarters. Seriously delinquent prime loans consistently had the lowest relative percentage of new home retention actions.

Newly initiated home retention actions relative to seriously delinquent loans declined for all risk categories in the third quarter compared to the second quarter. While the number of newly initiated home retention actions increased for each category, the number of seriously delinquent borrowers increased at a faster pace.

Newly Initiated Home Retention Actions (% of seriously delinquent)			
	First Quarter	Second Quarter	Third Quarter
Prime	16.37%	18.50%	18.29%
Alt-A	23.45%	27.50%	27.39%
Subprime	26.65%	31.50%	30.76%
Other	22.02%	23.15%	22.73%
Overall	22.54%	25.68%	25.09%



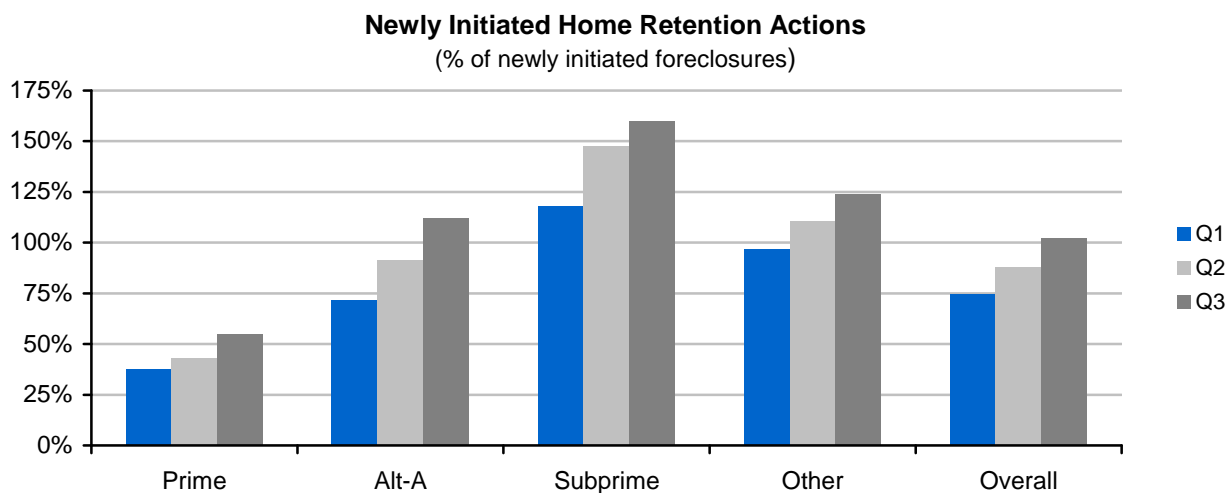
⁶ The weighted average refers to the average monthly outstanding number of seriously delinquent mortgages over the three months of a quarter.

Newly Initiated Home Retention Actions Relative to Newly Initiated Foreclosures

The following data show newly initiated home retention actions as a percentage of newly initiated foreclosures during the quarter. For any given loan category, a percentage exceeding 100 percent means newly initiated home retention actions exceeded newly initiated foreclosures.

The number of newly initiated home retention actions exceeded the number of newly initiated foreclosures during the quarter for all risk categories except prime borrowers.

Newly Initiated Home Retention Actions (% of newly initiated foreclosures)			
	First Quarter	Second Quarter	Third Quarter
Prime	37.73%	43.13%	54.73%
Alt-A	71.75%	91.26%	111.87%
Subprime	117.85%	147.59%	159.83%
Other	96.78%	110.43%	124.10%
Overall	74.87%	87.85%	102.30%

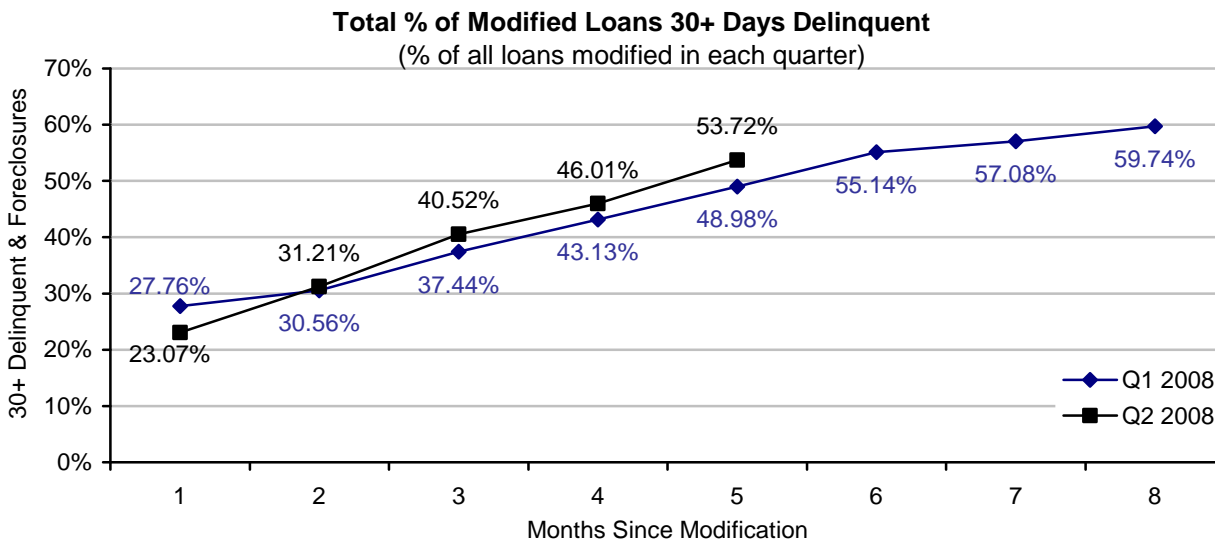


Loan Modification 30+ Re-Default Rates

For purposes of this report, re-default is measured at both 30 or more days delinquent or in process of foreclosure and 60 or more days or in the process of foreclosure. Monitoring performance subsequent to modification at both 30 and 60 or more days delinquent provides for early identification of loans that may need additional attention to prevent more serious delinquency or foreclosure.

For loans modified in the first quarter of 2008, more than 37 percent of modified loans were 30 or more days delinquent or in foreclosure after three months. After six months, that re-default rate was more than 55 percent. For loans modified during the second quarter, the three-month 30+ day delinquent re-default rate was more than 40 percent.⁷

Modified Loans 30+ Days Delinquent (30+ Re-default Rate)		
	Three Months After Modification	Six Months After Modification
First quarter 2008 loan modifications	37.44%	55.14%
Second quarter 2008 loan modifications	40.52%	--

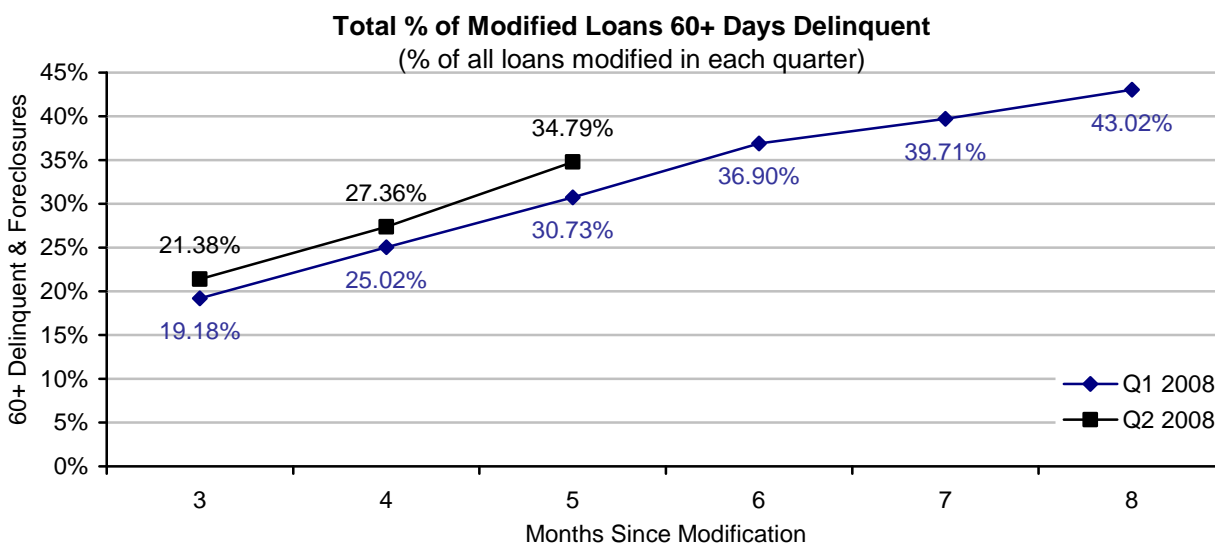


⁷ Readers should be cautious drawing conclusion about re-default rates using the data from the first and second months after modifications. While these data are early indicators of performance, many factors affect the accuracy of the data during those initial months following modification.

