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

Fourth Quarter 2008

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Executive Summary

This *OCC and OTS Mortgage Metrics Report* for the fourth quarter of 2008 provides performance data on first lien residential mortgages serviced by national banks and federally regulated thrifts, for both the fourth quarter and the full year. This is the fourth quarterly report and third joint report by the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS). This report provides a comprehensive picture of mortgage servicing activities of most of the industry's largest mortgage servicers, covering approximately two-thirds of all mortgages outstanding in the United States and incorporating information on all types of mortgages serviced, including subprime mortgages. More than 90 percent of the mortgages covered were serviced for third parties as a result of loan sales and securitizations.

Key findings of the report are summarized below.

Mortgage Performance

- Credit quality declined during the fourth quarter, continuing the trend reported from the first three quarters. Over the full year, the percentage of current and performing mortgages decreased from 93.33 percent at the end of the first quarter to 89.95 percent at the end of the fourth quarter.
- This decline in credit quality occurred across all risk categories, *e.g.*, prime, Alt-A, subprime, and "other" mortgages.[1] Not surprisingly, subprime loans had the highest level of seriously delinquent loans, defined in the report as loans 60 or more days delinquent. The percentage of subprime loans that were seriously delinquent climbed from 10.75 percent at the end of the first quarter to 16.40 percent at the end of the fourth quarter. Similarly, the percentage of Alt-A loans that were seriously delinquent increased over the same period from 5.18 percent to 9.10 percent.
- The biggest percentage jump was in prime mortgages, which is the lowest risk loan category and accounts for approximately two-thirds of all mortgages in the overall portfolio. The percentage of seriously delinquent prime mortgages increased from the very low starting rate at the end of the first quarter of 1.11 percent to 2.40 percent at the end of the fourth quarter—an increase of over 115 percent—with a significant rise from the third to the fourth quarter.
- New in this report are data on first payment defaults, in which borrowers fail to make the very first payment on new loans—an important early indicator of loan performance and potential fraud. The percentage of first payment defaults increased significantly over the year in all risk categories of loans other than prime loans.

Home Retention Actions: Loan Modifications and Payment Plans

- Newly initiated home retention actions totaled 301,648 during the fourth quarter, an increase of 11.2 percent from the third quarter, up 16.3 percent from the second quarter, and up 44.5 percent from the first quarter.
- Somewhat surprisingly, loan modifications, which consist of changes to loan terms such as interest rates or the loan duration, although increasing in actual numbers, nevertheless constituted a decreased proportion of overall home retention actions in the fourth quarter in comparison with payment plans,

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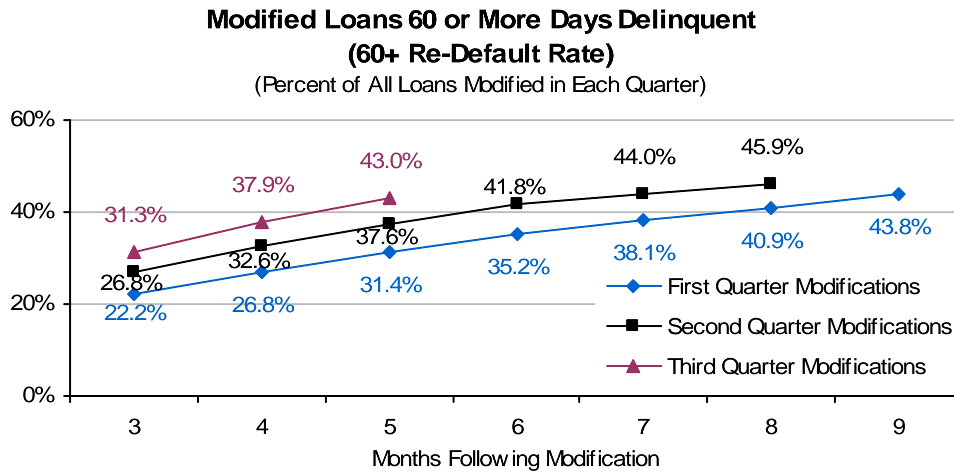
[1] Approximately 14 percent of loans in the data were not accompanied by credit scores and are classified as "other." This group includes a mix of prime, Alt-A, and subprime. In large part, the loans were result of acquisitions of loan portfolios from third parties where borrower credit scores at the origination of the loans were not available.

for which the contractual terms of the loans remain unchanged but the amount or timing of payments are temporarily altered to allow borrowers to return delinquent loans to a current status (*e.g.,* where borrowers are given more time to catch up on missed payments). Loan modifications accounted for 40 percent of all newly initiated home retention actions during the fourth quarter, compared with 43 percent during the third quarter and 52 percent during the second quarter.[2]

Re-Default Rates of Modified Loans—in Aggregate

- For modified loans, re-default rates are defined in terms of subsequent delinquencies and foreclosure actions. Consistent with last quarter's report, re-default rates of modified loans were high and rising for loans modified in each of the first three quarters of 2008. In addition, the re-default rate increased for loans modified in each successive quarter, with loans modified in the third quarter having the highest re-default rates.
- These conclusions held true regardless of whether the definition of re-default was 30 or more days delinquent or in forclosure, 60 or more days delinquent or in forclosure, or 90 or more days delinquent or in foreclosure. For example, as the graph below shows, the percentage of modified loans that were seriously delinquent (60 or more days delinquent or in foreclosure) after eight months was 40.9 percent for loans originated in the first quarter, and 45.9 percent for loans originated in the second quarter, with a worsening trend emerging for loans modified in the third quarter. Not surprisingly, the rates were even higher using the 30-or-more-days-delinquent measure—approaching 60 percent for loans modified in each of the three quarters—and lower using the 90-or-more-days-delinquent measure.[3]



[2] This declining percentage of loan modifications relative to payment plans may have resulted from the fact that, prior to contractually implementing new loan modifications, borrowers may be required to successfully complete a trial period to demonstrate the ability to make payments under the new terms. These "trial" modifications became more prevalent in the fourth quarter and are reported as payment plans until the successful completion of the trial period. However, additional data are required to determine the extent of this effect.

[3] Insufficient time has passed to measure loans originated in the second and third quarter at nine months or to measure loans originated in the third quarter after six months. Data includes loans for those quarters only when they have had sufficient time to age the indicated number of months.

- Also consistent with last quarter's report, the re-default rate for loans serviced for third parties (approximately 91 percent of all serviced loans) was significantly higher than the re-default rate for loans held in the servicer's own portfolio (9 percent of all serviced loans). For example, nine months after modification, the percentage of loans serviced for others that were seriously delinquent was 67 percent higher than loans held on-book (49.5 percent vs. 29.7 percent). This large difference is consistent with the fact that servicers generally have greater flexibility to modify loans held on their own books, especially before default has occurred, than they have with respect to loans serviced for others, which are often subject to more rigid contractual limitations on modification.

Re-Default Rates of Modified Loans—by Changes in Monthly Payments

As noted in last quarter's report, the reasons for high re-default rates are not clear. They could result from such factors as a significantly worsening economy with more borrowers losing jobs, excessive borrower leverage, issues affecting consumer willingness to pay, or poor initial underwriting. None of these factors can be easily captured in the type of data gathered by this report.

But another potential factor can be assessed more easily through data collection: the extent to which changes in monthly payments affect re-default rates. Loan modifications can reduce monthly payments, leave monthly payments unchanged, or increase monthly payments, depending on the circumstances.

