

# **Federal Housing Finance Agency Mortgage Metrics Report**

**Disclosure and Analysis of  
Fannie Mae and Freddie Mac  
Mortgage Loan Data for  
Second Quarter 2008**

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## INTRODUCTION

This Federal Housing Finance Agency (FHFA) *Mortgage Metrics Report* for the second quarter of 2008 presents key performance data on first lien residential mortgages serviced on behalf of the Federal National Mortgage Association, or **Fannie Mae**, and the Federal Home Loan Mortgage Corporation, or **Freddie Mac**. Fannie Mae and Freddie Mac are referred to in this report as “the Enterprises.”

The report focuses on the delinquencies, loss mitigation actions, and foreclosure data reported by more than 3,000 approved servicers. As of June 30, 2008, a total of 30.6 million first lien residential mortgages with total outstanding balances of \$4.5 trillion had been serviced for Fannie Mae and Freddie Mac. The combined Enterprise portfolios had a weighted average FICO<sup>1</sup> score of 723 at origination, a weighted average loan-to-value at origination of 72 percent, and a weighted average mark-to-market loan-to-value of 66 percent. Roughly 83 percent of the mortgages were classified as *prime*.

In addition to providing important information to the public, data gathering for the report supports FHFA’s supervision of the Enterprises. The report serves as an additional tool to assess emerging trends, identify differences, compare the Enterprises to other industry participants, evaluate asset quality and loan-loss reserves, assess the scope of borrower assistance and loss mitigation actions, and identify opportunity for further actions. FHFA works closely with the HOPE NOW Alliance and other financial regulators and industry participants to refine and standardize nonperforming loan definitions and metrics.

Although this report is comprehensive, it is inappropriate to draw conclusions about overall conditions in mortgage lending from Enterprise data.

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<sup>1</sup> The standard measure of consumer credit risk, developed by the Fair Isaac Corporation.

## OBJECTIVE, SCOPE AND METHODOLOGY

### **Objective**

On July 30, 2008, the Housing and Economic Recovery Act of 2008 was enacted, creating FHFA with the combined responsibilities of the Office of Federal Housing Enterprise Oversight (OFHEO), the Federal Housing Finance Board, and the HUD GSE mission team, along with added authorities to ensure the stability of the nation's housing finance system by regulating Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks.

However, prior to passage of that law in early 2008, OFHEO had initiated efforts to analyze the work the Enterprises are doing to prevent foreclosures by using all available techniques to modify loans where feasible. The agency's original objective, which continues under FHFA, was to publish monthly reports and quarterly reports with more detailed information to present a broader picture over time of Enterprise performance in loss mitigation.

### **Scope**

This report addresses only data provided by Fannie Mae and Freddie Mac. This report does not include information on the 12 Federal Home Loan banks.

### **Methodology**

FHFA works with the Enterprises to evaluate and refine data collected and over time may expand the universe of reported data as well as the analysis. Data submissions may be adjusted in subsequent reports because of timing and updates. FHFA identifies adjustments to previously published data that represent a significant discrepancy or material change, such as the following:

*In FHFA's Mortgage Metrics Report for Full Year 2007 and First Quarter 2008 published September 24, 2008, we reported modifications for the period January – March 2008 at 16,210.*

In this report, that number is reduced by 598 to 15,612. This change results because servicers reversed the status of some loan modifications previously reported to the Enterprises as

completed. Generally, the reason for such reversals is that borrowers failed to meet a condition required for loan modification, such as return of the fully-executed modification agreement; payment of the first modified payment of principal, interest, taxes, and insurance and/or a required cash contribution; or unsuccessful completion of a trial probationary period of making payments under the modified terms.

We base our analysis on 42 data elements each Enterprise provides monthly. We used some of the standard industry terms found in recent mortgage metrics reports published by the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS),<sup>2</sup> and the HOPE NOW Alliance.<sup>3</sup> However, in several instances, FHFA definitions vary slightly. We provide a table of comparisons of FHFA data against data found in the above referenced reports in the appendix to this report found on page 30.

### **Definitions**

FHFA's definitions for standard terms used in this report, as contrasted against previously cited reports from other agencies or organizations, are as follows:

**Prime versus Nonprime Mortgages.** FHFA categorizes mortgages as either *prime* or *nonprime*. For mortgage metrics reporting, OCC and OTS categorize loans as *prime*, *subprime*, *Alt-A product* and *other*. There are no standard industry definitions for subprime or Alt – A products, so like OCC and OTS, we define *prime* as mortgages with FICO scores of 660 or higher and categorize all other loans as *nonprime*.

**Aggregate versus Loan-Level Data.** We analyze only aggregate data submitted by the Enterprises and do not use loan-level data. FHFA examiners validate data submitted against internal management reports.

The HOPE NOW Alliance in its report used aggregate data on 53.4 million loans submitted by 22 servicers. That data was then extrapolated to an estimated industry aggregate for each mortgage

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<sup>2</sup> Joint report of Office of the Comptroller of the Currency and Office of Thrift Supervision, *OCC and OTS Mortgage Metrics Report: Disclosure of National Bank and Federal Thrift Mortgage Loan Data, January-June 2008*, Washington, DC, September 2008.

<sup>3</sup> HOPE NOW, *Mortgage Loss Mitigation Statistics Industry Extrapolations*, January – March 2008, <http://www.hopenow.com/upload/data/files/July%202008%20Industry%20Extrapolations.pdf>, last accessed September 17, 2008.

metric reported, so HOPE NOW metrics may not reflect the same results as actual loan-level data.

OCC and OTS analyze loan-level data submitted by 14 bank and thrift servicers on 34.8 million loans. In the joint report published September 12, 2008, (see footnote 3, page 3) OCC and OTS combined their reporting for the first and second quarters 2008. This represents a change from FHFA's *Mortgage Metrics Report for Full Year 2007 and First Quarter 2008* published September 24, 2008.

Loan data and related metrics can vary, depending on the methods used by the organization doing the reviews. In addition, some servicers report mortgages to more than one entity; e.g. HOPE NOW and the Enterprises, which means data reported is not mutually exclusive and can overlap.

***Delinquency Reporting.*** FHFA presents delinquency information at two levels – all loans at 60-plus-days delinquent and all loans at 90-plus-days delinquent. Both levels include mortgages for which a bankruptcy or foreclosure is in process.

HOPE NOW defines delinquency as 60-plus-days past due. OCC and OTS define serious delinquency as 60-plus-days delinquent *plus* bankruptcy mortgages at 30-plus-days delinquent; however, mortgages in the foreclosure process are not included. Unlike OCC and OTS, the Enterprises each define serious delinquency as mortgages which are 90-plus-days delinquent — including mortgages in foreclosure.

***Loss Mitigation Actions.*** FHFA reports on all loss mitigation actions, not just payment plans and modifications, to give a comprehensive view of the Enterprises' borrower assistance efforts. Each loss mitigation action type — forbearance plan, short sale, deed in lieu, assumption, or charge-off in lieu of foreclosure — represents a different outcome that could impact the borrower's credit record and ability to keep his or her home, as well as the servicer's ability to legally pursue the borrower for a deficiency judgment.

***Loss Mitigation Performance.*** FHFA's loss mitigation performance ratio measures the extent of Enterprise efforts to assist borrowers at risk of losing their homes to foreclosure. This metric allows for a ready comparison of loss mitigation performance, regardless of changes to underlying delinquency rates.

The Enterprises' credit portfolios do not represent the characteristics of all outstanding first lien residential mortgages and may differ from the overall mortgage population. HOPE NOW Alliance and OCC/OTS metrics demonstrate that difference.

## KEY FINDINGS

### Overall Mortgage Portfolio

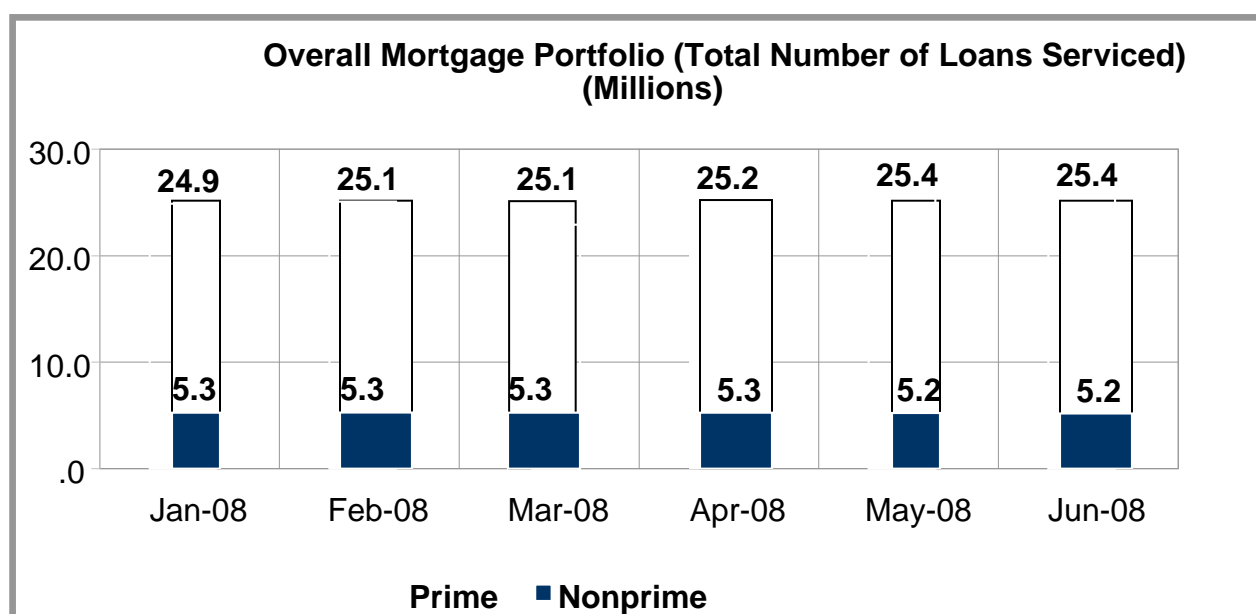
As of June 30, 2008, the Enterprises' combined first lien residential mortgages totaled 30.6 million loans with outstanding balances of \$4.5 trillion. This was an increase of .7 percent in loans over first quarter 2008 (209,500 mortgages).

Of the 30.6 million total mortgages, 25.4 million (83 percent) were prime and 5.2 million (17 percent) were nonprime. Those percentages remained relatively unchanged over the reporting period.