Loan Modification 60+ Re-Default Rates

For loans modified in the first quarter, more than 19 percent were 60 or more days delinquent or in foreclosure after three months. That rate grew to nearly 37 percent after six months. For loans modified in the second quarter, that rate was more than 21 percent after three months.

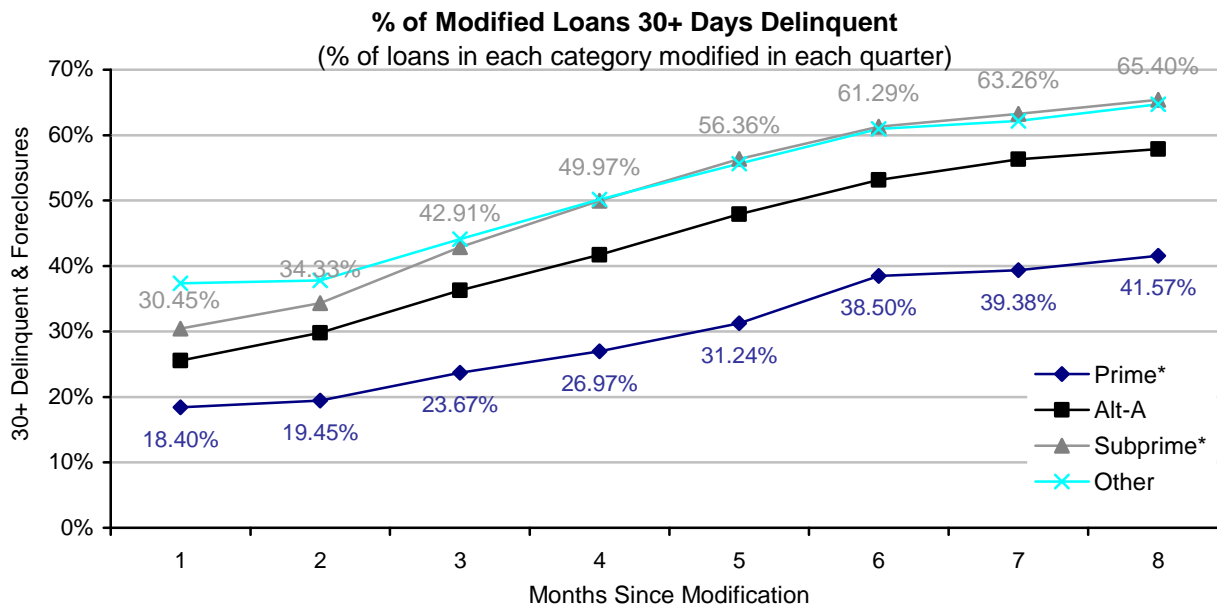
Modified Loans 60+ Days Delinquent (60+ Re-default Rate)		
	Three Months After Modification	Six Months After Modification
First quarter 2008 loan modifications	19.18%	36.90%
Second quarter 2008 loan modifications	21.38%	--



30+ Re-Default Rates by Loan Category

Measured in terms of delinquencies exceeding 30 days, prime loans had the lowest re-default rates at 23.7 percent three months after the modification and 38.5 percent after six months. Subprime and “other” mortgages had the highest re-default rates.

First Quarter 2008 Loans by Loan Category		
	Three Months After Modification (30+ Days Delinquent)	Six Months After Modification (30+ Days Delinquent)
Prime	23.67%	38.50%
Alt-A	36.28%	53.15%
Subprime	42.91%	61.29%
Other	44.10%	60.96%

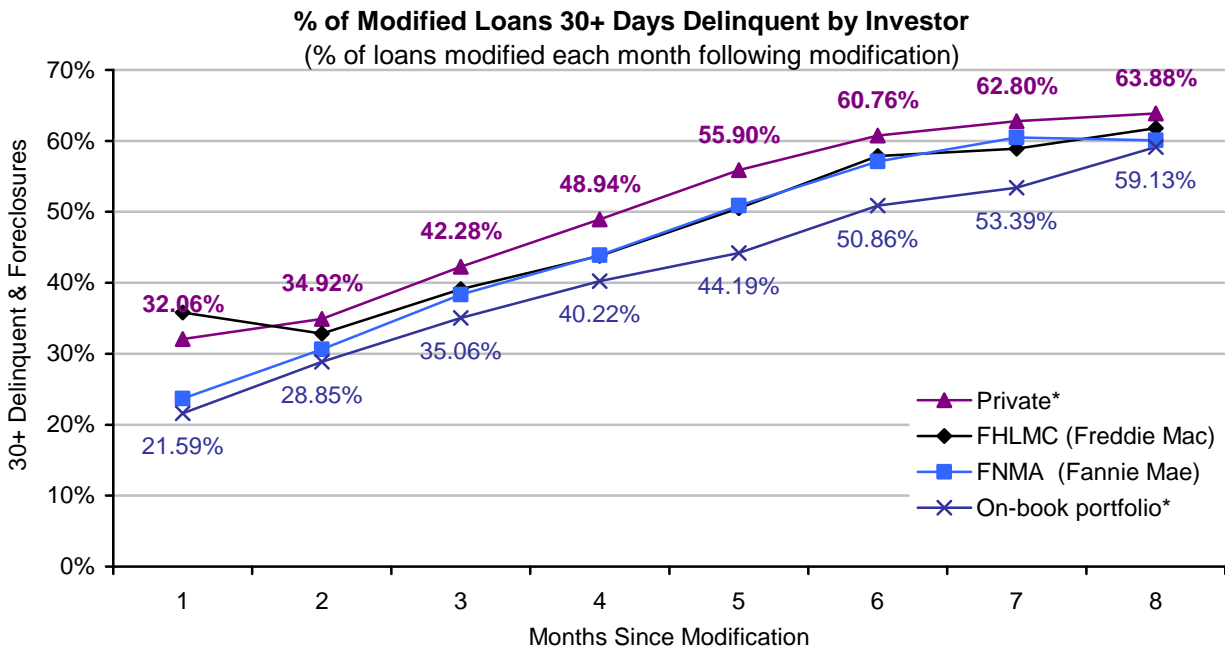


*Values shown for these categories only.

30+ Re-Default Rates by Investor

Measured in terms of delinquencies exceeding 30 days, loans held by private investors that were modified in the first quarter had the highest re-default rate at 42.28 percent after three months and 60.76 percent after six months. Loans held on the books of servicing banks and thrifts had the lowest re-default rates at 35.06 percent after three month, and 50.86 percent after six months, compared to loans serviced on behalf of third parties. The lower re-default rate for loans held by servicers may suggest that there is greater flexibility to modify loans in more sustainable ways when loans are held on a servicers' own books than when loans have been sold to third parties.

First Quarter 2008 Loans by Investor		
	Three Months After Modification (30+ Days Delinquent)	Six Months After Modification (30+ Days Delinquent)
On-book portfolio (loans held by servicers)	35.06%	50.86%
FHLMC (Freddie Mac)	39.09%	57.87%
FNMA (Fannie Mae)	38.34%	57.11%
Private Investors	42.28%	60.76%



*Values shown for these categories only.