Loan modifications may result in an increase in monthly payments where borrowers and servicers agree to add past due principal and interest, advances for taxes or insurance, and other fees to the balance of the loans and re-amortize the new balances over the remaining life of the loans. The interest rate on the loans may or may not be changed in these situations. Modifications may also result in an increased monthly payment for adjustable rate mortgages about to reset where the interest rate is increased but not by as much as contractually required. Servicers' modification activities also are dictated by private label and government agency servicing agreements which, in some cases, define the type and the amount of modification(s) that could be executed, and exclude modifications that reduce monthly payments. Servicers report, however, that recent changes in some government and private label servicing standards give them more flexibility to structure loan modifications that reduce monthly payments.

Servicers also modify some loans that leave principal and interest payments unchanged. One example is in cases where servicers "freeze" the current interest rate and payment instead of allowing the rate and payment to increase to the level that would otherwise be required under the contractual loan terms.

Modifications that result in a decrease in payments occur when banks elect to lower interest rates, extend the amortization period, or forgive or forbear principal.

Reduced payments make loan modifications more affordable, and it stands to reason that more affordable payments would be more sustainable and lead to lower re-default rates, whereas increased payments would lead to higher re-default rates. Data were collected for the first time in this quarter to determine whether loan modifications are more effective when loan payments are reduced. Modifications were grouped in four categories to reflect changes in monthly principal and interest payments, that is, modifications that (1) reduced monthly payments by more than 10 percent; (2) reduced monthly payments by 10 percent or less; (3) left monthly payments unchanged; and (4) increased monthly payments. Re-default rates were then calculated for each category. Key findings follow:

- Overall, as shown below, almost 42 percent of loans modified resulted in reduced monthly payments, with more than 29 percent resulting in payment reductions of more than 10 percent. However, the majority of loan modifications did not reduce monthly payments: nearly 27 percent resulted in unchanged monthly payments, and about 32 percent resulted in increased monthly payments.

Changes in Monthly Payments for Loans Modified in 2008		
	Percent of All Modifications	Number of Modifications in Each Category
Decreased by More Than 10%	29.31%	124,008
Decreased by 10% or Less	12.54%	53,083
Unchanged	26.58%	112,476
Increased	31.57%	133,585
Total	100.00%	423,152

- In the fourth quarter, there was a significant increase in modifications resulting in payment reductions, as shown below. Unlike in previous quarters, such payment-reducing modifications constituted more than 50 percent of all modifications. Similarly, modifications that reduced monthly payments by more than 10 percent increased more than 11 percentage points, rising to 37.2 percent of all fourth quarter modifications.

Change in Monthly Principal and Interest Payments Due to Loan Modification*								
	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Decreased by More than 10%	17,066	24.1%	35,687	27.9%	28,487	26.0%	42,768	37.2%
Decreased by 10% or Less	8,183	11.6%	15,731	12.3%	13,622	12.4%	15,547	13.5%
Unchanged	20,452	28.9%	34,228	26.8%	30,316	27.7%	27,480	23.9%
Increased	25,096	35.4%	42,269	33.0%	37,171	33.9%	29,049	25.3%
Total	70,797	100.0%	127,915	100.0%	109,596	100.0%	114,844	100.0%

*Percentages may not add to 100 due to rounding

- The data collected on re-default rates by changes in monthly payments provide support for the premise that more affordable monthly payments produce more sustainable modifications. As shown in the chart below, modifications that decreased monthly payments had consistently lower re-default rates, with larger payment reductions resulting in lower re-default rates. When loan modifications decreased monthly payments by more than 10 percent, only 22.7 percent of those loans were seriously delinquent six months after modification. In contrast, when modifications left payments unchanged, 50.6 percent of such loans were seriously delinquent after six months, and for modifications that increased payments, the comparable rate was 45.8 percent.[4]

[4] According to servicers, one explanation for why loan modifications that result in unchanged payments would produce higher re-default rates is that modifications where the payment is unchanged generally do not involve a full assessment of the borrowers' capacity to continue their payments. Many of these modifications result from servicers freezing the interest rate on adjustable rate mortgages where borrowers face the risk of imminent default prior to the loan resetting to higher payments.

Re-Default Rate of Modified Loans, by Changes in Payment (60 or More Days Delinquent) (Includes Loans Modified through the End of the Third Quarter)[5]			
	Three Months after Modification	Six Months after Modification	Nine Months after Modification
Decreased by More than 10%	13.8%	22.7%	26.2%
Decreased by 10% or Less	18.5%	33.0%	38.6%
Unchanged	41.9%	50.6%	53.5%
Increased	29.2%	45.8%	49.1%

Home Forfeiture Actions—Foreclosures, Short Sales, and Deed-in-Lieu-of-Foreclosure Actions

- Newly initiated foreclosure actions declined for the second consecutive quarter, decreasing 6.5 percent from the third quarter to 262,906 during the fourth quarter. Similarly, completed foreclosures decreased by 23.5 percent from the third to the fourth quarter. The declines in both measures of foreclosures may reflect, in addition to increased home retention activity, state moratoria on foreclosures and voluntarily suspensions of foreclosure proceedings by servicers in anticipation of a federal program governing loan modifications.
- Importantly, the number of newly initiated home retention actions—loan modifications and payment plans—exceeded the number of newly completed foreclosures and other home forfeiture actions by more than 2.8 times during the fourth quarter and for all risk categories.

About Mortgage Metrics

The *OCC and OTS Mortgage Metrics Report* presents key data on first lien residential mortgages serviced by national banks and thrifts, focusing on credit performance, 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[6] and four thrifts[7] that have the largest mortgage servicing portfolios among all national banks and thrifts—although as the result of merger and acquisition transactions last year, these 13 depository institutions are now owned by nine holding companies.[8] The data represent almost 66 percent of all mortgages outstanding. Approximately 91 percent of the mortgages in the portfolio are owned 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 December 2008, the 13 reporting institutions serviced more than 34.7 million first lien mortgage loans, totaling more than $6.1 trillion in outstanding balances.

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[5] Insufficient time has passed to measure loans originated in the second and third quarter at nine months or to measure loans originated in the third quarter after six months. Data include loans for those quarters only when they have had sufficient time to age the indicated number of months.

[6] The nine banks are Bank of America, JPMorgan Chase, Citibank, First Horizon, HSBC, National City, USBank, Wachovia, and Wells Fargo. Washington Mutual FSB, previously reporting as a separate institution, was acquired by and merged into JPMorgan Chase in September 2008.

[7] The thrifts are Countrywide, IndyMac, Merrill Lynch, and Wachovia FSB.

[8] The holding companies are Bank of America Corp., JPMorgan Chase, Citigroup, First Horizon, HSBC, OneWest (formerly IndyMac), PNC, US Bancorp, and Wells Fargo Corp.

While the loans reflected in this report represent a very large percentage of the overall mortgage industry, they do 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, this report does not attempt to quantify or adjust for known seasonal effects that occur within the mortgage industry.

In addition to providing important information to the public, the data support the supervision of national bank and thrift mortgage practices. For example, the data provide an additional tool to help examiners assess emerging trends, identify anomalies, compare a servicer with peer institutions, evaluate asset quality and loan loss reserve needs, and evaluate loss mitigation actions.

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

The OCC, OTS, and the participating institutions devoted significant resources to validating the data to ensure that the information is reliable, accurate, and consistent with information presented elsewhere. Steps to ensure the validity of the data include 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. This report notes cases in which data anomalies may have affected the results shown. The OCC and OTS require prior data submissions to be adjusted as errors and omissions are detected. In some cases, data presented in this report reflect resubmissions from institutions that restate and correct earlier information.