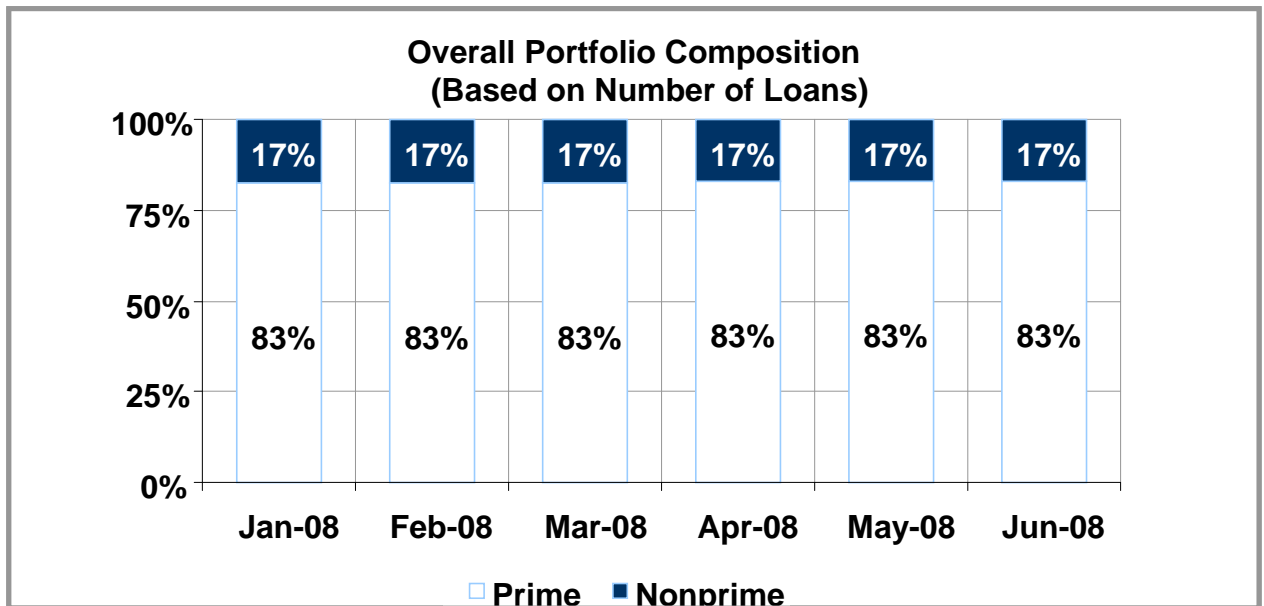
A nonprime mortgage is a mortgage with either a FICO (see footnote 1, page 2) score less than 660 or with no FICO score at origination. Other industry participants may categorize these mortgages as Alt-A, subprime, or other.

**Table 1. Overall Mortgage Portfolio (Number of Loans)**

	Apr-08	May-08	Jun-08
Prime	25,228,579	25,419,411	25,418,790
Nonprime	5,254,501	5,242,258	5,199,482
<i>Total Servicing</i>	30,483,080	30,661,669	30,618,272







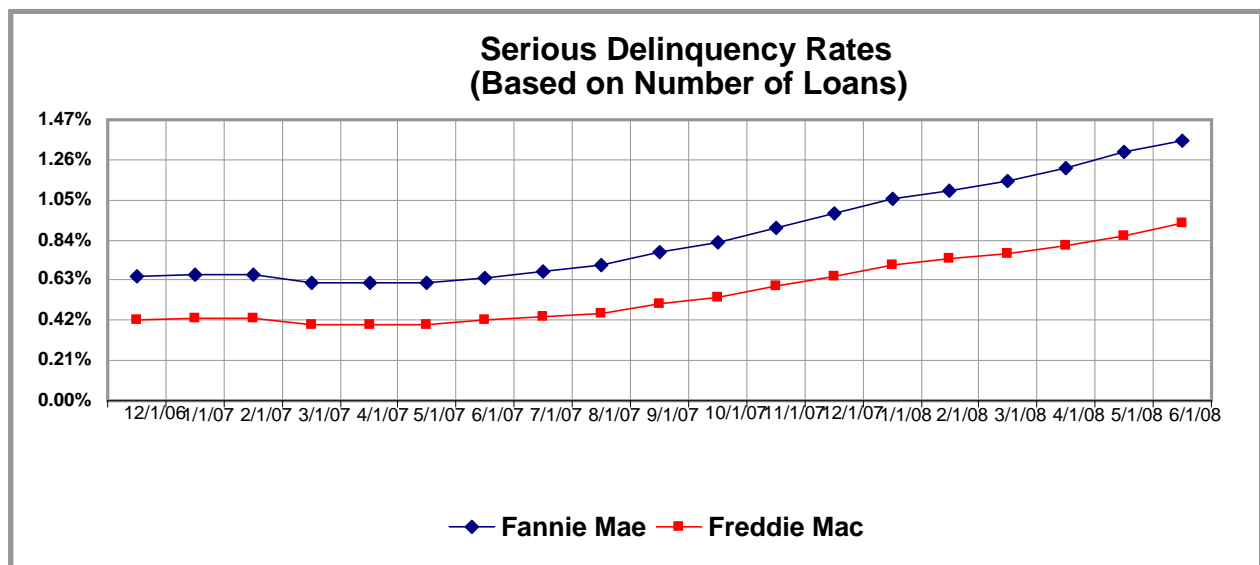
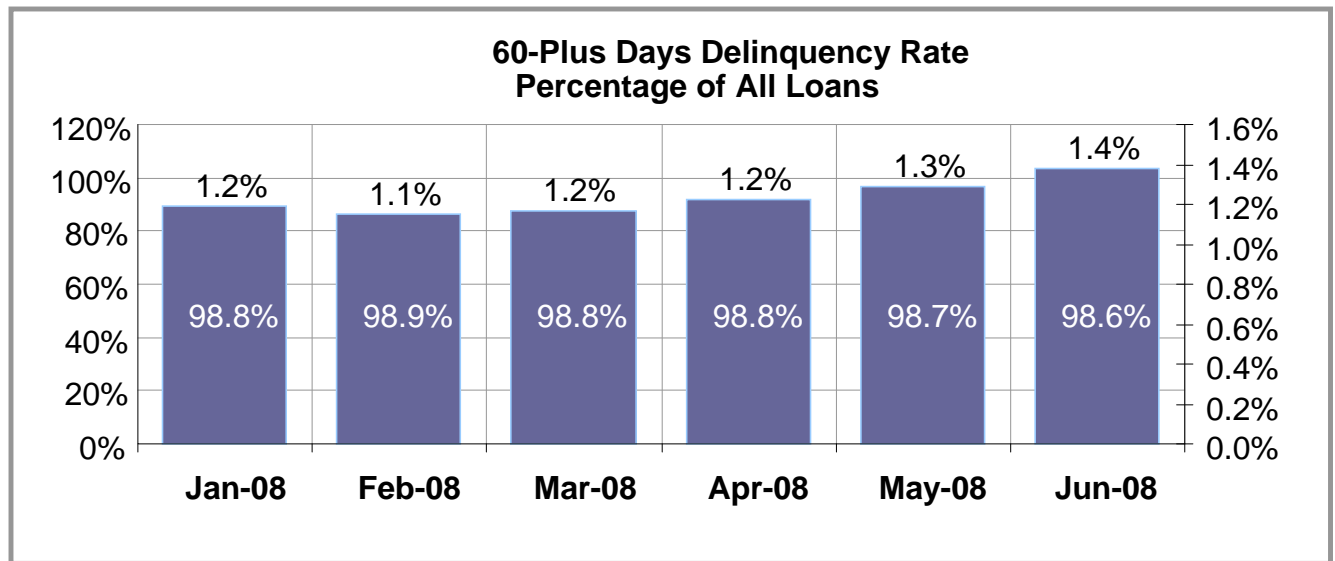
### Delinquent Mortgages

As of June 30, 2008, 30.2 million of the total loans serviced (98.6 percent) were current or less than 60 days delinquent. The proportion of 60-plus-days delinquent mortgages in the total portfolios was 1.38 percent. The proportion of 60-plus-days delinquent prime mortgages in the prime portfolio was at .78 percent. The proportion of 60-plus-days delinquent nonprime mortgages in the nonprime portfolio was 4.29 percent, or 5.5 times that of prime mortgages.

Delinquencies have been rising since year-end May 2007. The 60-plus-days delinquency rate increased from 1.12 percent as of December 31, 2007, to 1.17 percent as of March 31, 2008 and 1.38 as of June 30, 2008. The 90-plus-days delinquency rate (also called the *serious delinquency rate*) increased from .85 percent as of December 31, 2007, to 1.00 percent as of March 31, 2008 to 1.22 percent as of June 30, 2008.

**Table 2. Delinquent Mortgage Composition (Number of Loans)**

	4/30/08	5/31/08	6/30/08
<b>Current and Less Than 60 Days Delinquent</b>	<b>30,110,022</b>	<b>30,265,213</b>	<b>30,197,018</b>
<i>Prime</i>	25,057,944	25,235,401	25,220,717
<i>Nonprime</i>	5,052,078	5,029,812	4,976,301
<b>60-Plus Days Delinquent</b>	<b>373,058</b>	<b>396,456</b>	<b>421,254</b>
<i>Prime</i>	170,635	184,010	198,073
<i>Nonprime</i>	202,423	212,446	223,181
<b>90-Plus Days Delinquent</b>	<b>320,911</b>	<b>343,460</b>	<b>372,947</b>



### ***New Foreclosures Initiated***

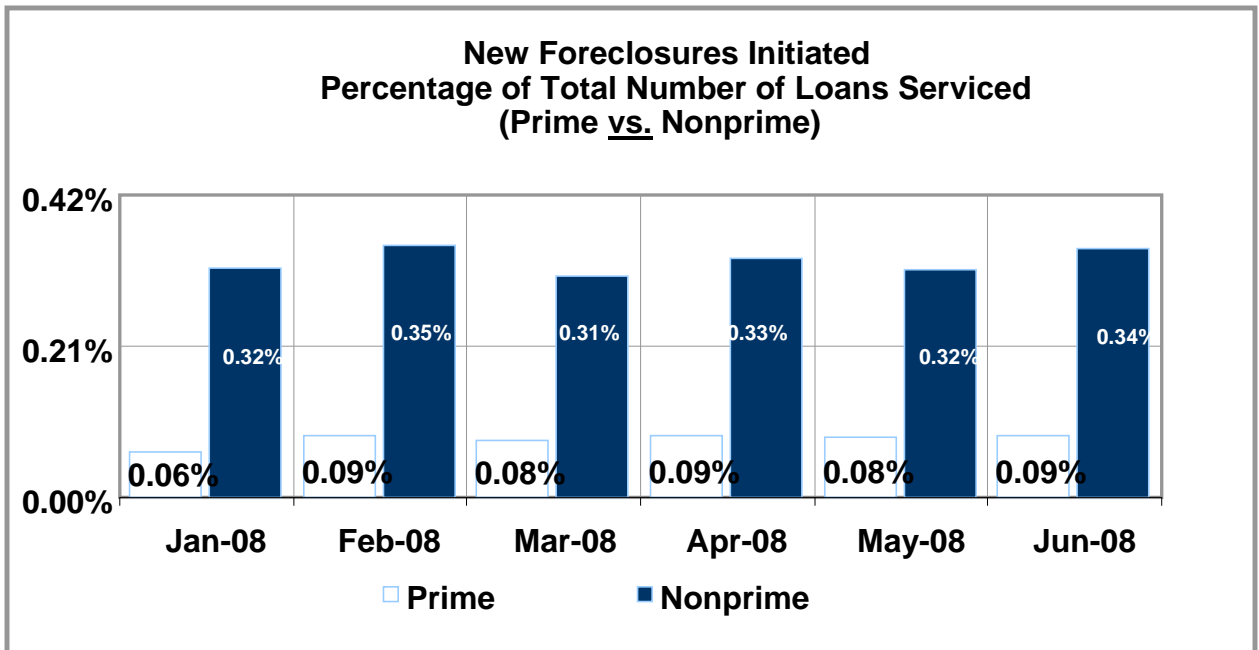
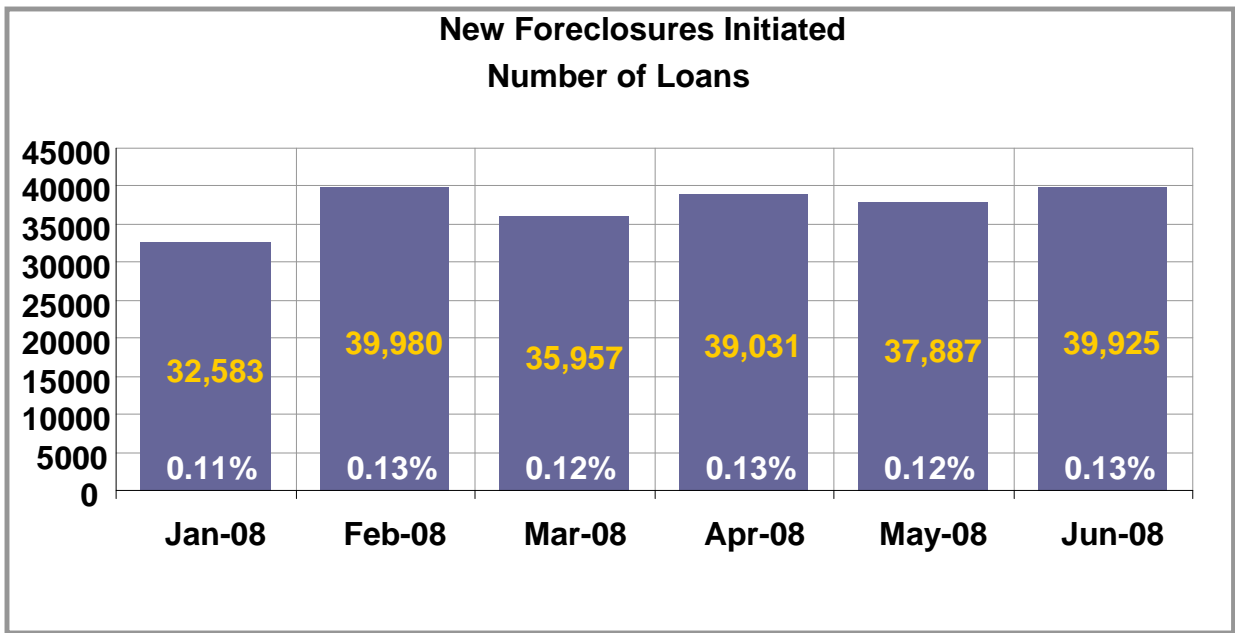
During second quarter 2008, monthly new foreclosures initiated averaged 38,948 with 21,638 classified as prime and 17,310 classified as nonprime. New foreclosures initiated for all mortgages were 7.7 percent over the first quarter 2008 monthly average. New foreclosures initiated for prime mortgages were 13.7 percent over the first quarter 2008 monthly average, while new foreclosures initiated for nonprime mortgages were .9 percent over the first quarter 2008 monthly average.