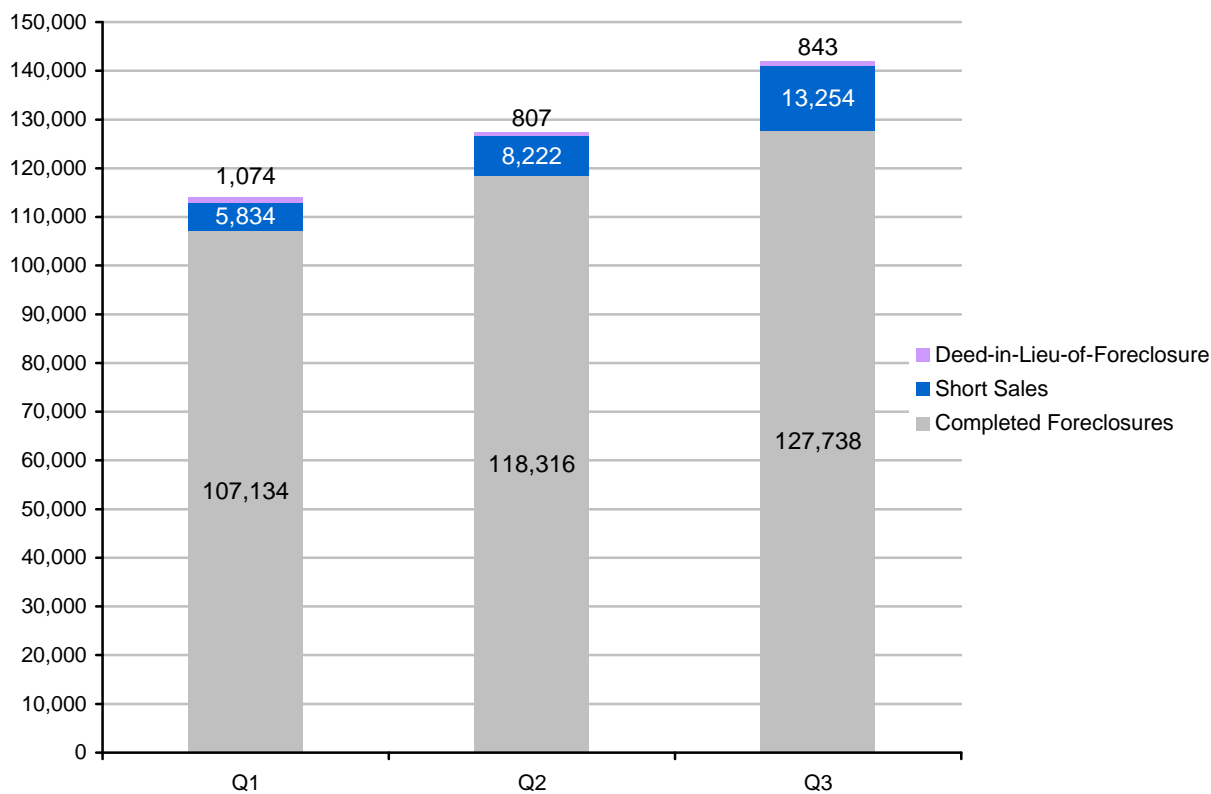
New Completed Foreclosures and Other Home Forfeiture Actions

Completed foreclosures and other home forfeiture actions—short sales and deed-in-lieu-of-foreclosure actions—require the borrower to give up the home. Both short sales and deed-in-lieu-of-foreclosure have less adverse impact on the borrower and their credit report than foreclosure.

The number of completed foreclosures and other home forfeiture actions increased by 11 percent from the second to the third quarter of 2008. The number of newly initiated home retention actions—loan modifications and payment plans—was more than twice the number of completed foreclosures and other home forfeiture actions.

Completed Foreclosures and Other Home Forfeiture Actions			
	First Quarter	Second Quarter	Third Quarter
New short sales	5,834	8,222	13,254
New deed-in-lieu-of-foreclosure actions	1,074	807	843
Completed foreclosures	107,134	118,316	127,738
Total	114,042	127,345	141,835
Newly initiated home retention actions relative to completed foreclosures and other home forfeiture actions	183.92%	199.16%	202.88%

New Completed Foreclosures and Other Home Forfeiture Actions



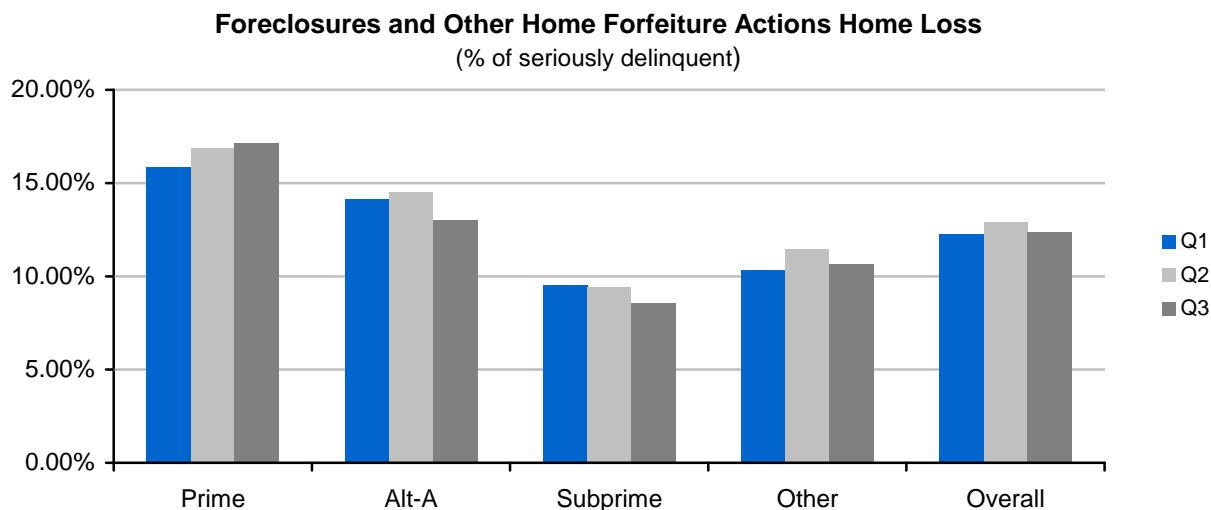
Completed Foreclosures and Other Home Forfeiture Actions Relative to Seriously Delinquent Mortgages

The following data compare the number of completed foreclosures and other home forfeiture actions—short sales and deed-in-lieu-of-foreclosure actions—during the quarter with the number of seriously delinquent loans. Values are expressed as a percentage of the monthly weighted average⁸ of seriously delinquent mortgages.

Seriously delinquent prime loans consistently had the highest relative percentage of completed foreclosures and other home forfeiture actions. Seriously delinquent subprime loans consistently had the lowest relative percentage.

The number of completed foreclosures and other home forfeiture actions relative to seriously delinquent loans decreased for all loan categories from the second to the third quarter, except for prime loans.

Completed Foreclosures and Other Home Forfeiture Actions (% of seriously delinquent)			
	First Quarter	Second Quarter	Third Quarter
Prime	15.86%	16.87%	17.13%
Alt-A	14.13%	14.51%	13.00%
Subprime	9.54%	9.41%	8.47%
Other	10.35%	11.43%	10.64%
Overall	12.25%	12.89%	12.36%



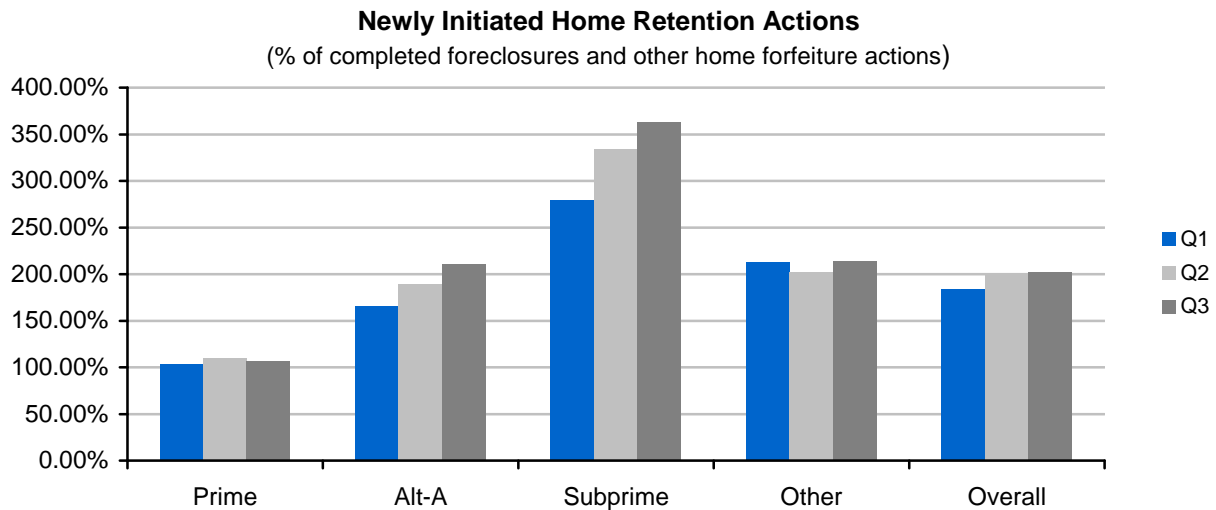
⁸ The weighted average refers to the average monthly outstanding number of seriously delinquent mortgages over the three months of a quarter.