New in this Report

The agencies work to continually improve the quality of mortgage data reporting and have expanded their data-collection efforts to include information on the affordability and sustainability of loan modifications. Following the report released in December 2008, the agencies expanded the number of loan-level elements collected from mortgage servicers from 68 to 99. Also new in this report is information on the amount payments changed as a result of loan modifications; how loan modifications vary on the basis of payment change; the performance of government guaranteed mortgages (Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) loans); and first payment default. Going forward, the OCC and OTS will continue to work to improve the quality and availability of the mortgage performance data presented in this report.

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.

Definitions and Methods

The report uses standardized definitions for three categories of mortgage creditworthiness based on the following ranges of borrowers' credit scores at the time of origination:

- **Prime**—660 and above.
- **Alt-A**—620 to 659.
- **Subprime**—below 620.

Approximately 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 loan portfolios from third parties where borrower credit scores at the origination of the loans were not available. Additional definitions are as follows:

- **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. More generally, loan delinquencies are reported using the Mortgage Bankers Association (MBA) convention, which is that a loan is past due when a scheduled payment is unpaid for 30 days or more.
- **Home retention actions**—Loan modifications and payment plans. Home retention actions allow borrowers to retain ownership/occupancy of their homes, while attempting to return the loans to a current and performing status.
- **Loan modifications**—Mortgage for which terms of the loan are contractually changed with respect to interest rates or other terms of the loan.
- **Payment plans**—Short- to medium-term changes in scheduled terms and payments to return mortgages to a current and performing status. For purposes of this report, payment plans include loans that are in a trial periods with respect to making revised payments under a proposed loan modifications. The loans are reported as modifications after successful completion of the trial periods.
- **Re-default rates**—The percentage of modified loans that subsequently become delinquent or enter the foreclosure process. As alternative measures of delinquency, this report presents re-defaults rates using 30, 60, and 90 or more days delinquent and in process of foreclosure but focuses most frequently on the 60-day-delinquent measure.[9]
- **Short sales**—Sales of the mortgaged properties at prices that net less than the total amount due on the mortgages. Servicers and borrowers negotiate repayment programs, forbearance, and/or forgiveness for any remaining deficiency on the debt to lessen the adverse impact on borrowers' credit records. A short sale has less adverse impact on borrowers than foreclosure.
- **Deed-in-lieu-of-foreclosure actions**—Borrowers transfer ownership of the properties (deeds) to servicers in full satisfaction of the outstanding mortgage debt to lessen the adverse impact of the debt on borrowers' credit records. A deed-in-lieu-of-foreclosure action typically has less adverse impact on borrowers than foreclosure.
- **Newly initiated foreclosures**—Mortgages for which the servicers initiate formal foreclosure proceedings during the month (*e.g.,* public notice or judicial filing). Many newly initiated foreclosures do not result in the loss of borrowers' homes, because servicers simultaneously pursue other loss mitigation actions and borrowers may act to return their mortgages to current and performing status.
- **Foreclosures in process**—The number of mortgages for which servicers have begun a formal foreclosure proceedings (*e.g.,* public notices or judicial filings) but have not yet completed the process resulting in the loss of borrowers' homes. The foreclosure process varies by state and can take from two to 15 months or more to complete. Many foreclosures in process never result in

[9] Some servicers offer modification programs that do not reset or "re-age" delinquency status following modification. The number of loans in this category represents a small percentage of the total number of loan modifications.

the loss of borrowers' homes, because servicers simultaneously pursue other loss mitigation actions and borrowers may act to return their mortgages to current and performing status.

- **Completed foreclosures**—Ownership of properties is transferred to servicers or investors and mortgage debts are extinguished. Completed foreclosures' ultimate result is the loss of borrowers' homes because of nonpayment.

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

PART I: Mortgage Performance

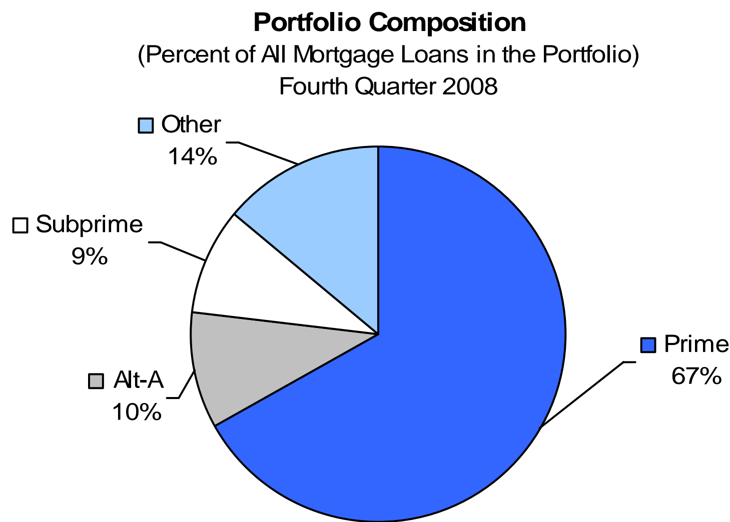
This part of the report describes, in various ways, the credit performance of mortgages in the portfolio, that is, on an overall portfolio basis, of government guaranteed mortgages, by risk category of loan, and by first payment default.

Overall Mortgage Portfolio

The size of the combined national bank and thrift servicing portfolio increased slightly during the fourth quarter, ending the period with nearly 34.7 million loans totaling 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	Fourth Quarter
Total Servicing (Dollars in Millions)	$6,079,356	$6,123,392	$6,116,550	$6,123,770
Total Servicing (Number of Loans)	34,610,694	34,749,007	34,640,765	34,696,618
Composition (Percent of All Mortgage Loans in the Portfolio)*				
Prime	66%	66%	67%	67%
Alt-A	10%	10%	10%	10%
Subprime	9%	9%	9%	9%
Other	15%	14%	14%	14%
Composition (Number of Loans in Each Risk Category of the Portfolio)				
Prime	22,706,884	23,097,175	23,061,521	23,097,770
Alt-A	3,575,785	3,598,311	3,578,284	3,577,000
Subprime	3,109,720	3,097,981	3,066,208	3,036,727
Other	5,218,305	4,955,540	4,934,752	4,985,121

*Percentages may not add to 100 due to rounding



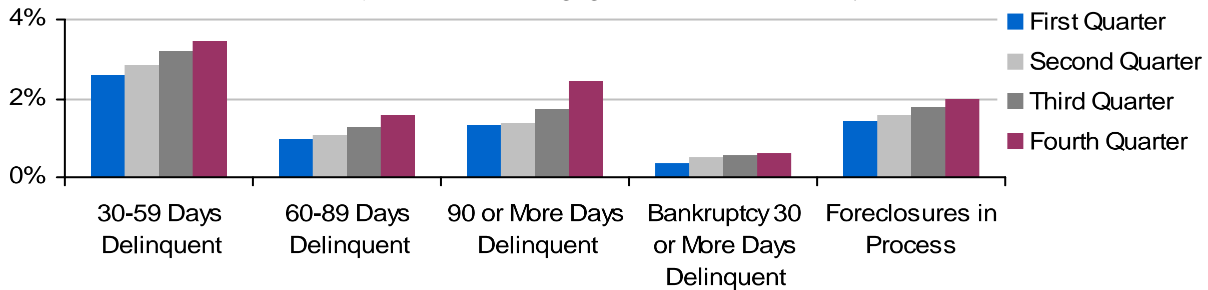
Overall Mortgage Performance

Credit quality declined for the third consecutive quarter across all risk categories. Current and performing mortgages declined to 89.95 percent from 93.33 percent at the end of the first quarter. Seriously delinquent loans, defined as mortgages 60 or more days delinquent and all mortgages owed by bankrupt borrowers that are 30 or more days delinquent, increased to 4.60 percent from 3.54 percent at the end of the third quarter. Loans 90 or more days delinquent increased by 44.5 percent, from 1.70 percent to 2.45 at the end of the fourth quarter due in part to a slowdown in newly initiated foreclosure actions. Foreclosures in process increased for the third consecutive quarter to 2.00 percent.