**Table 3. New foreclosures Initiated (Number of Loans)**

	1-Q-Avg	Apr-08	May-08	Jun-08	2Q-2008	3-mo Avg
Prime	19,024	21,648	21,260	22,006	64,914	21,638
Nonprime	17,150	17,383	16,627	17,919	51,929	17,310
<b>Total</b>	<b>36,173</b>	<b>39,031</b>	<b>37,887</b>	<b>39,925</b>	<b>116,843</b>	<b>38,948</b>

As of June 30, 2008, .13 percent of mortgages in the Enterprises' mortgage portfolios had foreclosure initiated. The proportion of prime mortgages in the prime portfolio for which foreclosure was initiated was .09 percent. The proportion of nonprime mortgages in the nonprime portfolio for which foreclosure was initiated was .33 percent, roughly 4 times more than prime mortgages.

The foreclosure initiation rate has been steadily rising since year-end 2007. The foreclosure initiation rate increased from to .12 percent as of March 31, 2008 and .13 percent as of June 30, 2008. The foreclosure initiation rate for the prime portfolio increased from to .08 percent as of March 31, 2008 and .09 percent as of June 30, 2008, and for the nonprime portfolio increased from to .33 percent as of March 31, 2008 and .34 percent as of June 30, 2008.

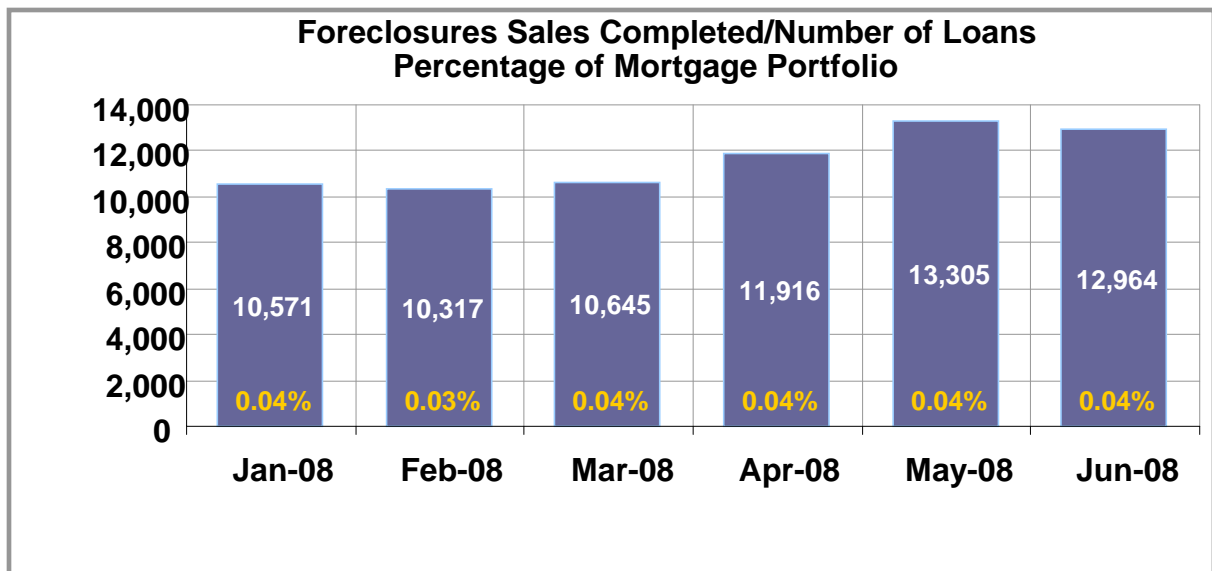


### Foreclosures Completed

During first quarter 2008, foreclosures completed averaged 10,511 per month with 5,642 classified as prime and 4,869 classified as nonprime. During second quarter 2008, foreclosures completed were 21.1 percent over the first quarter 2008 monthly average. The total monthly average was 12,729 with 7,178 classified as prime and 5,551 classified as nonprime. Foreclosures completed for prime mortgage properties averaged 27.2 percent over the first quarter 2008 monthly average while foreclosures completed for nonprime mortgage properties averaged 14.0 percent over the first quarter 2008 monthly average.

**Table 4. Foreclosure Sales Completed (Percentage of Loans)**

	1-Q Avg	Apr-08	May-08	Jun-08	2Q-2008	3-mo Avg
Prime	5,642	6,633	7,390	7,510	21,533	7,178
Nonprime	4,869	5,283	5,915	5,454	16,652	5,551
<b>Total</b>	<b>10,511</b>	<b>11,916</b>	<b>13,305</b>	<b>12,964</b>	<b>38,185</b>	<b>12,729</b>



Foreclosure was completed for an average of about .03 percent of mortgages during first quarter 2008 and .04 percent during second quarter 2008. The proportion of prime mortgages in the prime portfolio for which foreclosure was completed was .02 percent during first quarter 2008 and .03 percent during second quarter 2008, but the proportion of nonprime mortgages in the nonprime portfolio for which foreclosure was completed was .09 percent in first quarter 2008 and .11 percent in second quarter 2008. Therefore, the foreclosure completion rate for nonprime mortgages remains roughly 4 times that of prime mortgages.

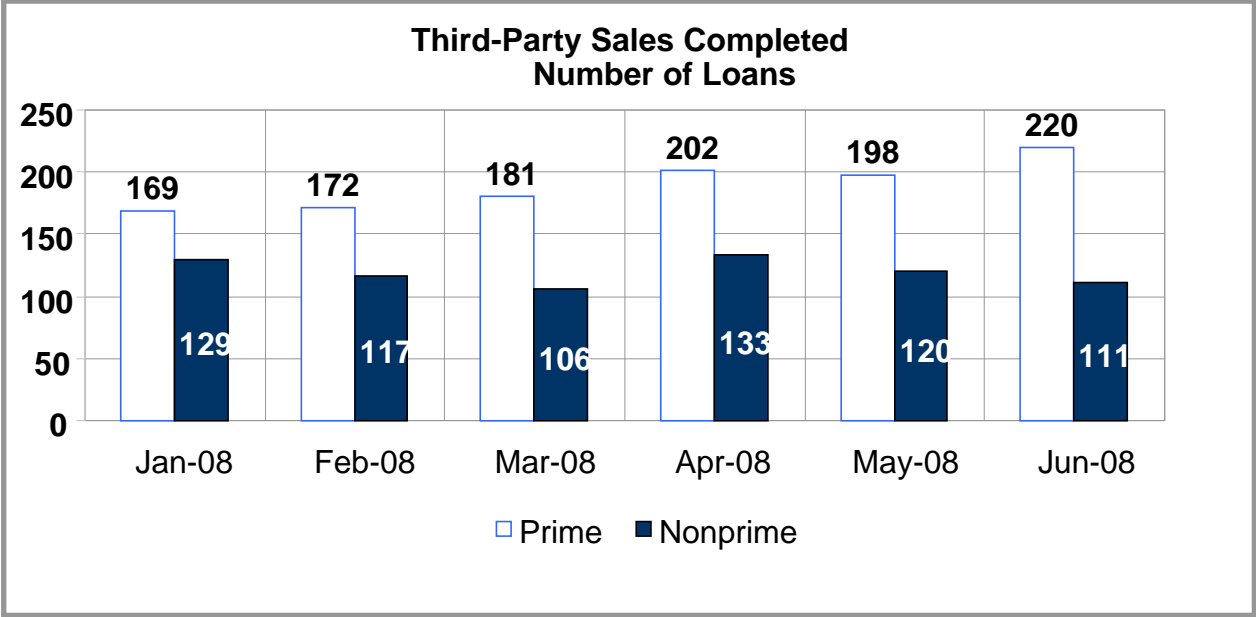
**Third-Party Sales Completed**

A third-party sale is the sale of the mortgaged property to a third party at the foreclosure auction. The borrower loses the property to foreclosure, but ownership of (deed to) the property transfers to a new owner and not to the mortgage servicer. The property is not added to the servicer's real estate owned (REO) inventory as a new acquisition.

**Table 5. Third-Party Sales Completed (Number of Loans)**

	1-Q Avg	Apr-08	May-08	Jun-08	2Q-2008	2-Q Avg
Prime	174	202	198	220	620	207
Nonprime	117	133	120	111	364	121
<b>Third-Party Sales</b>	<b>291</b>	<b>335</b>	<b>318</b>	<b>331</b>	<b>984</b>	<b>328</b>

During first quarter 2008, third-party sales averaged 291 per month with 174 classified as prime and 117 classified as nonprime mortgage properties. During second quarter 2008, all third-party sales increased by 12.6 percent over the first quarter 2008 monthly average, to an average of 328 with 207 classified as prime and 121 classified as nonprime mortgage properties. Third-party sales of prime mortgage properties increased by 18.8 percent over the first quarter 2008 monthly average, while third-party sales of nonprime mortgage properties increased by 3.4 percent.