Newly Initiated Home Retention Actions Relative to Completed Foreclosures and Other Home Forfeiture Actions

During the third quarter, newly initiated home retention actions increased more quickly than completed foreclosures and other home forfeiture actions—short sales and deed-in-lieu-of-foreclosure actions—for all loan categories, except prime loans.

Newly initiated home retention actions were more than double the number of completed foreclosures and other home forfeiture actions during the third quarter. For subprime loans, newly initiated home retention actions were more than 3.6 times the number of completed foreclosures and other home forfeiture actions.

Newly Initiated Home Retention Actions (% of completed foreclosures and other home forfeiture actions)			
	First Quarter	Second Quarter	Third Quarter
Prime	103.25%	109.63%	106.75%
Alt-A	165.98%	189.58%	210.78%
Subprime	279.29%	334.66%	363.23%
Other	212.88%	202.51%	213.64%
Overall	183.92%	199.16%	202.88%



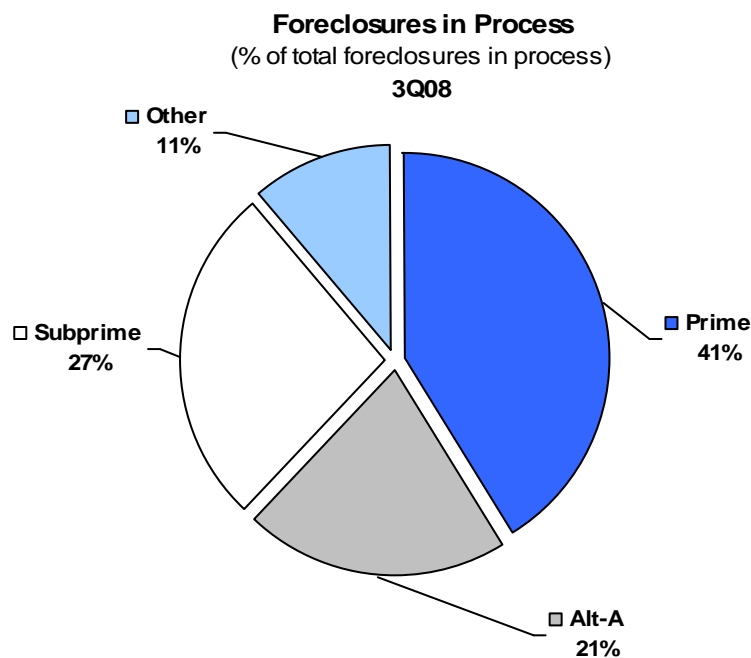
Foreclosures in Process at the End of the Third Quarter

The number of foreclosures in process totaled 617,642 at the end of the third quarter, an 11 percent increase from the end of the second quarter. Subprime loans constituted 27 percent of all foreclosures in process, but only 9 percent of all loans.

At the end of the third quarter, more than 5.5 percent of all subprime loans were in process of foreclosure. Just more than 1 percent of all prime loans were in process of foreclosure.

Prime loans had the largest increase in foreclosures in process from the end of the second quarter to the end of the third quarter, increasing by more than 15 percent. Subprime and Alt-A loans both increased by about 10 percent.

Foreclosures in Process				
	3Q08	% of Total Foreclosures in Process	% of Loans in Each Category ⁹	% of Total Servicing Portfolio ¹⁰
Prime	250,195	41%	1.08%	67%
Alt-A	130,178	21%	3.64%	10%
Subprime	169,672	27%	5.53%	9%
Other	67,597	11%	1.37%	14%
Total	617,642			



⁹ Column shows the percentage of foreclosures in process relative to the number of loans in that category. For example, 1.08 percent of prime loans were in the process of foreclosure at the end of the third quarter.

¹⁰ Column shows the percentage of each loan category relative to the total servicing portfolio. For example, prime loans make up 67 percent of the total portfolio.

Newly Initiated Foreclosures

Newly initiated foreclosure actions totaled 281,298 in the third quarter, a 2.6 percent drop from the second quarter. Newly initiated foreclosures decreased for every risk category except subprime, which increased by 756 actions, or 1.0 percent from the second to the third quarters.

Prime loans had nearly 42 percent of all newly initiated foreclosure actions in the third quarter, while representing 67 percent of all loans. Subprime loans had 27 percent of newly initiated foreclosures in the quarter, while representing 9 percent of all loans.

Newly initiated foreclosures as a percentage of loans in each category corresponded to the relative risk of each category. For example, in the third quarter, newly initiated foreclosures on prime loans constituted just 0.51 percent of all prime loans. Newly initiated foreclosures on subprime loans constituted 2.46 percent of all subprime loans. Except for subprime, these ratios all declined in the third quarter.

Newly Initiated Foreclosures			
	First Quarter	Second Quarter	Third Quarter
Prime	105,698	121,058	117,285
Alt-A	61,187	60,427	57,648
Subprime	77,539	75,030	75,786
Other	35,737	32,174	30,579
Total	280,161	288,689	281,298

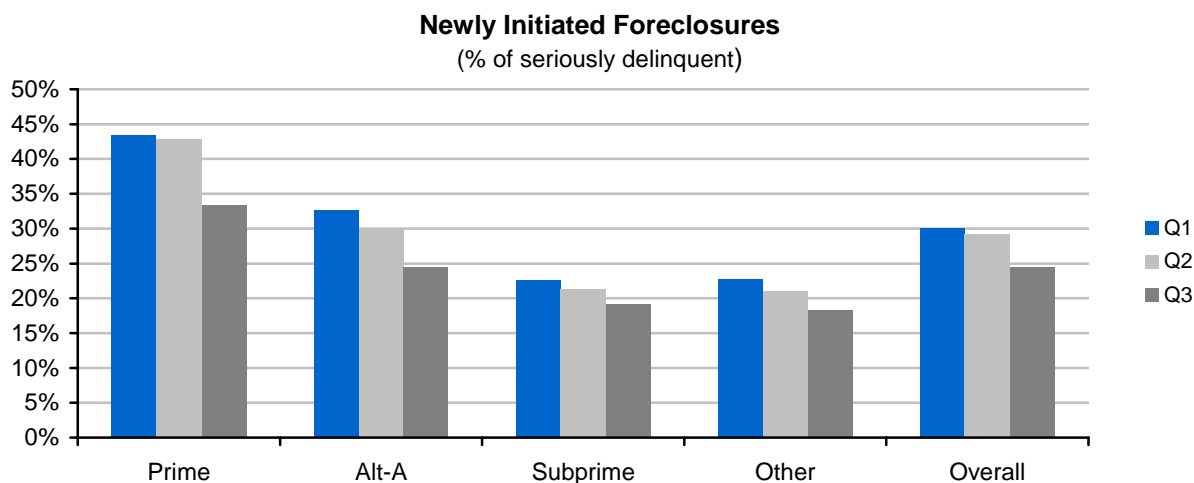
Newly Initiated Foreclosures (% of total loans in each category)			
	First Quarter	Second Quarter	Third Quarter
Prime	0.47%	0.53%	0.51%
Alt-A	1.71%	1.68%	1.61%
Subprime	2.49%	2.42%	2.46%
Other	0.68%	0.64%	0.62%
Overall	0.81%	0.83%	0.81%

Newly Initiated Foreclosures Relative to Seriously Delinquent Mortgages

Newly initiated foreclosures as a percentage of seriously delinquent mortgages declined during the third quarter across all risk categories. This decline resulted from the decrease in the number of newly initiated foreclosures and the increasing number of serious delinquencies.¹¹

Newly initiated foreclosures as a percentage of seriously delinquent mortgages have been highest for prime loans, reflecting in part a lower relative percentage of seriously delinquent prime loans.