Total Mortgage Portfolio (Percent of All Mortgage Loans in the Portfolio)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Current and Performing	93.33%	92.61%	91.48%	89.95%
30-59 Days Delinquent	2.59%	2.85%	3.20%	3.44%
The Following Three Categories Are Classified as Seriously Delinquent.				
60-89 Days Delinquent	0.97%	1.06%	1.29%	1.56%
90 or More Days Delinquent	1.34%	1.37%	1.70%	2.45%
Bankruptcy 30 or More Days Delinquent	0.35%	0.51%	0.56%	0.60%
Subtotal for Seriously Delinquent	**2.66%**	**2.94%**	**3.54%**	**4.60%**
Foreclosures in Process	1.41%	1.59%	1.78%	2.00%
Total Mortgage Portfolio (Number of Mortgage Loans in the Portfolio)				
Current and Performing	32,303,802	32,182,548	31,689,516	31,210,743
30-59 Days Delinquent	896,636	990,347	1,108,701	1,194,136
The Following Three Categories Are Classified as Seriously Delinquent.				
60-89 Days Delinquent	335,517	368,527	446,339	540,263
90 or More Days Delinquent	463,369	477,256	588,399	850,343
Bankruptcy 30 or More Days Delinquent	122,053	176,849	192,929	207,077
Subtotal for Seriously Delinquent	**920,939**	**1,022,632**	**1,227,667**	**1,597,683**
Foreclosures in Process	489,317	553,480	614,881	694,056

Performance Overview

(Percent of All Mortgage Loans in the Portfolio)



Performance of Government Guaranteed Mortgages

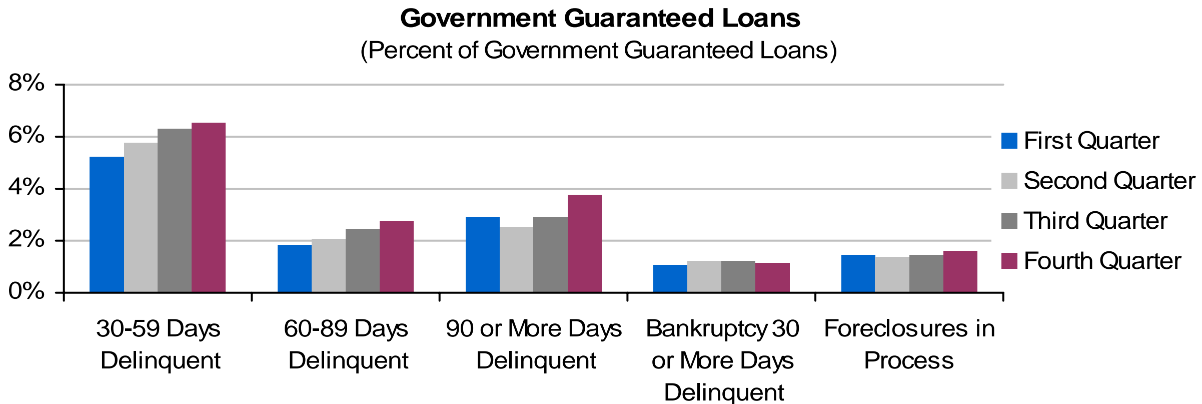
For the first time, this quarter's report provides data on the performance of U.S. government guaranteed or insured mortgages, *i.e.*, FHA and VA loans. Government guaranteed mortgages constituted about 12.09 percent of total mortgages in the portfolio, or approximately 4.2 million loans. Of these loans, 78.11 percent are FHA loans and 21.89 percent are VA loans. In the fourth quarter, 84.10 percent of these loans were current and performing, while 9.37 percent were seriously delinquent or in the process of foreclosure.

Government Guaranteed Loans (Percent of Government Guaranteed Loans)*				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Current and Performing	87.53%	87.04%	85.64%	84.10%
30-59 Days Delinquent	5.26%	5.77%	6.32%	6.54%
The Following Three Categories Are Classified as Seriously Delinquent.				
60-89 Days Delinquent	1.82%	2.04%	2.44%	2.78%
90 or More Days Delinquent	2.92%	2.55%	2.90%	3.78%
Bankruptcy 30 or More Days Delinquent	1.04%	1.23%	1.20%	1.18%
Subtotal for Seriously Delinquent	**5.78%**	**5.82%**	**6.55%**	**7.74%**
Foreclosures in Process	1.43%	1.37%	1.49%	1.63%
Government Guaranteed Loans (Number of Loans in the Portfolio)				
Current and Performing	3,150,672	3,296,406	3,400,219	3,528,546
30-59 Days Delinquent	189,412	218,431	250,829	274,225
The Following Three Categories Are Classified as Seriously Delinquent.				
60-89 Days Delinquent	65,657	77,273	97,028	116,671
90 or More Days Delinquent	105,044	96,478	115,218	158,554
Bankruptcy 30 or More Days Delinquent	37,274	46,736	47,795	49,376
Subtotal for Seriously Delinquent	**207,975**	**220,487**	**260,041**	**324,601**
Foreclosures in Process	51,579	52,050	59,080	68,341

*Percentages may not add to 100 due to rounding

Government Guaranteed Loans

(Percent of Government Guaranteed Loans)

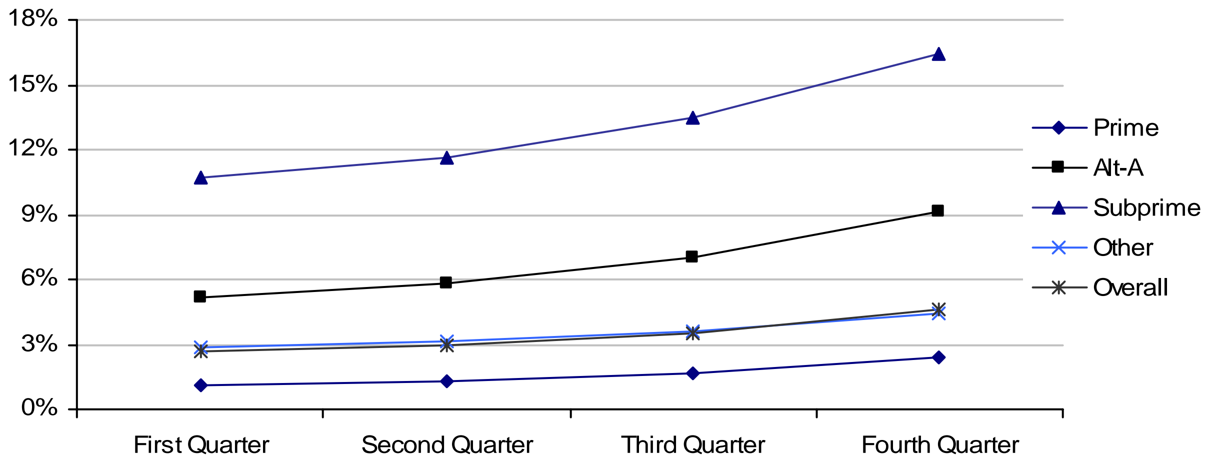


Seriously Delinquent Mortgages, by Risk Category

Seriously delinquent mortgages, defined as mortgages that are 60 or more days delinquent plus loans to bankrupt borrowers who are 30 or more days delinquent, increased to 4.60 percent of the total portfolio in the fourth quarter from 3.54 percent in the third quarter.