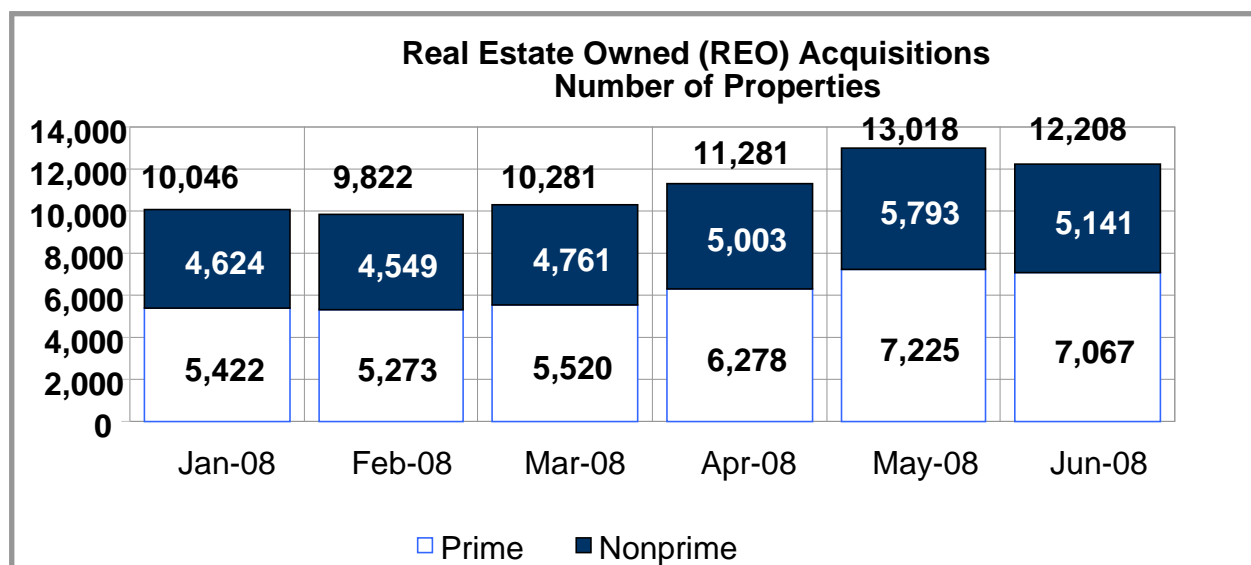


### Real Estate Owned (REO) Acquisitions

During first quarter 2008, REO acquisitions averaged 10,054 per month with 5,406 classified as prime and 4,648 classified as nonprime mortgage properties. During second quarter, REO acquisitions increased by 21.1 percent over the first quarter 2008 monthly average. REO acquisitions averaged 12,169 with 6,857 classified as prime and 5,312 classified as nonprime mortgage properties. REO acquisitions for prime mortgage properties increased by 26.9 percent over the first quarter 2008 monthly average, while REO acquisitions for nonprime mortgage properties increased by 14.4 percent.

**Table 6. REO Acquisitions (Number of Properties)**

	1-Q Avg	Apr-08	May-08	Jun-08	2Q- 2008	3-mo Avg
Prime	5,406	6,278	7,225	7,067	15,937	6,857
Nonprime	4,648	5,003	5,793	5,141	20,570	5,312
REO Acquisitions	<b>10,054</b>	<b>11,281</b>	<b>13,018</b>	<b>12,208</b>	<b>36,507</b>	<b>12,169</b>





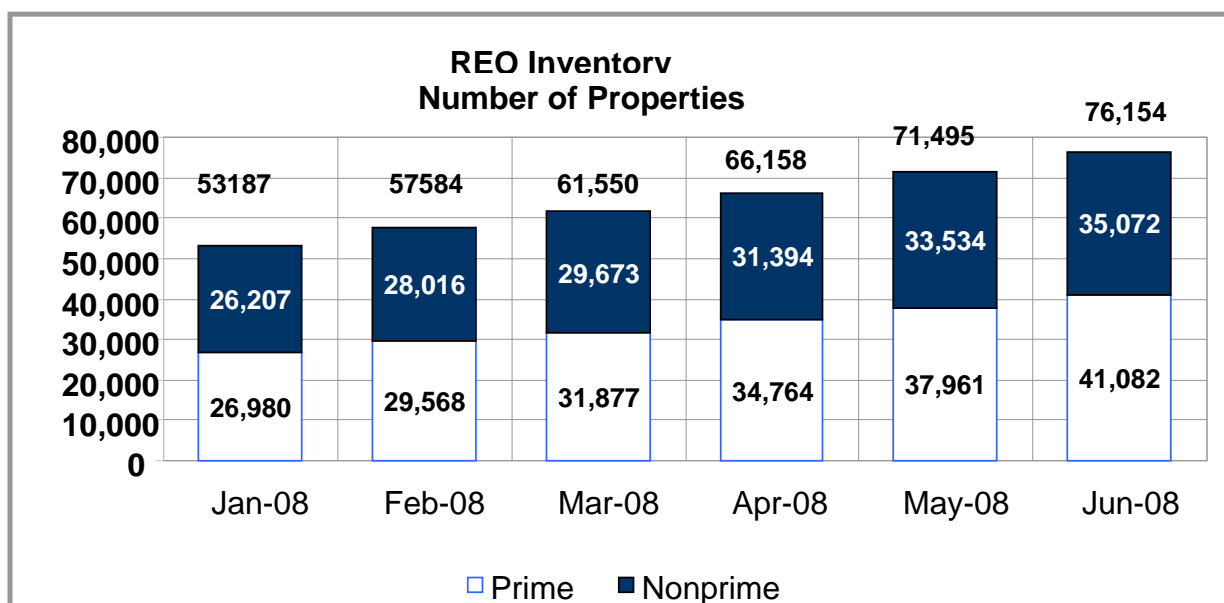
### Real Estate Owned (REO) Inventory

The real estate owned (REO) inventory rose from 61,550 at March 31, 2008 to 76,154 as of June 30, 2008 — an increase of 14,064 properties or 23.7 percent during second quarter 2008. The REO inventory of prime mortgage properties increased by 9,205 properties or 28.9 percent to 41,082 properties, while nonprime mortgage properties increased by 5,399 or 18.2 percent to 35,072 properties.

As of June 30, 2008, prime mortgage properties represented 54 percent and nonprime mortgage properties represented 46 percent of the REO inventory.

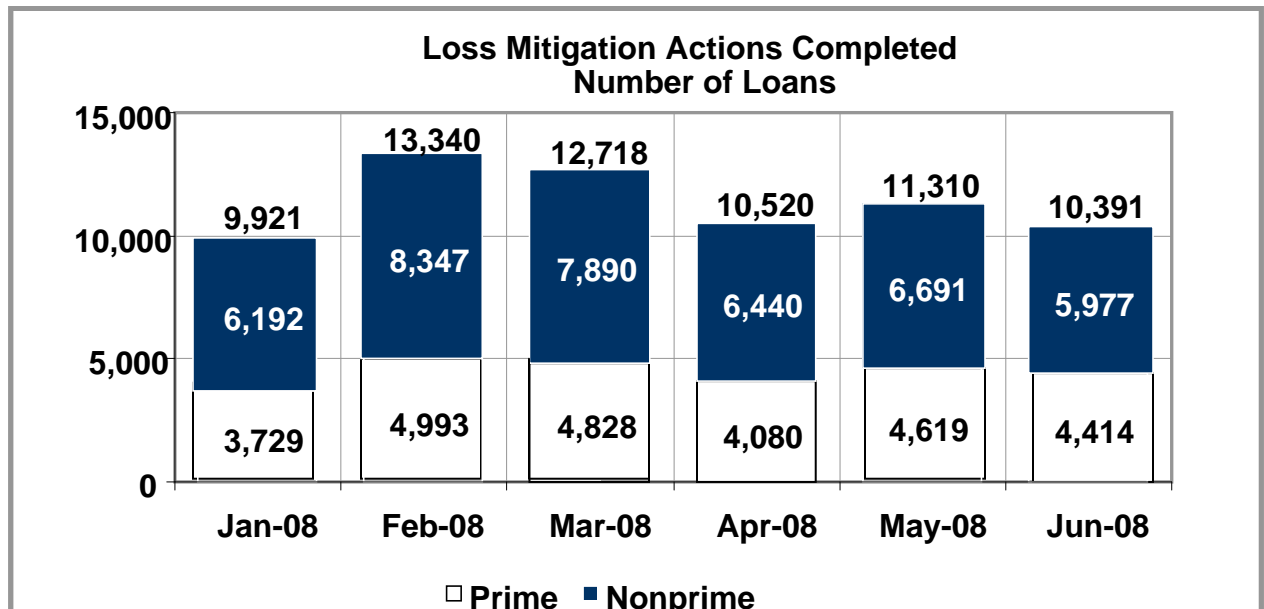
**Table 7. REO Inventory at Month end (Number of Properties)**

	3/31/08	4/30/08	5/31/08	6/30/08
Prime	31,877	34,764	37,961	41,082
Nonprime	29,673	31,394	33,534	35,072
REO Inventory at Month End	<b>61,550</b>	<b>66,158</b>	<b>71,495</b>	<b>76,154</b>

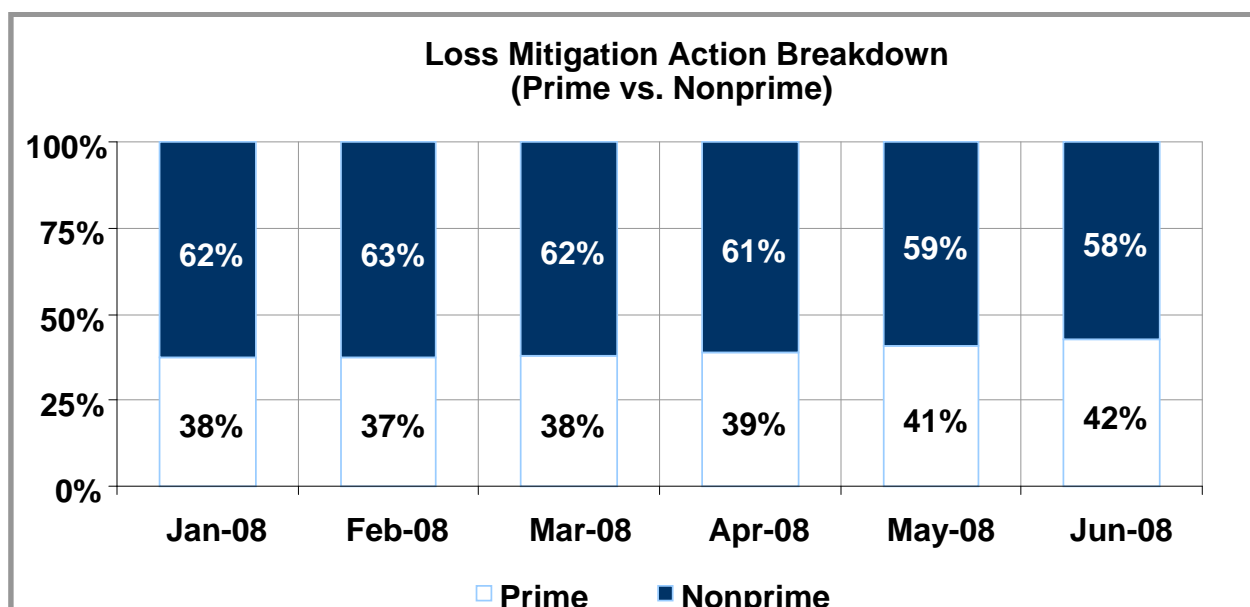


### Loss Mitigation Actions

Loss mitigation actions include a number of options — forbearance plans, payment plans, loan modifications, short sales, deeds in lieu, charge-offs in lieu of foreclosure, and assumptions. Workout plans that lead to a resolution of the delinquency include all but forbearance plans. Resolution means the account is brought current (reinstated) or is removed from the portfolio before foreclosure action is completed.