Newly Initiated Foreclosure (% of seriously delinquent)			
	First Quarter	Second Quarter	Third Quarter
Prime	43.39%	42.89%	33.42%
Alt-A	32.69%	30.13%	24.48%
Subprime	22.61%	21.34%	19.25%
Other	22.76%	20.97%	18.31%
Overall	30.10%	29.23%	24.52%



¹¹ The percentage relative to serious delinquencies is calculated using weighted averages. The weighted average refers to the average monthly outstanding number of seriously delinquent mortgages over the three months of a quarter.

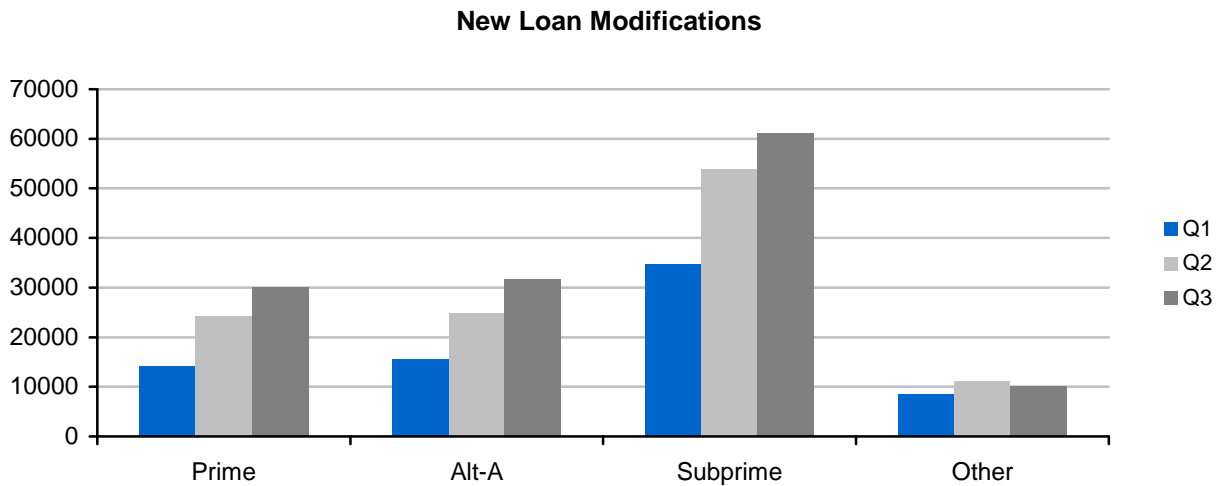
Appendix A—New Loan Modifications

New loan modifications increased by more than 16 percent from the second to the third quarter. New loan modifications were 46 percent of total home retention actions in the third quarter compared to 45 percent in the second quarter.

Subprime loans constituted 46 percent of all new loan modifications during the third quarter, nearly twice that of any other category.

Prime loans constituted 23 percent of all new loan modifications during the third quarter.

New Loan Modifications			
	First Quarter	Second Quarter	Third Quarter
Prime	14,163	24,300	30,130
Alt-A	15,521	24,917	31,695
Subprime	34,704	53,975	61,077
Other	8,489	11,247	10,204
Overall	72,877	114,439	133,106

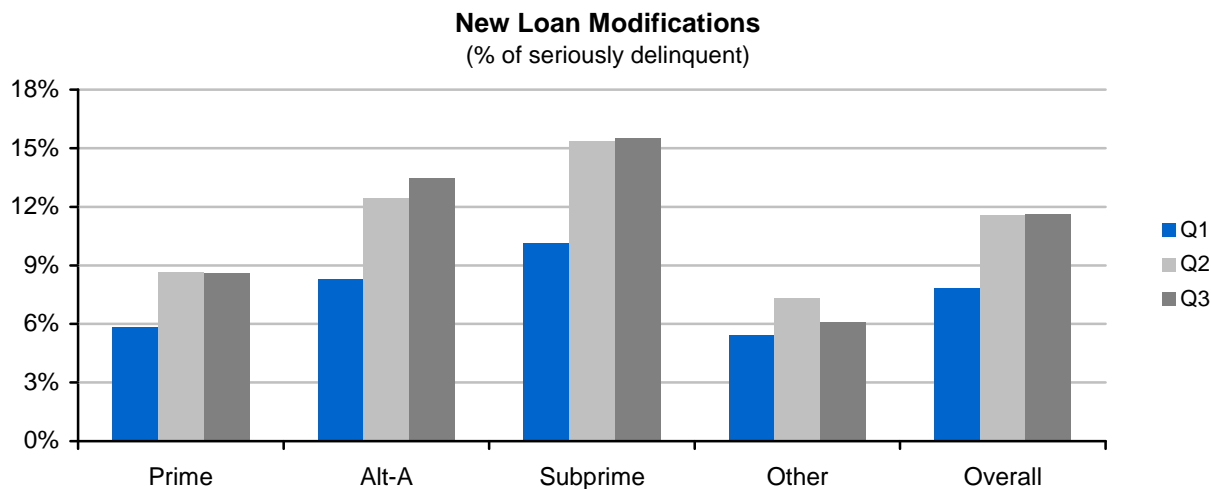


New Modifications Relative to Seriously Delinquent Mortgages

Loan modifications were stable relative to seriously delinquent mortgages during the third quarter, with new modifications generally increasing at the same pace as serious delinquencies.¹² Modifications relative to serious delinquencies increased for subprime and Alt-A loans, and declined for other loans.

New modifications as a percentage of seriously delinquent mortgages were consistently highest for subprime loans, the highest risk segment of the serviced portfolio.

New Loan Modifications (% of seriously delinquent)			
	First Quarter	Second Quarter	Third Quarter
Prime	5.81%	8.61%	8.59%
Alt-A	8.29%	12.43%	13.46%
Subprime	10.12%	15.35%	15.51%
Other	5.41%	7.33%	6.11%
Overall	7.83%	11.59%	11.60%



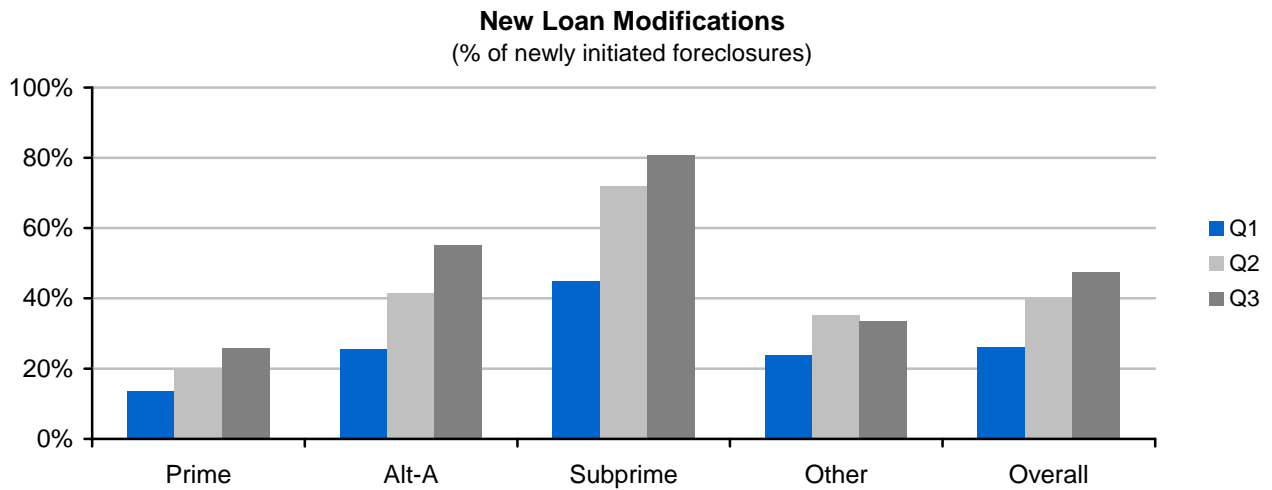
¹² The percentage relative to serious delinquencies is calculated using weighted averages. The weighted average refers to the average monthly outstanding number of seriously delinquent mortgages over the three months of a quarter.