Seriously delinquent mortgages increased across all loan categories during the fourth quarter, continuing the trend reported in prior quarters. Serious delinquencies were highest for subprime loans at 16.40 percent and lowest for prime loans at 2.40 percent, reflecting the higher overall risk profile of subprime loans. Prime loans experienced a significant increase in serious delinquencies, increasing from 1.67 percent in the third quarter to 2.40 percent in the fourth quarter—an increase of nearly 44 percent.

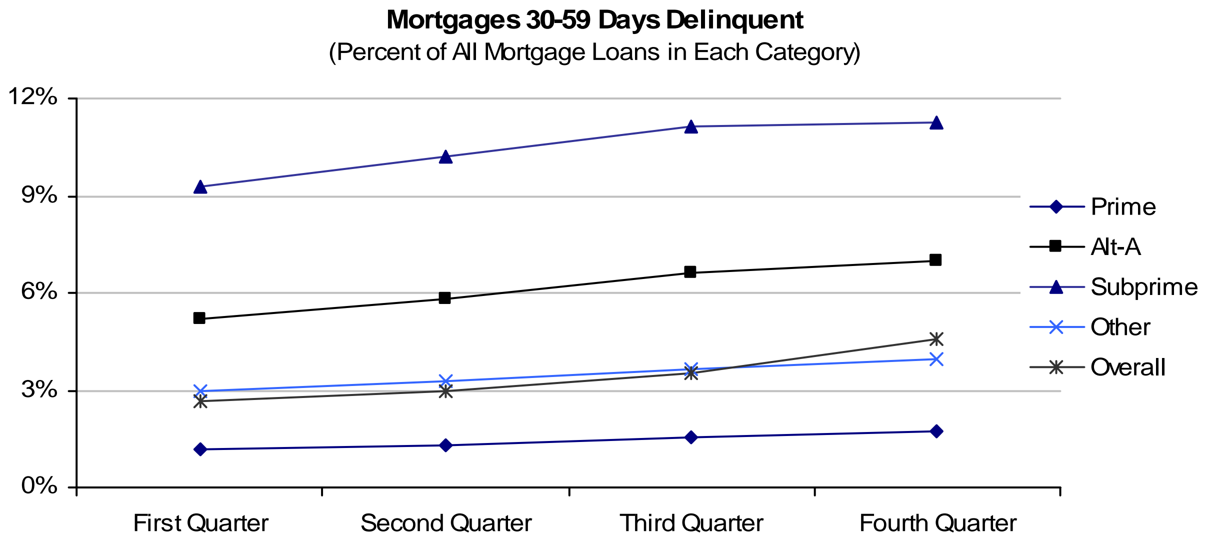
Seriously Delinquent (Percent of All Mortgage Loans in Each Category)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Prime	1.11%	1.30%	1.67%	2.40%
Alt-A	5.18%	5.80%	7.05%	9.10%
Subprime	10.75%	11.60%	13.52%	16.40%
Other	2.88%	3.10%	3.57%	4.42%
Overall	2.66%	2.94%	3.54%	4.60%
Seriously Delinquent (Number of Loans in the Portfolio)				
Prime	251,091	301,069	384,781	553,736
Alt-A	185,050	208,770	252,319	325,462
Subprime	334,251	359,314	414,498	498,154
Other	150,547	153,479	176,069	220,331
Total	920,939	1,022,632	1,227,667	1,597,683



Mortgages 30-59 Days Delinquent, by Risk Category

Mortgages in the early stages of delinquency (30-59 days delinquent) also deteriorated across all risk categories for three consecutive quarters. Most notably, prime mortgages, which make up 67 percent of the mortgages included in this report, experienced the largest increase (in percentage terms) in mortgages that were 30-59 days delinquent, increasing by more than 48 percent from the first quarter to the fourth quarter of 2008.

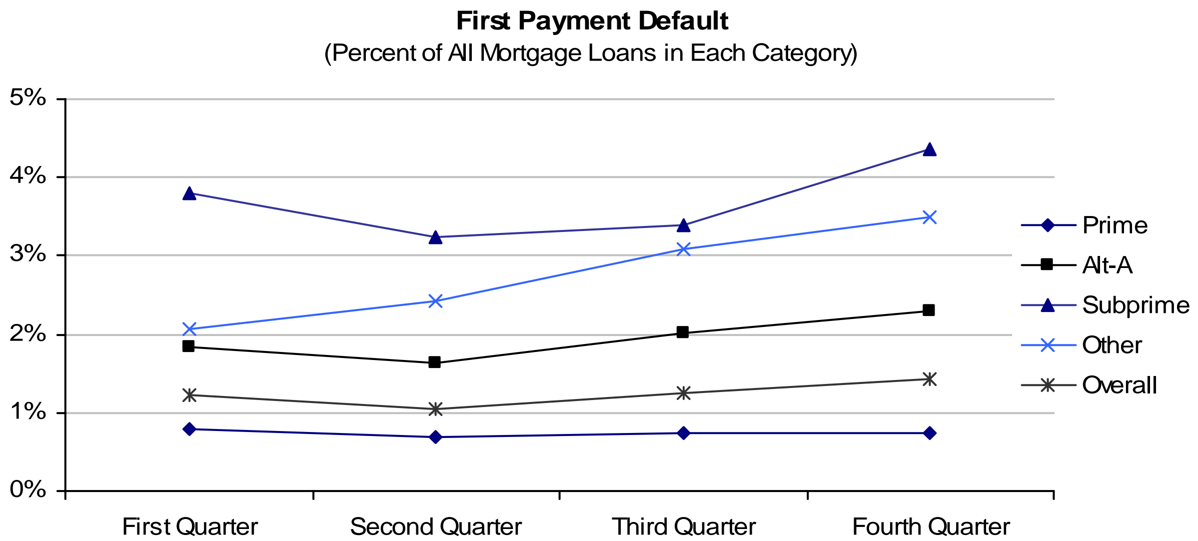
Mortgages 30-59 Days Delinquent (Percent of All Mortgage Loans in Each Category)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Prime	1.18%	1.30%	1.52%	1.75%
Alt-A	5.20%	5.82%	6.59%	7.02%
Subprime	9.29%	10.22%	11.14%	11.24%
Other	2.97%	3.29%	3.67%	3.96%
Overall	2.59%	2.85%	3.20%	3.44%
Mortgages 30-59 Days Delinquent (Number of Loans in the Portfolio)				
Prime	266,894	301,306	350,284	404,113
Alt-A	185,820	209,577	235,808	251,142
Subprime	289,026	316,528	341,437	341,233
Other	154,896	162,936	181,172	197,648
Total	896,636	990,347	1,108,701	1,194,136



First Payment Default, by Risk Category

New in this report are data on first payment defaults, in which borrowers fail to make the very first payment on new loans—an important early indicator of loan performance and potential fraud. The percentage of first payment defaults increased significantly over the year in all risk categories of loans other than prime loans.

First Payment Default (Percent of All Mortgage Loans in Each Category)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Prime	0.79%	0.68%	0.73%	0.74%
Alt-A	1.84%	1.62%	2.02%	2.30%
Subprime	3.80%	3.24%	3.39%	4.37%
Other	2.06%	2.43%	3.09%	3.49%
Overall	1.23%	1.05%	1.24%	1.44%



PART II: Home Retention Actions

Home retention actions are taken by servicers with the intent of keeping borrowers in their homes. Home retention actions include loan modifications, where servicers modify one or more mortgage terms (*e.g.*, interest rates), and payment plans, where no terms are modified but borrowers are given time to catch up on missed payments.