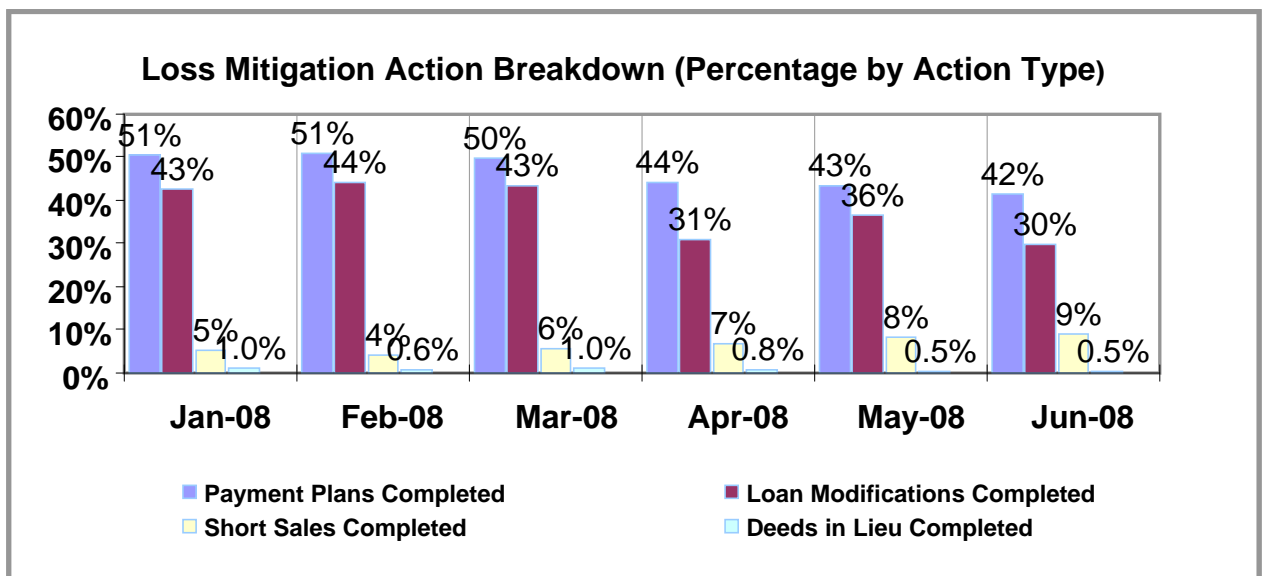
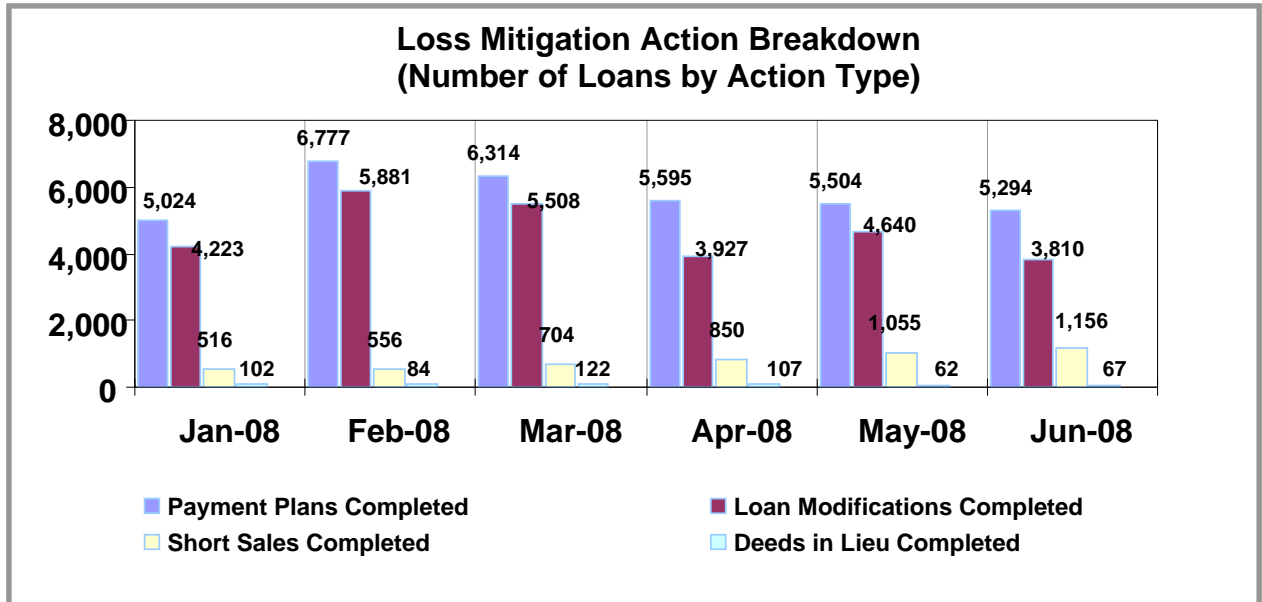


All workout options have decreased from a first quarter 2008 monthly average of 11,993 to 10,740 for second quarter of 2008, or -10.4 percent. The use of all workout options for prime borrowers has decreased from a first quarter 2008 monthly average of 4,517 to 4,371, a decrease of 146 or -3.2 percent. The use of all workout options for nonprime borrowers has decreased from a first quarter 2008 monthly average of 7,476 to 6,369 for second quarter 2008, a decrease of 1,107 or -14.8 percent. As a percent of all workout options completed, prime mortgages averaged 37.7 percent in the first quarter 2008 and 40.7 percent in second quarter 2008. Nonprime mortgages averaged 62.3 percent in first quarter 2008 and 59.3 percent during second quarter 2008.



Completed payment plans predominated over other workout options that lead to resolution of the delinquency; such plans represented 50.3 percent of first quarter 2008 loss mitigation actions and 50.9 percent of second quarter 2008 loss mitigation actions. Loan modifications represented 43.4 percent of first quarter 2008 loss mitigation actions, and 38.4 percent of second quarter 2008 loss mitigation actions. Short sales represented 4.9 percent of first quarter 2008 loss mitigation actions, and 9.5 percent of second quarter 2008 loss mitigation actions. Deeds in lieu represented .9 percent of first quarter 2008 loss mitigation actions, and .7 percent of second quarter 2008 loss mitigation actions. Charge-offs in lieu of foreclosure represented .5 percent of loss mitigation actions for both first and second quarter 2008. No assumptions were completed.

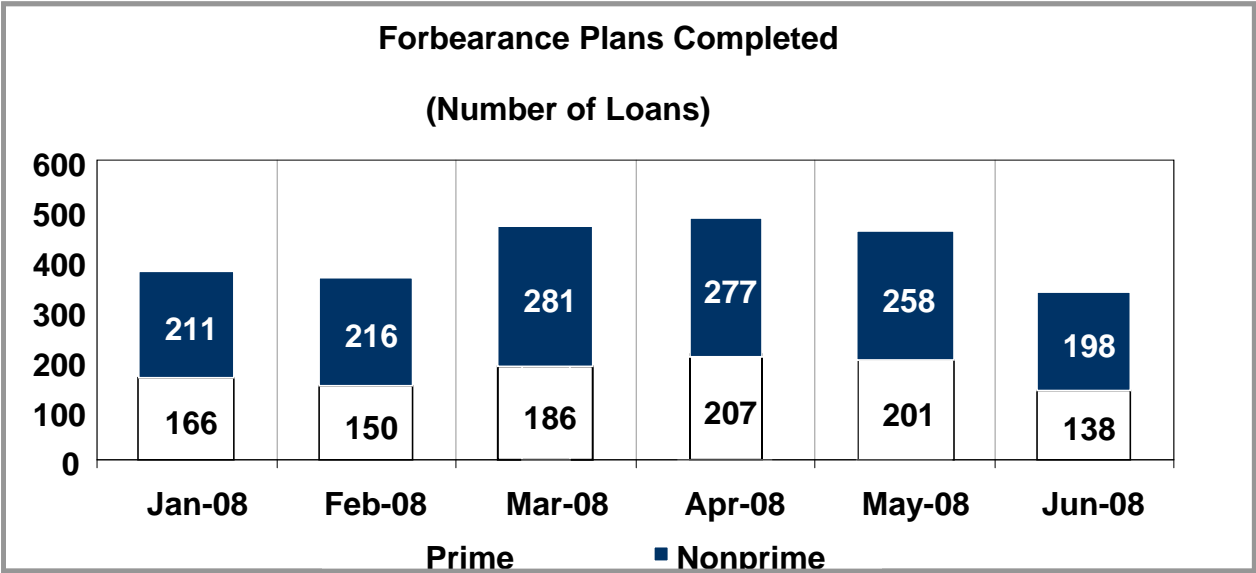
Quarter-over-quarter, the most significant change was an increase in short sales from 1,776 in first quarter 2008 to 3,061 in second quarter 2008 – an increase of 1,285 short sales or 72.4 percent. Another significant change was a reduction in loan modifications from 15,612 in first quarter 2008 to 12,377 in second quarter 2008 – a reduction of 3,235 modifications or -20.7 percent.



**Forbearance Plans**

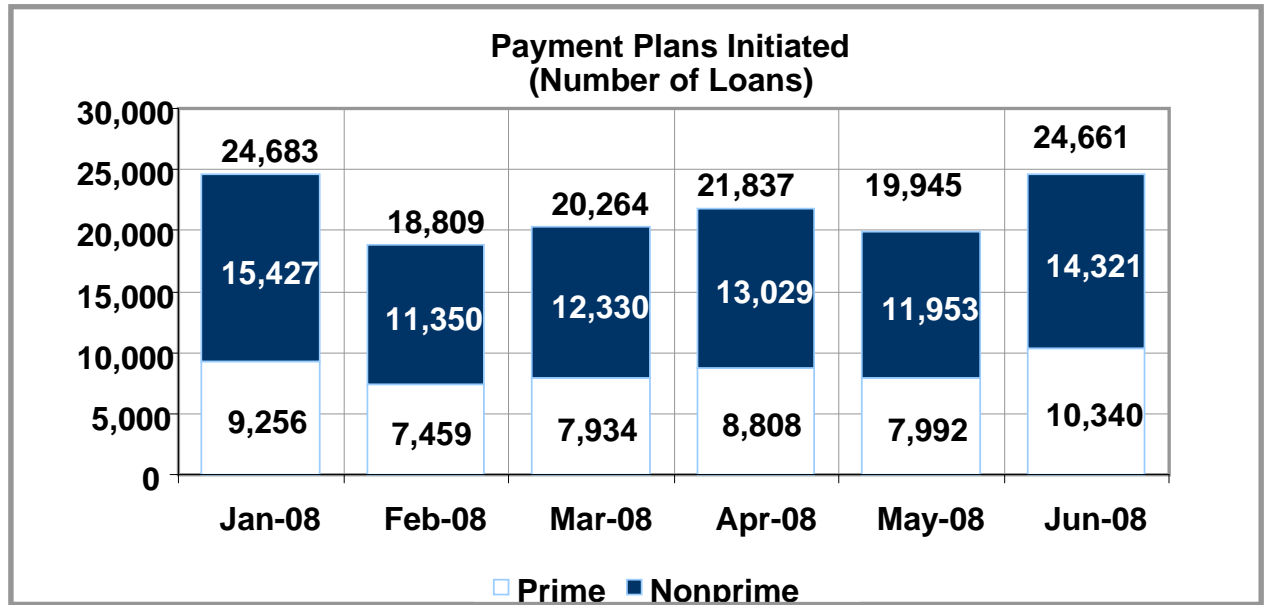
A forbearance plan allows a short-term change in the monthly payment amount. It gives the borrower the opportunity to address the current situation and allows him or her to pay less than the regular monthly payment. At the end of the forbearance, the borrower is required to bring the account current or to enter into another loss mitigation action, such as a payment plan or a loan modification. Forbearance is most frequently used to address unexpected, catastrophic events, such as Hurricane Katrina.

Completed forbearance plans increased from a first quarter 2008 monthly average of 403 to 426 during second quarter 2008, an increase of 5.7 percent. Completed forbearance plans for prime borrowers increased from a first quarter 2008 monthly average of 167 to 182 during the second quarter 2008, an increase of 8.8 percent. Completed forbearance plans for nonprime borrowers increased from a first quarter 2008 monthly average of 236 to 244 during second quarter 2008, a 3.5 percent increase. Prime mortgages averaged 41.5 percent of all completed forbearance plans in first quarter 2008 and 42.7 percent in second quarter 2008. Nonprime mortgages averaged 58.5 percent in first quarter 2008 and 57.3 percent in second quarter 2008.