New Modifications Relative to Newly Initiated Foreclosures

New modifications as a percentage of newly initiated foreclosures increased in all categories except “other” loans.

New modifications as a percentage of newly initiated foreclosures varied directly with the risk of the loan. The ratio was consistently highest for subprime loans and consistently lowest for prime loans.

New Loan Modifications (% of newly initiated foreclosures)			
	First Quarter	Second Quarter	Third Quarter
Prime	13.40%	20.07%	25.69%
Alt-A	25.37%	41.23%	54.98%
Subprime	44.76%	71.94%	80.59%
Other	23.75%	34.96%	33.37%
Overall	26.01%	39.64%	47.32%



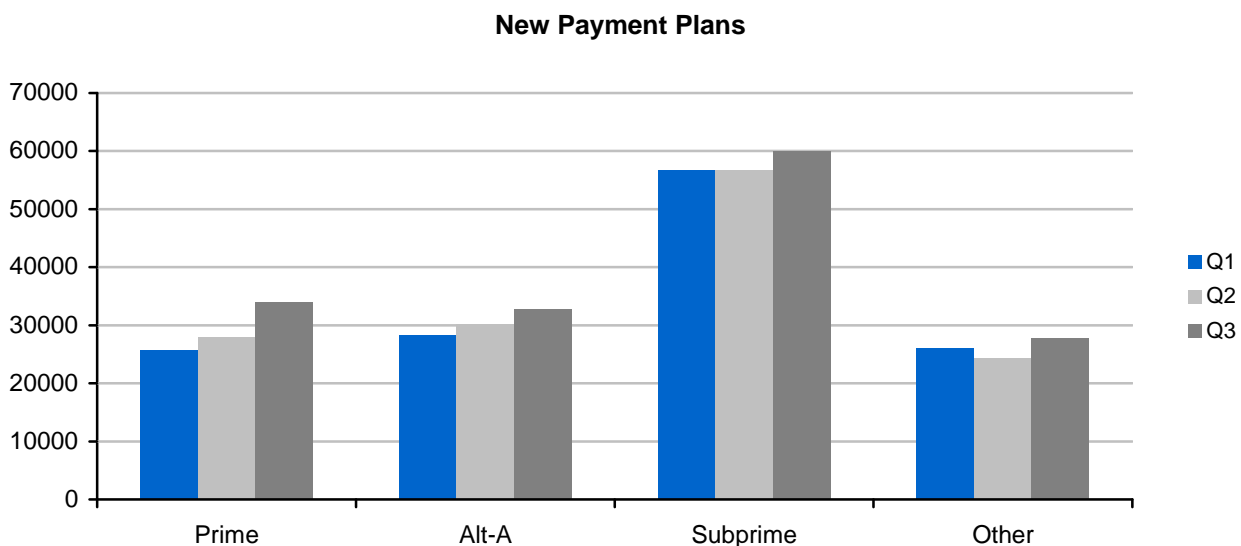
Appendix B—New Payment Plans

New payment plans totaled 154,649 during the third quarter, an 11 percent increase from the second quarter. New payment plans constituted 54 percent of all home retention actions in the third quarter. Loan modifications have increased more quickly than payment plans.

Subprime loans constituted 39 percent of all new payment plans in the third quarter and only 9 percent of all loans.

Prime loans constituted 22 percent of all new payment plans in the third quarter and 67 percent of all loans.

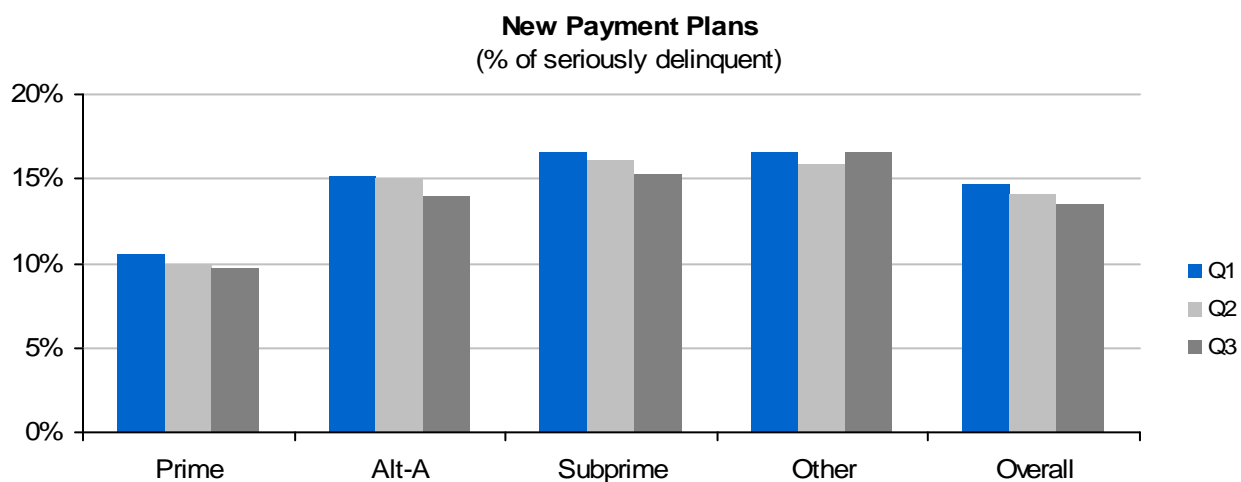
New Payment Plans			
	First Quarter	Second Quarter	Third Quarter
Prime	25,719	27,910	34,058
Alt-A	28,382	30,229	32,798
Subprime	56,674	56,765	60,048
Other	26,099	24,282	27,745
Total	136,874	139,186	154,649



New Payment Plans Relative to Seriously Delinquent Mortgages

New payment plans as a percentage of seriously delinquent loans decreased during the third quarter for all loan categories, except “other.” New payment plans as a percentage of seriously delinquent loans were consistently lowest for prime loans and highest for subprime and “other” loans.¹³

New Payment Plans (% of seriously delinquent)			
	First Quarter	Second Quarter	Third Quarter
Prime	10.56%	9.89%	9.71%
Alt-A	15.16%	15.08%	13.93%
Subprime	16.53%	16.15%	15.25%
Other	16.62%	15.82%	16.62%
Overall	14.71%	14.09%	13.48%



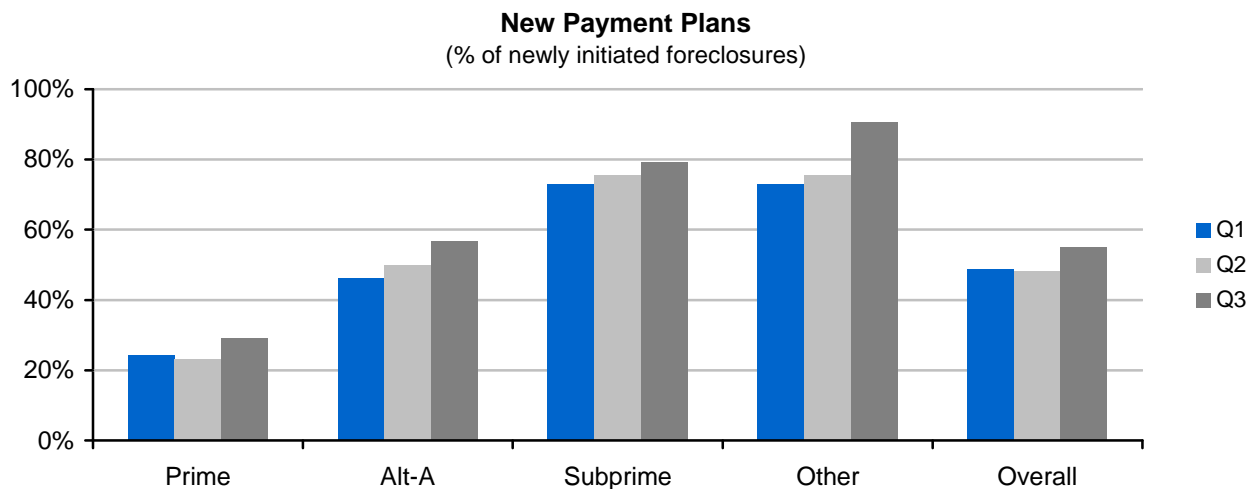
¹³ The percentage relative to serious delinquencies is calculated using weighted averages. The weighted average refers to the average monthly outstanding number of seriously delinquent mortgages over the three months of a quarter.