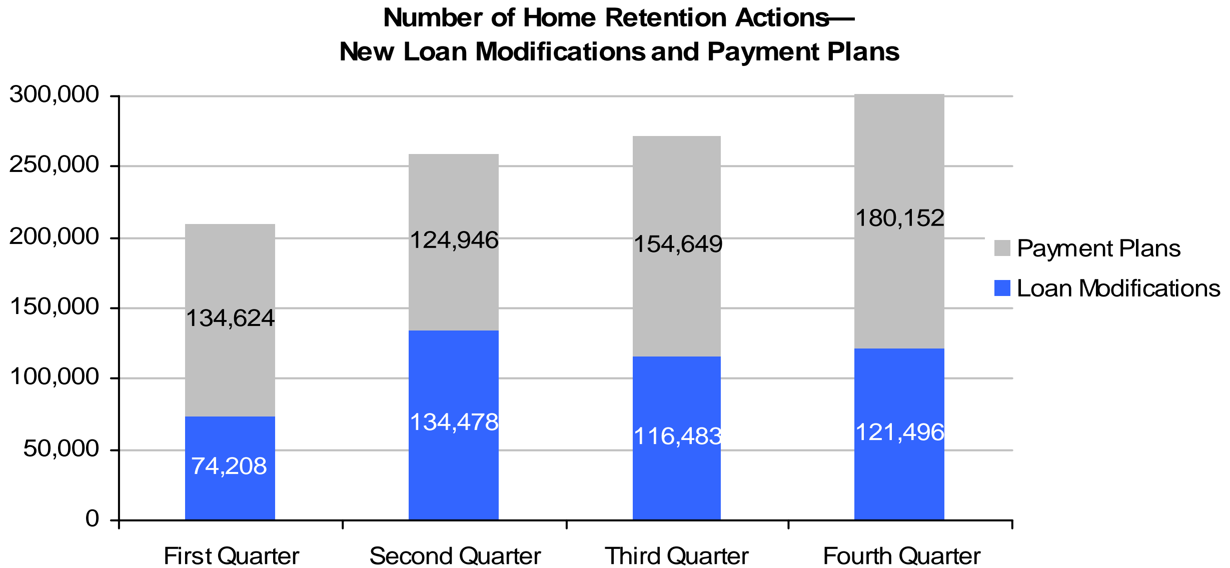
A. Loan Modifications and Payment Plans

Newly Initiated Home Retention Actions

Newly initiated home retention actions totaled 301,648 during the fourth quarter, an increase of more than 11 percent from the third quarter and an increase of more than 16 percent from the second quarter. Loan modifications accounted for 40 percent of all newly initiated home retention actions during the fourth quarter, compared with 43 percent during the third quarter and 52 percent during the second quarter.

This declining percentage of loan modifications relative to payment plans may have resulted from the fact that, prior to contractually implementing new loan modifications, borrowers are often required to successfully complete trial periods to demonstrate the ability to make payments under the new terms. These "trial" modifications became more prevalent in the fourth quarter and are reported as payment plans until the successful completion of the trial periods.

Number of Home Retention Actions—New Loan Modifications and Payment Plans				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Loan Modifications	74,208	134,478	116,483	121,496
Payment Plans	134,624	124,946	154,649	180,152
Total	208,832	259,424	271,132	301,648

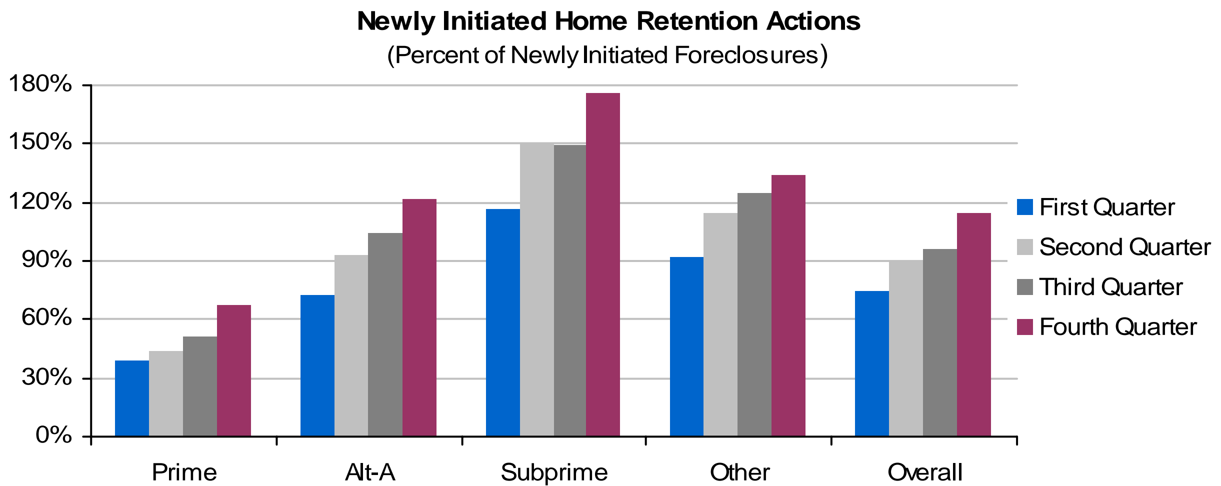


Newly Initiated Home Retention Actions Relative to Newly Initiated Foreclosures

The following data show newly initiated home retention actions as a percentage of newly initiated foreclosures during the quarter. For any given risk 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. The *percentage* of newly initiated home retention actions relative to newly initiated foreclosures increased for all risk categories from the third to the fourth quarter.

Newly Initiated Home Retention Actions (Percent of Newly Initiated Foreclosures)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Prime	39.13%	44.21%	51.36%	67.40%
Alt-A	72.44%	92.72%	103.83%	122.04%
Subprime	116.43%	150.75%	149.04%	176.17%
Other	91.98%	114.27%	124.55%	133.60%
Overall	74.54%	89.86%	96.39%	114.74%