### Payment Plans — Initiated

A payment plan (or repayment plan) allows a short-to-medium term increase in the borrower's monthly payment to bring the past due mortgage current. It requires the borrower to pay the regular monthly payment *plus* an additional amount.

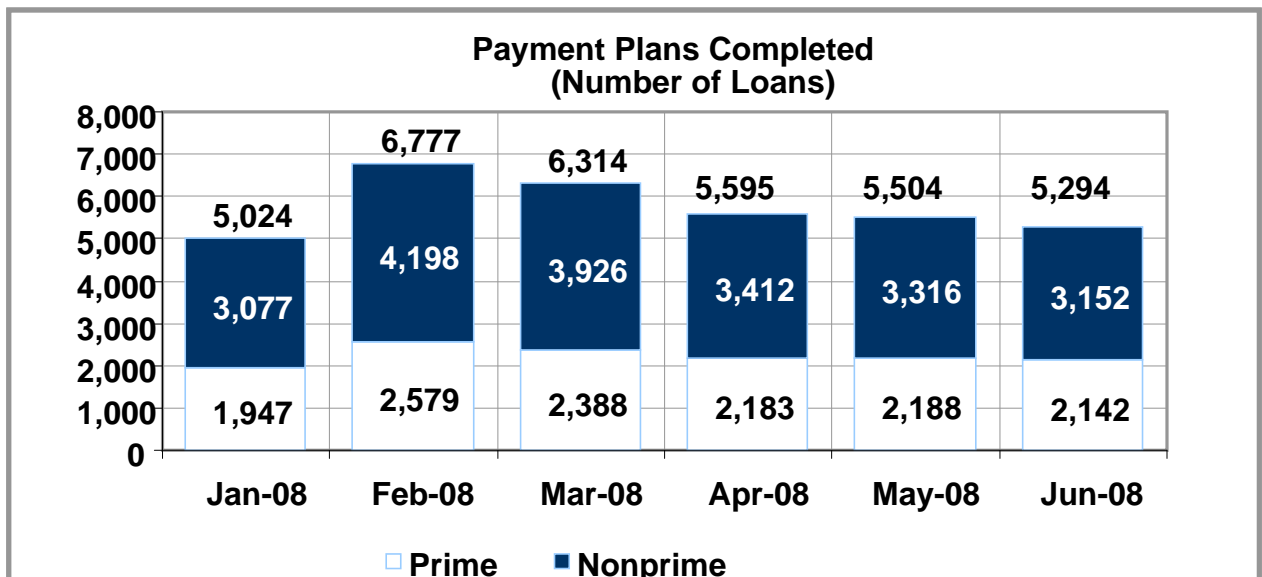


Payment plans initiated increased from a first quarter 2008 monthly average of 21,252 to 22,148 in the second quarter 2008, an increase of 896 or 4.2 percent. Payment plans initiated for prime borrowers also increased from a first quarter 2008 monthly average of 8,216 to 9,047 during second quarter 2008, an increase of 10.1 percent. Payment plans initiated for nonprime borrowers increased from a first quarter 2008 monthly average of 13,036 to 13,101 in second quarter 2008, a .5 percent increase. As a percent of all initiated payment plans, prime mortgages averaged 38.7 percent in first quarter 2008 and 40.8 percent in second quarter 2008. Nonprime mortgages averaged 61.3 percent in first quarter 2008 and 59.2 percent in second quarter 2008.

**Payment Plans — Completed**

Completed payment plans decreased from a first quarter 2008 monthly average of 6,038 to 5,464 for second quarter 2008, or by -9.5 percent. For prime mortgages, completed payment plans decreased from a first quarter 2008 monthly average of 2,305 to 2,171 during second quarter 2008, or by -5.8 percent. Completed payment plans for nonprime mortgages decreased from a first quarter 2008 monthly average of 3,734 to 3,293 during second quarter 2008, or by -11.8 percent. As a percent of all completed payment plans, prime mortgages averaged 38.2 in first quarter 2008 and 39.7 in second quarter 2008. Nonprime mortgages averaged 61.8 in the first quarter of 2008 and 60.3 in second quarter 2008.

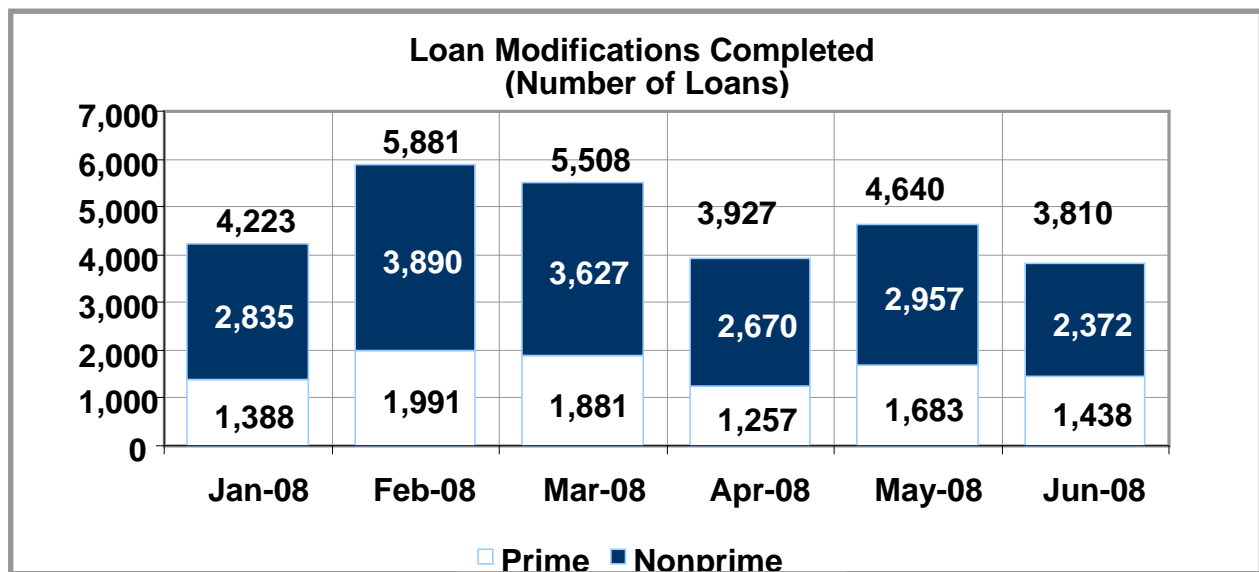
Completed payment plans represented 28.4 percent of initiated payment plans in first quarter 2008, and 24.7 percent of initiated payment plans in second quarter 2008. Completed payment plans for prime mortgage represented 28.0 percent of initiated payment plans in first quarter 2008, and 24.0 percent of initiated payment plans in second quarter 2008. Completed payment plans for nonprime mortgage represented 28.6 percent of initiated payment plans in first quarter 2008, and 25.1 percent of initiated payment plans in second quarter 2008.



## Loan Modifications

Loan modifications are changes to the original mortgage terms, which may include a change to the product (e.g., adjustable rate mortgage to a fixed-rate product), interest rate, term and maturity date, amortization term, or amortized balance.

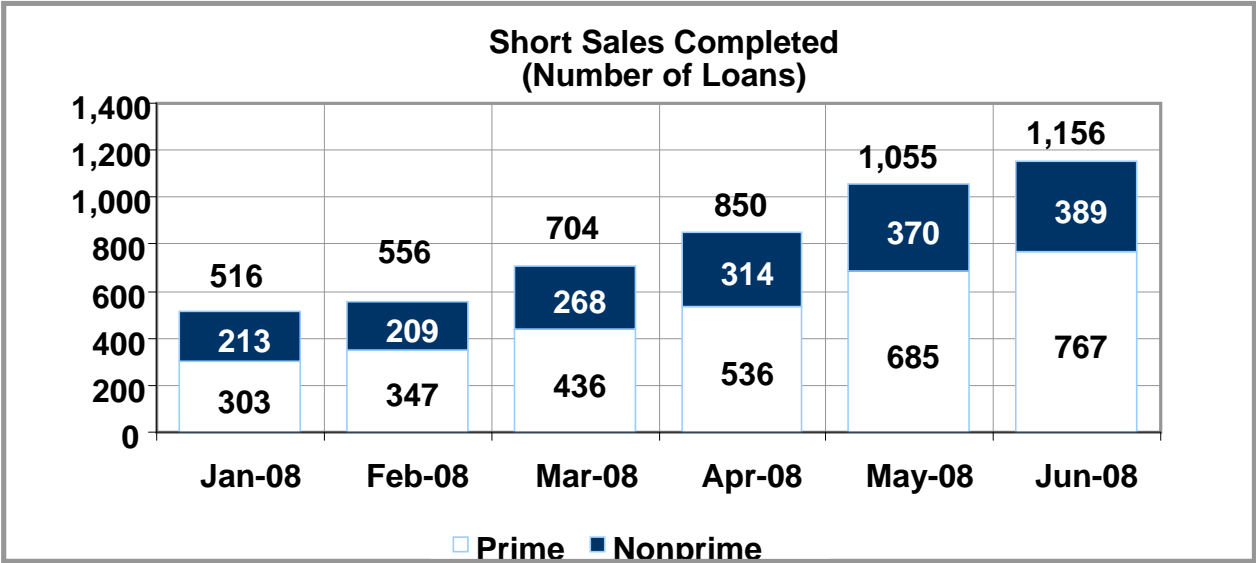
Completed loan modifications decreased from a first quarter 2008 monthly average of 5,204 to 4,126 during second quarter 2008, a decrease of 1,078 or -20.7 percent. Completed loan modifications for prime mortgages decreased from a first quarter 2008 monthly average of 1,753 to 1,459 in second quarter 2008, a decrease of 294 or -16.8 percent. Completed loan modifications for nonprime mortgages decreased from a first quarter 2008 monthly average of 3,451 to 2,666 for second quarter 2008, a decrease of 784 or -22.7 percent. As a percent of all completed loan modifications, prime mortgages averaged 33.7 percent in first quarter 2008 and 35.4 percent in second quarter 2008. Nonprime mortgages averaged 66.3 percent in first quarter 2008 and 64.6 percent in second quarter of 2008.