New Payment Plans Relative to Newly Initiated Foreclosures

New payment plans as a percentage of newly initiated foreclosures increased to nearly 55 percent in the third quarter, reflecting the increase in new payment plans as well as the decline in newly initiated foreclosures.

Subprime and “other” loans had the most new payment plans as a percentage of newly initiated foreclosures during the third quarter. Prime loans consistently had the fewest new payment plans relative to newly initiated foreclosures.

New Payment Plans (% of newly initiated foreclosures)			
	First Quarter	Second Quarter	Third Quarter
Prime	24.33%	23.06%	29.04%
Alt-A	46.39%	50.03%	56.89%
Subprime	73.09%	75.66%	79.23%
Other	73.03%	75.47%	90.73%
Overall	48.86%	48.21%	54.98%



Appendix C—Short Sales and Deed-in-Lieu-of-Foreclosure Actions

Overview

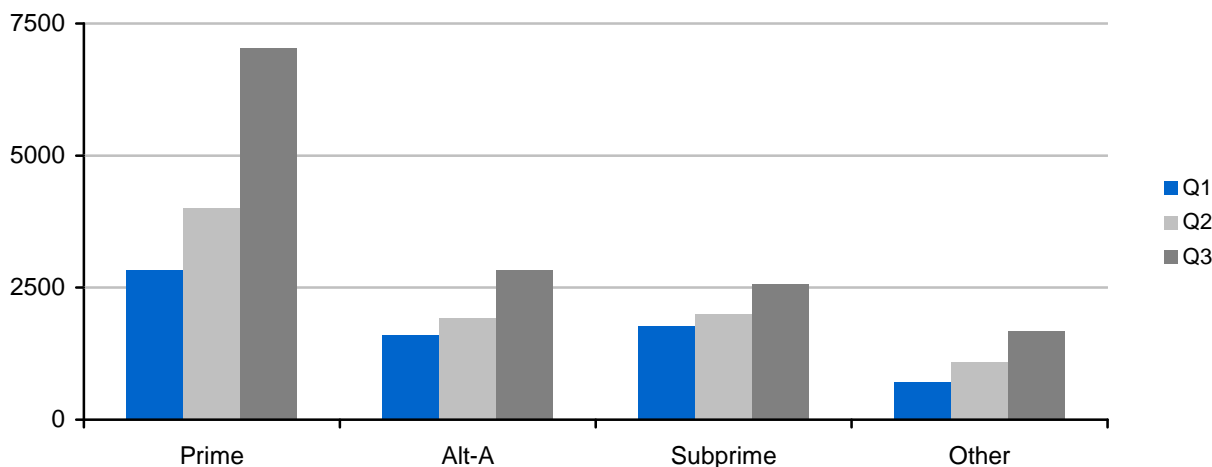
Short sales and deed-in-lieu-of-foreclosure actions require borrowers to forfeit the home to pay (partially or in whole) the mortgage debt. Short sales and deed-in-lieu-of-foreclosure actions allow borrowers to avoid foreclosure and lessen the impact on their credit rating. Both short sales and deed-in-lieu-of-foreclosure actions typically have a less adverse impact on borrowers than foreclosures.

New short sales and deed-in-lieu-of-foreclosure actions totaled 14,097 during the third quarter, a 56 percent increase from the second quarter.

Prime loans had nearly 50 percent of new short sales and deed-in-lieu-of-foreclosure actions during the quarter.

Short Sales and Deed-in Lieu-of-Foreclosure Actions			
	First Quarter	Second Quarter	Third Quarter
Prime	2,835	4,012	7,027
Alt-A	1,597	1,918	2,821
Subprime	1,771	2,003	2,566
Other	705	1,096	1,683
Total	6,908	9,029	14,097

Short Sales and Deed-in-Lieu-of-Foreclosure Actions

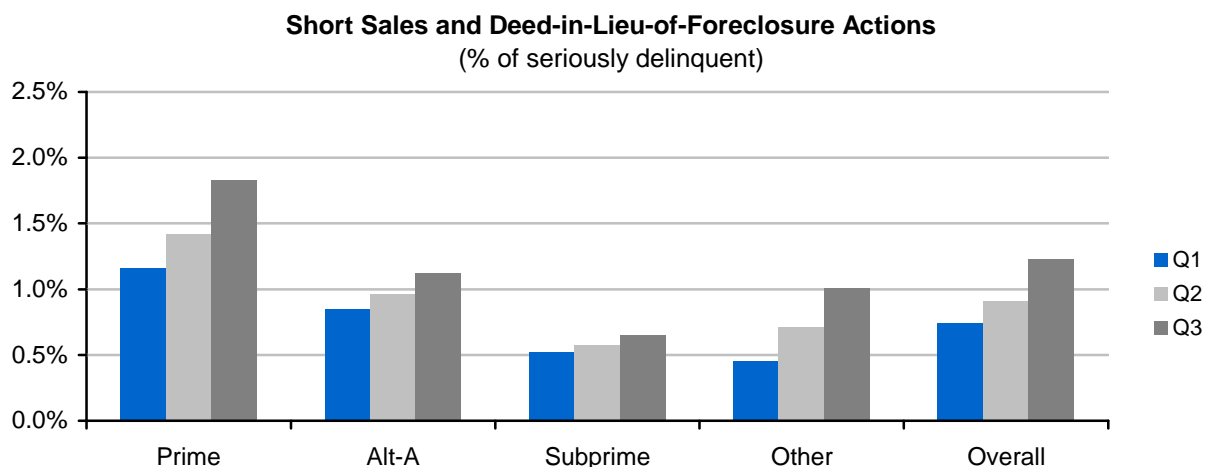


Short Sales and Deed-in-Lieu-of-Foreclosure Actions Relative to Seriously Delinquent Mortgages

Seriously delinquent prime loans had the most new short sales and deed-in-lieu-of-foreclosure actions in the third quarter, reflecting both a greater number of actions and the lowest rate of serious delinquencies.¹⁴

Seriously delinquent subprime loans had the fewest new short sales and deed-in-lieu-of-foreclosure actions in the third quarter.

Short Sales and Deed-in Lieu-of-Foreclosure Actions (% of seriously delinquent)			
	First Quarter	Second Quarter	Third Quarter
Prime	1.16%	1.42%	1.83%
Alt-A	0.85%	0.96%	1.12%
Subprime	0.52%	0.57%	0.65%
Other	0.45%	0.71%	1.01%
Overall	0.74%	0.91%	1.23%



¹⁴ The percentage relative to serious delinquencies is calculated using weighted averages. The weighted average refers to the average monthly outstanding number of seriously delinquent mortgages over the three months of a quarter.