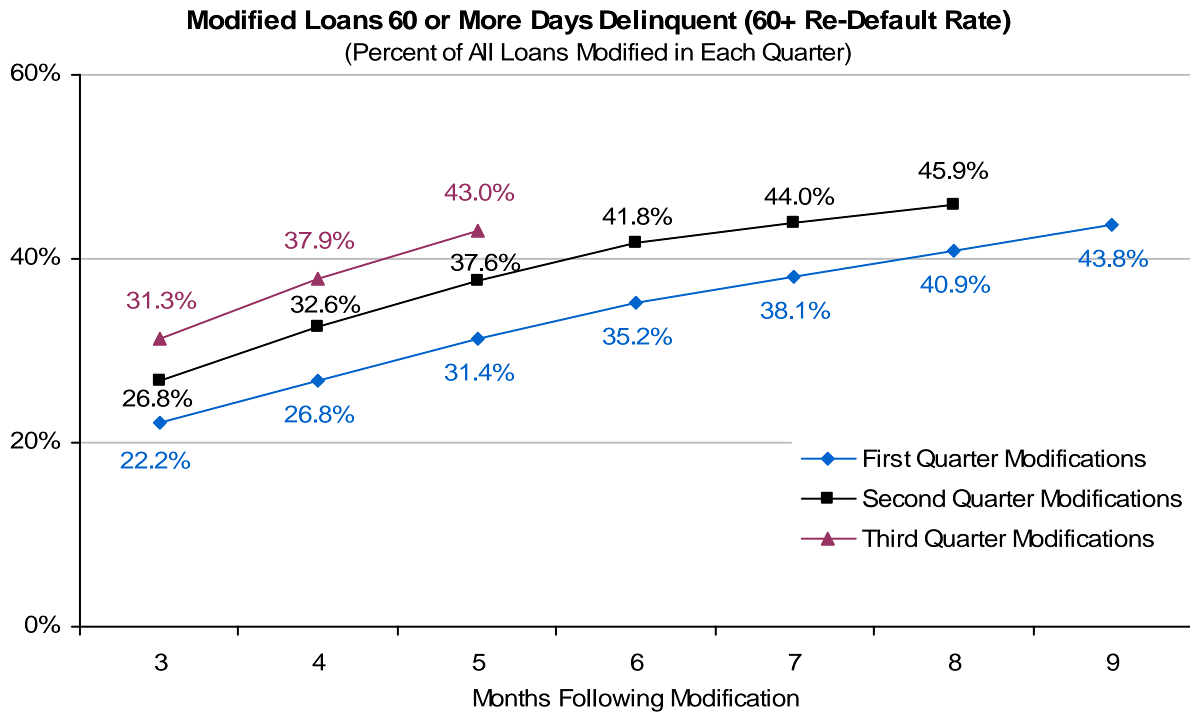


B. Re-Default Rates of Modified Loans—in Aggregate

Re-Default Rates of Modified Loans: 60 or More Days Delinquent

Consistent with last quarter's report, re-default rates on modified loans—measured here as 60 or more days delinquent or in the process of foreclosure—were high and rising for loans modified in each of the first three quarters of 2008. In addition, the re-default rate increased for loans modified in each successive quarter, with loans modified in the third quarter having the highest re-default rates.[10]

Modified Loans 60 or More Days Delinquent (60+ Re-Default Rate)			
Modification Date	Three Months after Modification	Six Months after Modification	Nine Months after Modification
First Quarter	22.2%	35.2%	43.8%
Second Quarter	26.8%	41.8%	X
Third Quarter	31.3%	X	X

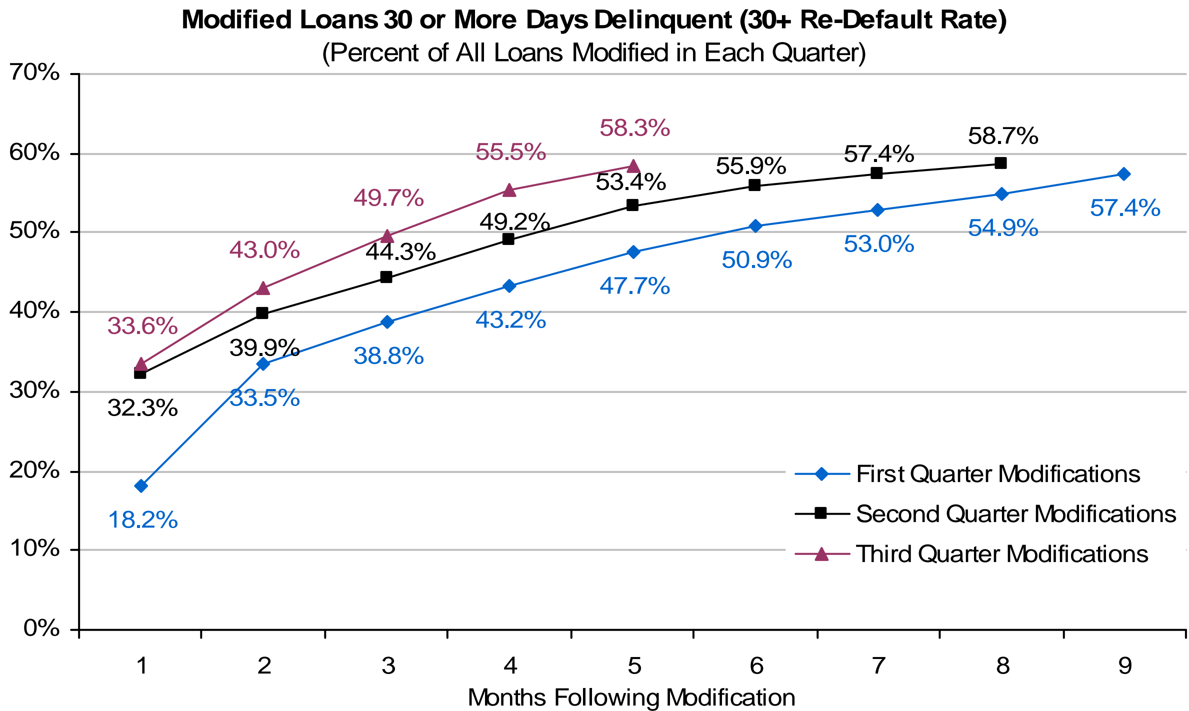


[10] Insufficient time has passed to measure loans originated in the second and third quarter at nine months or to measure loans originated in the third quarter after six months. Data include loans for those quarters only when they have had sufficient time to age the indicated number of months.

Re-Default Rates of Modified Loans: 30 or More Days Delinquent

The re-default measure of 30 or more days delinquent or in the process of foreclosure is a useful tool for identifying loans early that may need additional attention to prevent more serious delinquency or foreclosure. Not surprisingly, the re-default rates using this measure are higher than those resulting from the 60-or-more-days-delinquent measure. But the trend lines are similar, and the results are consistent—high rates of re-default (approaching 60 percent) and worsening for loans modified in each successive quarter.[11]

Modified Loans 30 or More Days Delinquent (30+ Re-Default Rate)			
Modification Date	Three Months after Modification	Six Months after Modification	Nine Months after Modification
First Quarter	38.8%	50.9%	57.4%
Second Quarter	44.3%	55.9%	X
Third Quarter	49.7%	X	X

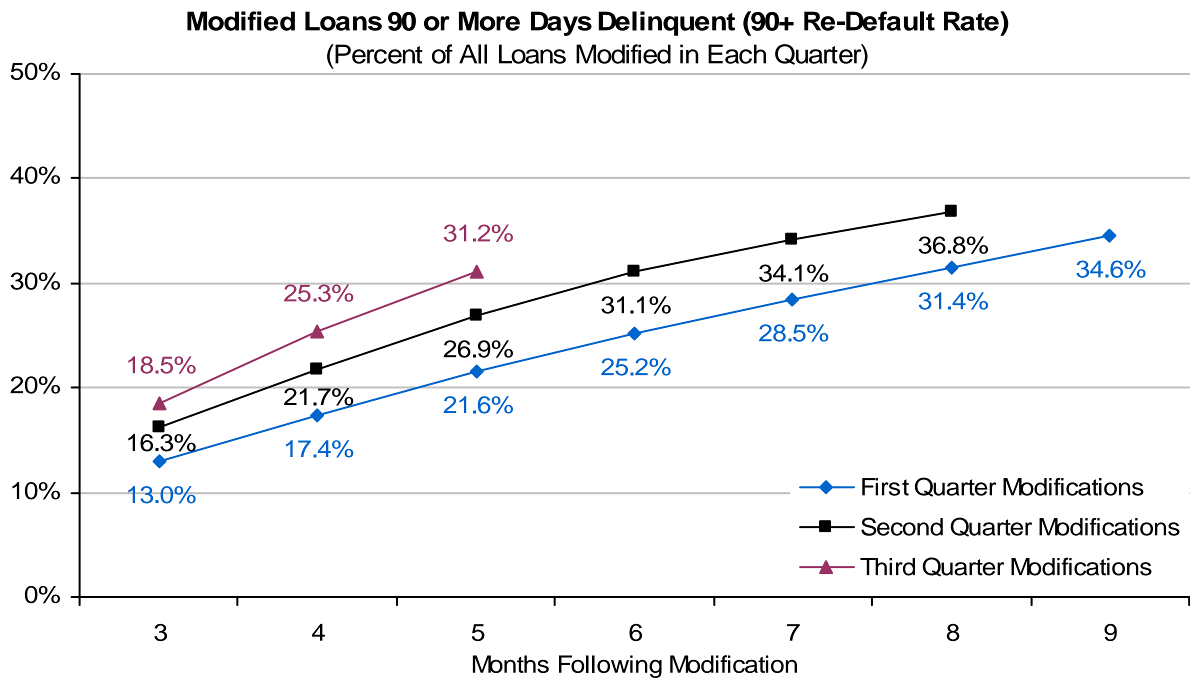


[11] Because modifications occur throughout the quarter, the last two months reflected in the graph only include those modifications that have aged the indicated number of months. For example, for loans modified in the third quarter, only loan modifications implemented in July are included at five months following modification, and only modifications implemented in July and August are included at four months following modification. This note applies to the re-default graphs showing 60+ and 90+ re-default rates as well.