**Short Sales**

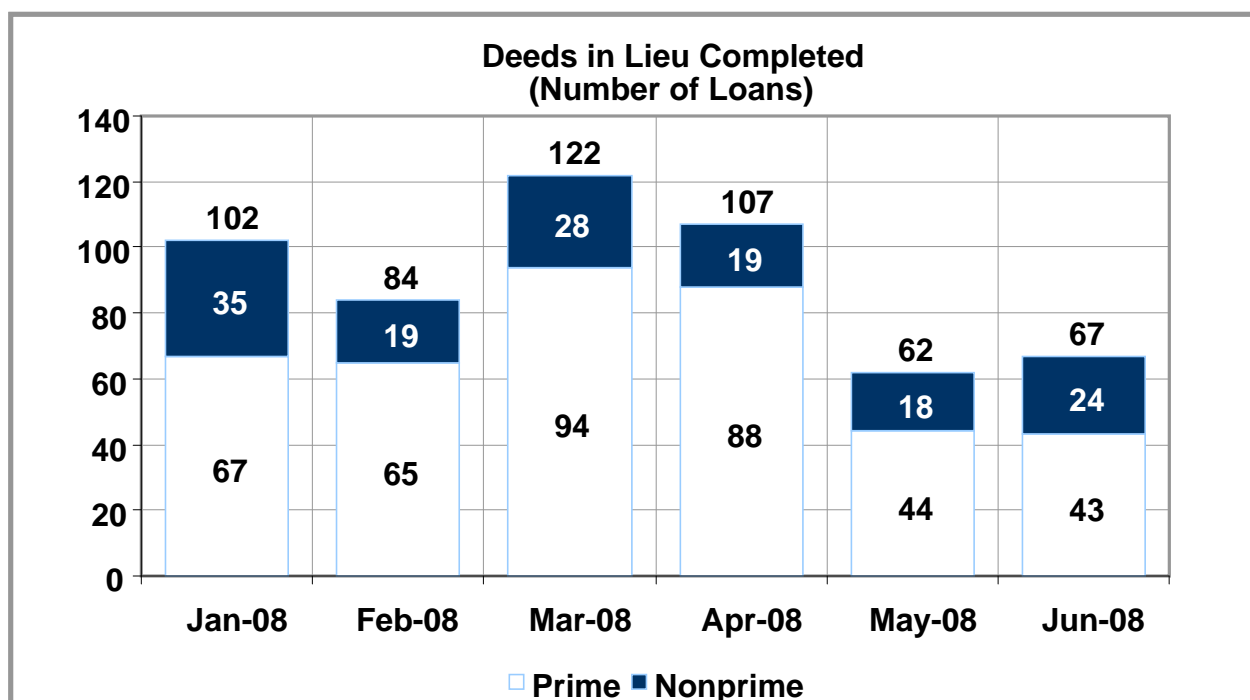
A short sale (also called a preforeclosure sale) is the sale of a mortgaged property at a price that nets less than the total amount due on the mortgage (e.g., the sum of the unpaid principal balance, accrued interest, advanced escrows, late fees, and delinquency charges.) The servicer and borrower negotiate payment of the difference between the net sales price and the total amount due on the mortgage.



Completed short sales increased from a first quarter 2008 monthly average of 592 to 1,020 during second quarter 2008, an increase of 428 or 72.4 percent. Completed short sales for prime mortgages increased from a first quarter 2008 monthly average of 362 to 663 in second quarter 2008, an increase of 301 or 83.1 percent. Completed short sales for nonprime mortgages increased from a first quarter 2008 monthly average of 230 to 358 for second quarter 2008, an increase of 128 or 55.5 percent. As a percent of all completed short sales, prime mortgages averaged 61.1 percent in first quarter 2008 and 64.9 percent in second quarter 2008. Nonprime mortgages averaged 38.9 percent in first quarter 2008 and 35.1 percent in second quarter 2008.

## Deeds in Lieu

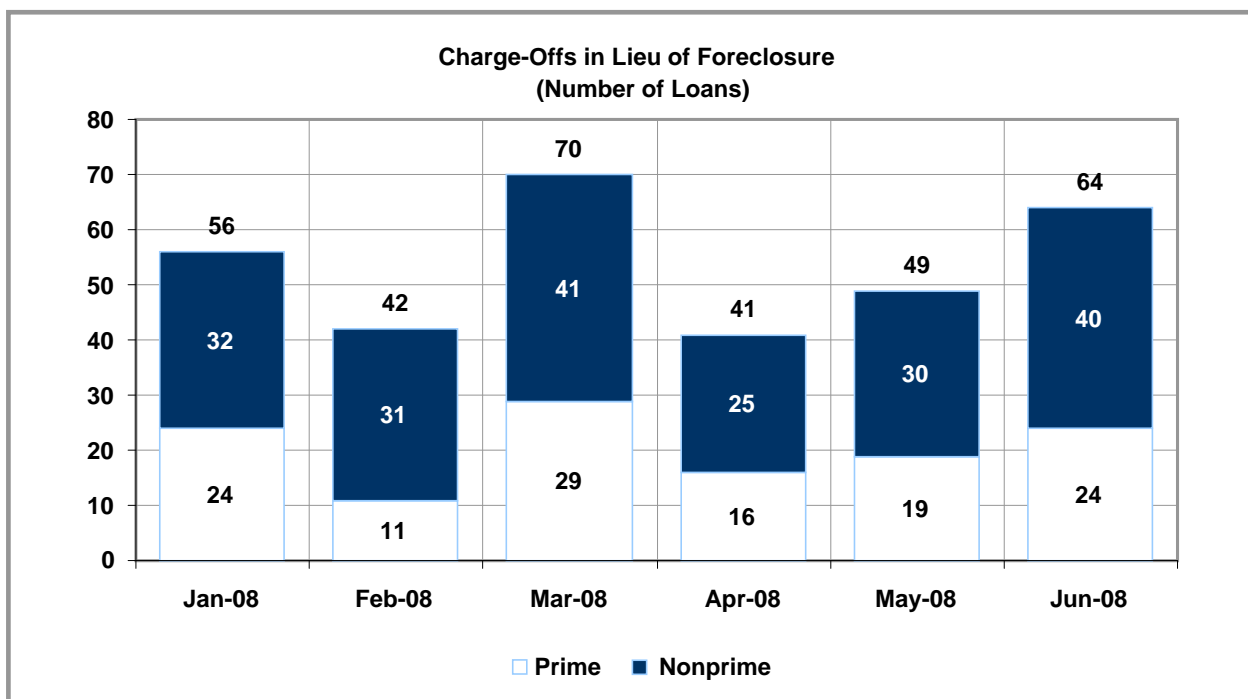
In a deed-in-lieu action, the borrower gives the deed (property ownership) to the servicer to fulfill the obligation to repay the debt. In exchange, the borrower avoids a deficiency judgment. Generally, the servicer's acceptance of a deed in lieu requires that the mortgaged property be free and clear of subordinate liens. Servicers are usually not able to accept deeds in lieu on properties with second mortgages or other liens. By accepting a deed in lieu, servicers avoid having to expend time, effort, and money to foreclose.



During first quarter 2008, completed deeds in lieu averaged 103, but during the second 2008, that number decreased to 79, or by -23.4 percent. Completed deeds in lieu for prime mortgages decreased from a first quarter 2008 monthly average of 75 to 58 for the second quarter 2008, or by -22.6 percent. Completed deeds in lieu for nonprime mortgages decreased from a first quarter 2008 monthly average of 27 to 20 during the second quarter 2008, or by -25.6 percent. As a percent of all completed deeds in lieu, prime mortgages averaged 73.4 percent in first quarter 2008 and 74.2 percent during second quarter 2008. Nonprime mortgages averaged 26.6 percent in first quarter 2008 and 25.8 percent in second quarter 2008.

### Charge-Offs in Lieu of Foreclosure

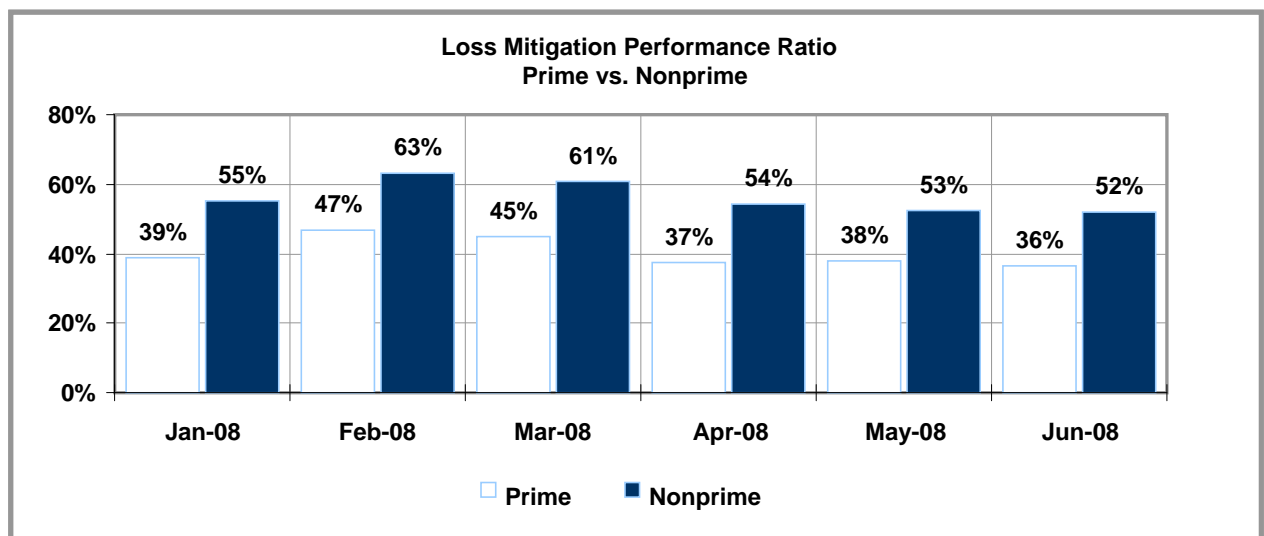
A charge-off in lieu of foreclosure occurs when a servicer charges off the mortgage debt rather than completing foreclosure and taking the property title. The borrower retains the property. The unpaid mortgage balance becomes a lien on the borrower's property, which must be satisfied when the borrower transfers ownership.



Completed charge-offs in lieu of foreclosure decreased from a first quarter 2008 monthly average of 56 to 51 in second quarter 2008, a decrease of 5 or -8.3 percent. Completed charge-offs in lieu of foreclosure for prime mortgages decreased by 1 or -7.8 percent from a first quarter 2008 monthly average of 21 to 20 during the second quarter 2008. Completed charge-offs in lieu of foreclosure for nonprime mortgages decreased from a first quarter 2008 monthly average of 35 to 32 during second quarter 2008, a decrease of 3 or -8.7 percent. As a percent of all completed charge-offs in lieu of foreclosure, prime mortgages averaged 38.1 in first quarter 2007 and 38.3 percent in second quarter 2008. Nonprime mortgages averaged 61.9 percent in first quarter 2008 and 61.7 percent during second quarter 2008.

### Loss Mitigation Performance

FHFA calculates the loss mitigation performance ratio to measure specific loss mitigation actions as a percent of all mortgages for which foreclosure was likely. The loss mitigation actions we measured included completed payment plans, loan modifications, short sales, deeds in lieu, charge-offs in lieu of foreclosure, and assumptions. Mortgages identified as likely to be foreclosed include the sum of completed payment plans, loan modifications, short sales, deeds in lieu, charge-offs in lieu of foreclosure, and assumptions *plus* completed foreclosure sales *plus* completed third-party sales.



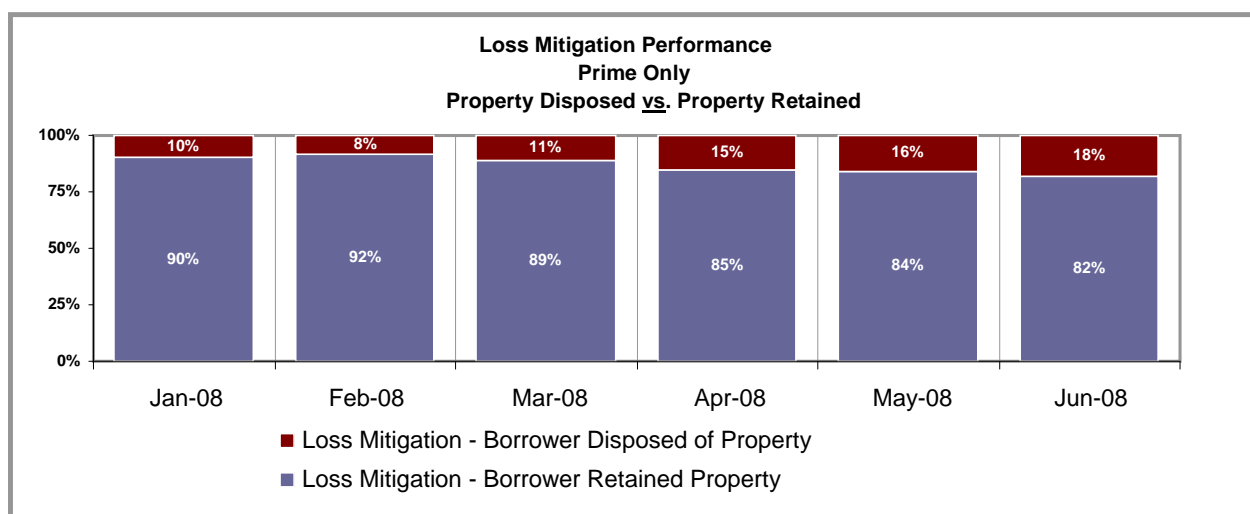
FHFA's loss mitigation overall performance ratio decreased from 52.6 percent during first quarter 2008 to 45.1 percent in second quarter 2008. We discuss the performance ratio for prime and nonprime mortgages in the following sections (see pages 27 and 28).