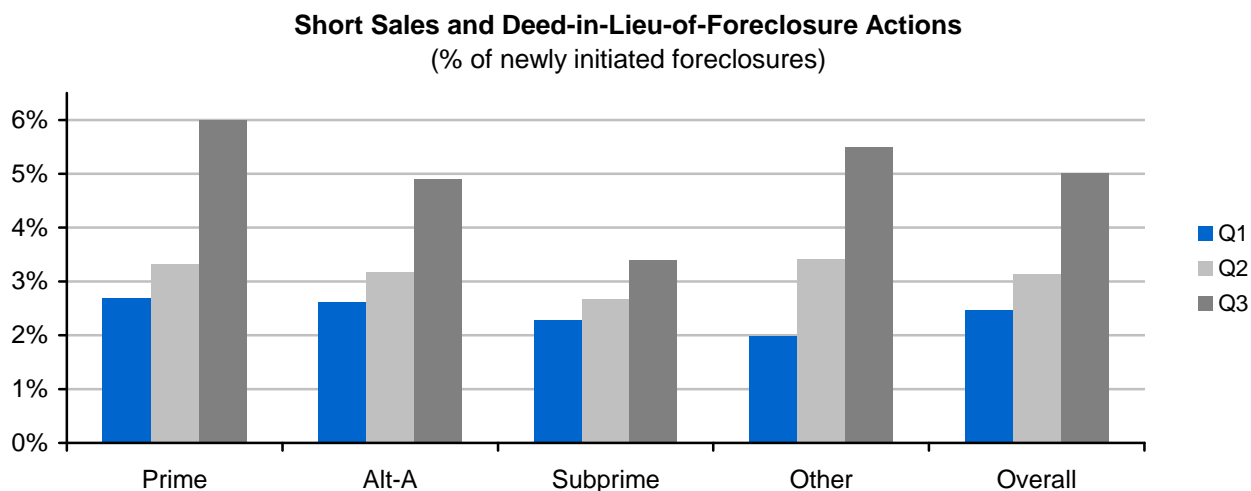
Short Sales and Deed-in-Lieu-of-Foreclosure Actions Relative to Newly Initiated Foreclosures

New short sales and deed-in-lieu-of-foreclosure actions relative to newly initiated foreclosures increased for all loan categories in the third quarter.

Prime loans had the most new short sales and deed-in-lieu-of-foreclosure actions relative to newly initiated foreclosures during the third quarter.

Subprime loans had the fewest new short sales and deed-in-lieu-of-foreclosure actions relative to newly initiated foreclosures in the third quarter.

Short Sales and Deed-in Lieu-of-Foreclosure Actions (% of newly initiated foreclosures)			
	First Quarter	Second Quarter	Third Quarter
Prime	2.68%	3.31%	5.99%
Alt-A	2.61%	3.17%	4.89%
Subprime	2.28%	2.67%	3.39%
Other	1.97%	3.41%	5.50%
Overall	2.47%	3.13%	5.01%



Appendix D—Completed Foreclosures

Overview

Foreclosures are completed when ownership of the property is transferred to the servicer or investor and the debt is extinguished. The foreclosure process varies by state and can take from two to 12 months to complete.

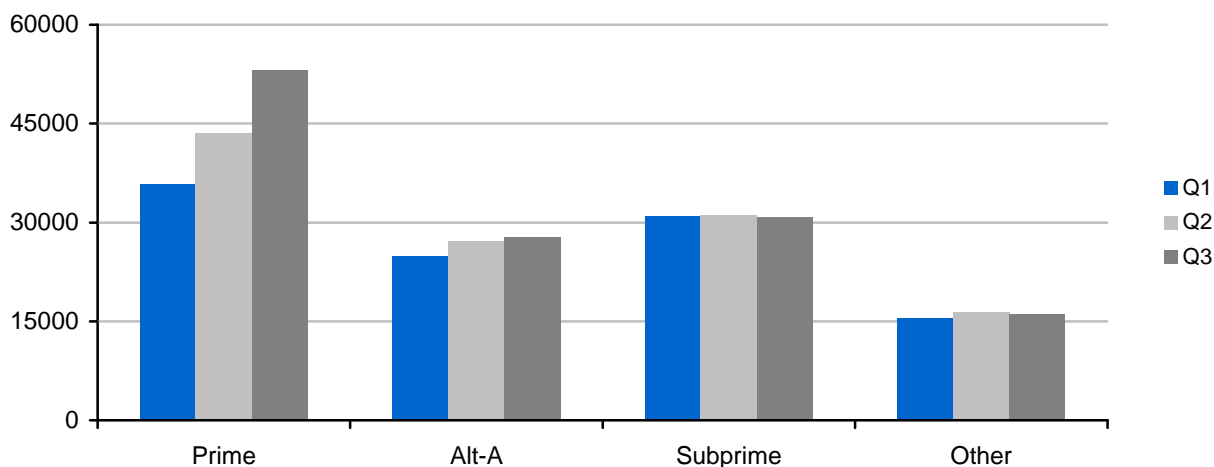
The number of completed foreclosures in the third quarter increased nearly 8 percent, rising to 127,738.

Prime loans constitute 42 percent of all completed foreclosures in the third quarter and 67 percent of all loans. Subprime loans constitute 24 percent of all completed foreclosures in the third quarter and 9 percent of all loans.

Many loans that start the foreclosure process never result in foreclosure of the property. On average, the foreclosure process takes about six months to complete. A foreclosure completion rate can be approximated by comparing the number of completed foreclosures with the number of newly initiated foreclosures six months earlier. The 127,738 foreclosures completed during the third quarter represented about 44 percent of the newly initiated foreclosures during the first quarter.

Completed Foreclosures			
	First Quarter	Second Quarter	Third Quarter
Prime	35,790	43,610	53,100
Alt-A	24,854	27,171	27,777
Subprime	30,947	31,087	30,781
Other	15,543	16,448	16,080
Overall	107,134	118,316	127,738

Completed Foreclosures

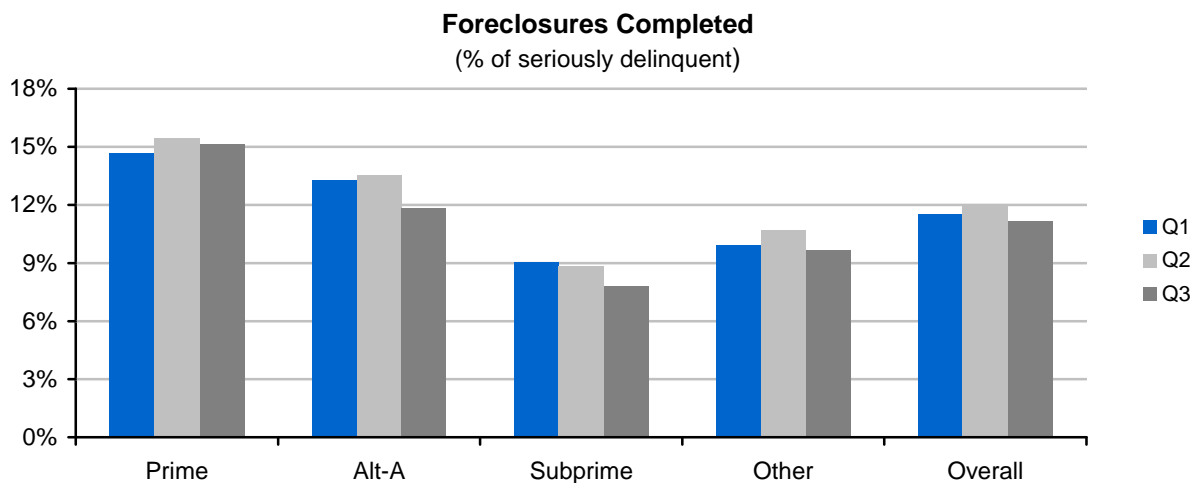


Completed Foreclosures Relative to Seriously Delinquent Mortgages

The percentage of completed foreclosures in the third quarter relative to the number of seriously delinquent loans declined for all loan categories.¹⁵

The percentage of completed foreclosures for seriously delinquent prime loans was higher than that of any other type of loan during the third quarter. The percentage of foreclosures completed for seriously delinquent subprime loans was lower than that of any other type of loan during the third quarter.

Foreclosures Completed (% of seriously delinquent)			
	First Quarter	Second Quarter	Third Quarter
Prime	14.69%	15.45%	15.13%
Alt-A	13.28%	13.55%	11.80%
Subprime	9.02%	8.84%	7.82%
Other	9.90%	10.72%	9.63%
Overall	11.51%	11.98%	11.14%



¹⁵ The percentage relative to serious delinquencies is calculated using weighted averages. The weighted average refers to the average monthly outstanding number of seriously delinquent mortgages over the three months of a quarter.