Loss mitigation actions that allow the borrower to avoid foreclosure and retain the property – payment plans, loan modifications, and charge-offs – represented 94.2 percent of first quarter 2008 loss mitigation actions and 89.8 percent of such actions in second quarter 2008. Loss mitigation actions that allowed the borrower to avoid foreclosure and protect his or her credit rating while disposing of the property, such as short sales, deeds

in lieu, and assumptions, represented 5.8 percent of first quarter 2008 loss mitigation actions and 10.2 percent of those in second quarter 2008. As mentioned earlier, short sales increased significantly quarter-over-quarter. As a result, the percent of loss mitigation actions that allow the borrower to avoid foreclosure and retain the property declined, while the percent of loss mitigation actions that allow the borrower to avoid foreclosure and protect his or her credit rating while disposing of the property, increased.

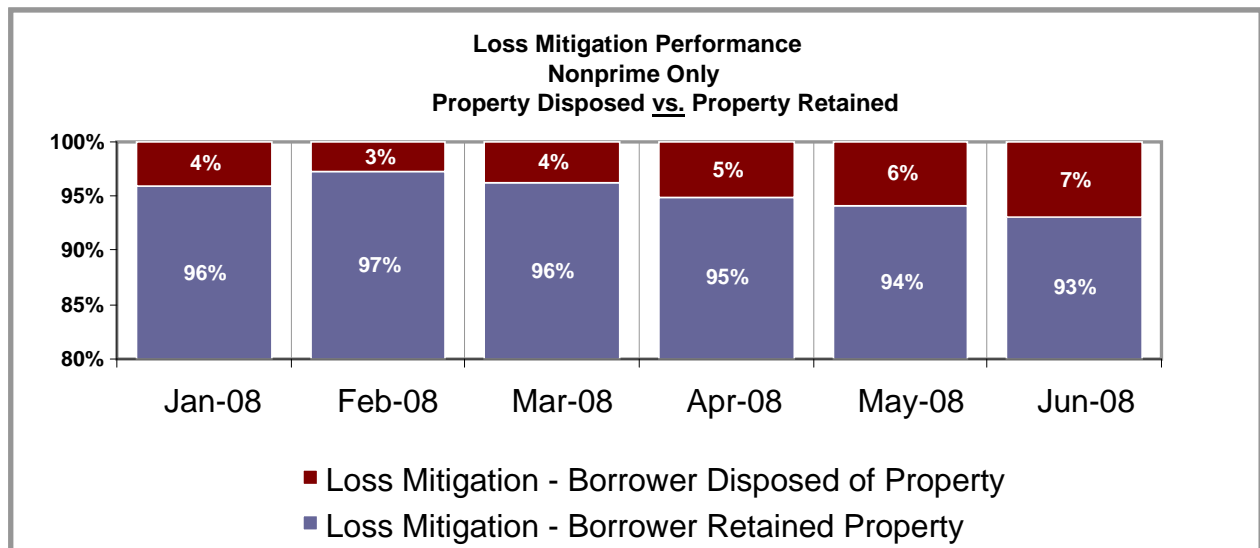
### Loss Mitigation Performance — Prime Mortgages Only

The loss mitigation performance ratio for prime mortgages decreased from 43.7 percent in first quarter 2008 to 37.2 percent in second quarter 2008. Loss mitigation actions that allowed prime borrowers to avoid foreclosure and retain the property, such as payment plans, loan modifications, and charge-offs, represented 90.3 percent of first quarter 2008 loss mitigation actions and 83.5 percent of loss mitigation actions in second quarter 2008. Loss mitigation actions that allowed the prime borrower to avoid foreclosure and protect his or her credit rating while disposing of the property, such as short sales, deeds in lieu, and assumptions, represented 9.7 percent of first quarter 2008 loss mitigation activities and 16.5 percent of those in second quarter 2008.



**Loss Mitigation Performance — Nonprime Mortgages Only**

The loss mitigation performance ratio for nonprime mortgages decreased from 60.0 percent in first quarter 2008 to 52.9 percent during second quarter 2008. Loss mitigation actions that allowed nonprime borrowers to avoid foreclosure and retain the property, including payment plans, loan modifications, and charge-offs, represented 96.6 percent of first quarter 2008 loss mitigation actions and 94.1 percent of loss mitigation actions during second quarter 2008. Loss mitigation actions that allowed the nonprime borrower to avoid foreclosure and protect his or her credit rating while disposing of the property, such as short sales, deeds in lieu, and assumptions, represented 3.4 percent of first quarter 2008 loss mitigation activities and 5.9 percent of those in second quarter 2008.



## Appendix

## Mortgage Metrics Comparison

Loan data and related metrics vary. In addition, some servicers report mortgages to more than one entity; e.g., HOPE NOW and the Enterprises, so the data reported is not mutually exclusive.

The table below compares FHFA metrics against those reported in the *OCC and OTS Mortgage Metrics Report: Disclosure of National Bank and Federal Thrift Mortgage Loan Data, January-June 2008* and HOPE NOW's *Mortgage Loss Mitigation Statistics Industry Extrapolations*. Additional explanatory information appears after the table.

COMPARISON TABLE	1Q2008			2Q2008			6/30/08 YTD		
	HOPE NOW	GSEs	OCC & OTS	HOPE NOW	GSEs	OCC & OTS	HOPE NOW	GSEs	OCC & OTS
<b>OVERALL MORTGAGE PORTFOLIO</b>									
Total Servicers Reporting	22	3000+	14	22	3000+	14	22	3000+	14
Total Servicing (# of Loans)	53,205,000	30,408,771	34,470,248	53,438,000	30,618,272	34,757,314	53,438,000	30,618,272	34,757,314
Average Loan Balance	NR	\$143,923	\$175,428	NR	\$146,168	\$176,160	NR	\$146,168	\$176,160
Composition of Total Loans (% of Loans)									
Prime	87.7%	82.7%	65.6%	87.8%	83.0%	66.1%	87.8%	83.0%	66.1%
Non-Prime	12.3%	17.3%	34.4%	12.2%	17.0%	33.9%	12.2%	17.0%	33.9%
<b>DELINQUENT MORTGAGE COMPOSITION</b>									
60+ Days Delinquent Including FIPs (# of Loans)	1,703,000	355,850	1,238,835	1,839,000	421,254	1,402,699	1,839,000	421,254	1,402,699
60+ Days Delinquency Including FIPs as a Percentage of Loans	3.20%	1.17%	3.59%	3.44%	1.38%	4.04%	3.44%	1.38%	4.04%
90+ Days Delinquent Including FIPs (# of Loans)	NR	302,593	908,451	NR	372,947	1,034,139	NR	372,947	1,034,139
90+ Days Delinquency Including FIPs as a Percentage of Loans	NR	1.00%	2.64%	NR	1.22%	2.98%	NR	1.22%	2.98%
<b>NEW FORECLOSURES INITIATED</b>									
New Foreclosures Initiated (# of Loans)	526,000	108,520	278,857	574,000	116,843	288,740	1,100,000	225,363	567,597
New Foreclosures Initiated as a Percentage of Loans	0.33%	0.12%	0.27%	0.36%	0.13%	0.27%	0.34%	0.12%	0.27%
New Foreclosures Initiated as a Percentage of 90+ Days Delinquent Loans Including FIPs	NR	12.3%	10.6%	NR	11.3%	9.7%	NR	11.7%	10.1%
<b>FORECLOSURES COMPLETED</b>									
Foreclosures Completed (# of Loans)	203,000	31,533	NR	246,000	38,185	NR	449,000	69,718	NR
Foreclosures Completed as a Percentage of Loans	0.13%	0.03%	NR	0.15%	0.04%	NR	0.14%	0.04%	NR
New Foreclosures Completed as a Percentage of 90+ Days Delinquent Loans Including FIPs	NR	3.6%	NR	NR	3.7%	NR	NR	3.6%	NR
Foreclosures Completed as a Percentage of Foreclosures Initiated	38.6%	29.1%	NR	42.9%	32.7%	NR	40.8%	30.9%	NR
<b>PAYMENT PLANS INITIATED</b>									
Payment Plans Initiated (# of Loans)	312,000	63,756	136,367	302,000	66,443	140,155	614,000	130,199	276,522
Payment Plans Initiated as a Percentage of 60+ Days Delinquent Including FIPs	6.13%	6.00%	3.71%	5.69%	5.58%	3.46%	5.91%	5.78%	3.58%
Payment Plans Initiated as a Percentage of 90+ Days Delinquent Loans Including FIPs	NR	7.23%	5.16%	NR	6.41%	4.71%	NR	6.79%	4.92%
<b>LOAN MODIFICATIONS COMPLETED</b>									
Loan Modifications Completed (# of Loans)	170,000	15,612	71,883	221,000	12,377	112,353	391,000	27,989	184,236
Loan Modifications Completed as a Percentage of 60+ Days Delinquent Including FIPs	3.34%	1.47%	1.96%	4.17%	1.04%	2.78%	3.76%	1.24%	2.39%
Loan Modifications Completed as a Percentage of 90+ Days Delinquent Loans Including FIPs	NR	1.77%	2.72%	NR	1.19%	3.78%	NR	1.46%	3.28%
<b>KEY</b>									
NR=Not Reported GSEs=Government-Sponsored Enterprises OCC=Office of the Comptroller of the Currency OTS=Office of Thrift Supervision									



- 90-plus-day delinquent mortgages (including mortgages in the foreclosure process) totaled 372,947 for the Enterprises and 1,034,139 for OCC/OTS combined. The Enterprises' 90-plus-day delinquency rate was 1.22 percent and 2.98 percent for OCC/OTS combined. HOPE NOW does not report on 90-plus-day delinquent mortgages.
- New foreclosures initiated year-to-date as a percent of 90-plus-day delinquent loans was 11.7 percent for the Enterprises, and 10.1 percent for OCC/OTS combined. HOPE NOW does not report on 90-plus-day delinquent mortgages.
- Payment plans initiated year-to-date as a percent of 90-plus-day delinquent loans was 6.79 percent for the Enterprises and 4.92 percent for OCC/OTS combined. HOPE NOW does not report on 90-plus-day delinquent mortgages.
- Loan modifications completed year-to-date as a percent of 90-plus-day delinquent loans (including foreclosures in process) was 1.46 percent for the Enterprises, and 3.28 percent for OCC/OTS combined. HOPE NOW does not report 90-plus-day delinquent mortgages.
- Foreclosures completed year-to-date totaled 69,718 for the Enterprises and 449,000 for HOPE NOW. Foreclosures completed as a percent of all mortgage was .04 percent for the Enterprises and .14 percent for HOPE NOW. Foreclosures completed as a percent of foreclosures initiated was 30.9 percent for the Enterprises and 40.8 percent for HOPE NOW. OCC and OTS do not report on foreclosures completed.