Re-Default Rates of Modified Loans: 90 or More Days Delinquent

Using the re-default measure of 90 or more days delinquent or in the process of foreclosure, the rates of re-default are lower, as would be expected. Nevertheless, the trend line is similar to that of other re-default measures in that re-defaults increase over time, with rates worsening for loans modified in each successive quarter.

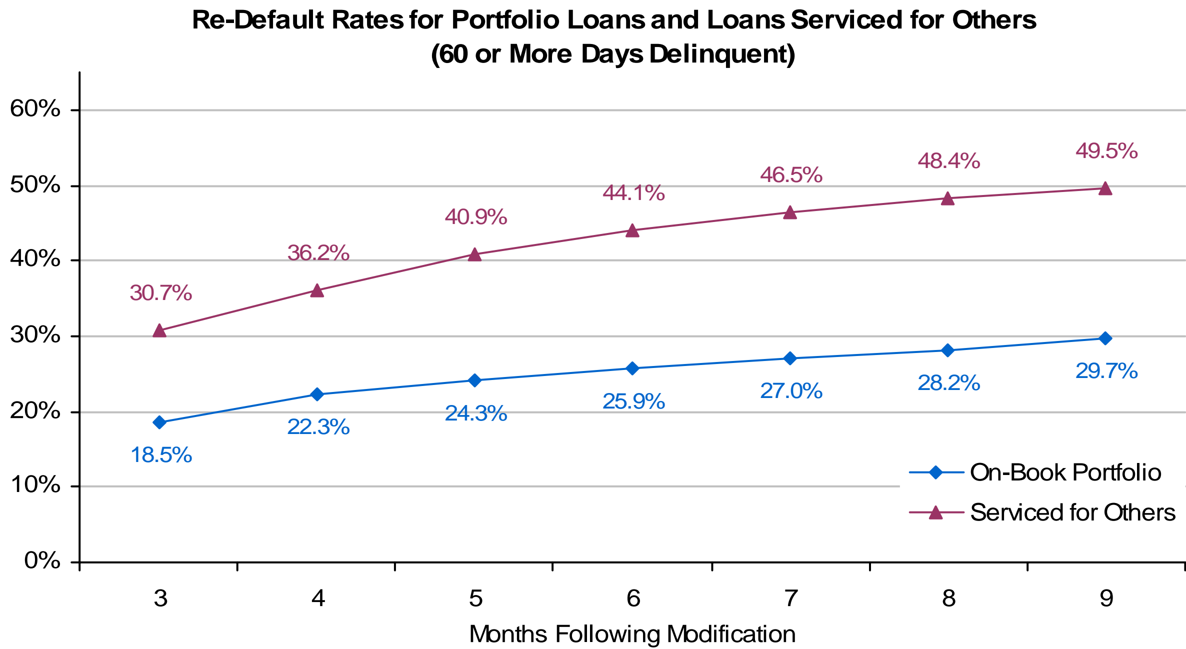
Modified Loans 90 or More Days Delinquent (90+ Re-Default Rate)			
Modification Date	Three Months after Modification	Six Months after Modification	Nine Months after Modification
First Quarter	13.0%	25.2%	34.6%
Second Quarter	16.3%	31.1%	X
Third Quarter	18.5%	X	X



Re-Default Rates: Portfolio Loans vs. Loans Serviced for Others (60 or More Days Delinquent)

Also consistent with last quarter's report, the re-default rate for loans serviced for third parties (91 percent of all serviced loans) was significantly higher than the re-default rate for loans held in the servicers' own portfolios (9 percent of all serviced loans).[12] This large difference (for example, 70 percent higher after six months) is consistent with the fact that servicers have generally greater flexibility to modify loans held on their own books, especially before default has occurred, than they have with respect to loans serviced for others, which are often subject to more rigid contractual limitations on modification.

Re-Default Rates for Portfolio Loans and Loans Serviced for Others (60 or More Days Delinquent)			
	Three Months after Modification	Six Months after Modification	Nine Months after Modification
On-Book Portfolio	18.5%	25.9%	29.7%
Serviced for Others	30.7%	44.1%	49.5%



[12] Of the loans serviced for others, 4.49 percent were held by Freddie Mac (FHLMC), 10.55 percent were held by Fannie Mae (FNMA), 0.16 percent were held by Ginnie Mae (GNMA), and 84.80 percent were held by private investors.

C. Re-Default Rates of Modified Loans—by Changes in Monthly Payments

As noted in last quarter's report, the reasons for high re-default rates are not clear. They could result from such factors as a significantly worsening economy with more borrowers losing jobs, excessive borrower leverage, issues affecting consumer willingness to pay, or poor initial underwriting. None of these factors can be easily captured in the type of data gathered by this report.

But another potential factor can be assessed more easily through data collection: the extent to which changes in monthly payments affect re-default rates. Loan modifications can reduce monthly payments, leave monthly payments unchanged, or increase monthly payments, depending on the circumstances.

Loan modifications may result in an increase in monthly payments where borrowers and servicers agree to add past due principal and interest, advances for taxes or insurance, and other fees to the balance of the loans and re-amortize the new balances over the remaining life of the loans. The interest rate on the loans may or may not be changed in these situations. Modifications may also result in an increased monthly payment for adjustable rate mortgages about to reset where the interest rate is increased but not by as much as contractually required. Servicers' modification activities also are dictated by private label and government agency servicing agreements which, in some cases, define the type and the amount of modification(s) that could be executed, and exclude modifications that reduce monthly payments. Servicers report, however, that recent changes in some government and private label servicing standards give them more flexibility to structure loan modifications that reduce monthly payments.

Servicers also modify some loans that leave principal and interest payments unchanged. One example is in cases where servicers "freeze" the current interest rate and payment instead of allowing the rate and payment to increase to the level that would otherwise be required under the contractual loan terms.

Modifications that result in a decrease in payments occur when banks elect to lower interest rates, extend the amortization period, or forgive or forbear principal.

Reduced payments make loan modifications more affordable, and it stands to reason that more affordable payments would be more sustainable and lead to lower re-default rates, whereas increased payments would lead to higher re-default rates. Data were collected for the first time in this quarter to determine whether loan modifications are more effective when loan payments are reduced. Modifications were grouped in four categories to reflect changes in monthly principal and interest payments, that is, modifications that (1) reduced monthly payments by more than 10 percent; (2) reduced monthly payments by 10 percent or less; (3) left monthly payments unchanged; and (4) increased monthly payments. Re-default rates were then calculated for each category.

To understand the data summarized below, two additional points are worth noting. First, while it may seem counterintuitive that a loan modification would increase monthly principal and interest payments—which seem to be at cross-purposes with the goal of producing a sustainable modification—there can be appropriate reasons for a servicer to take such an approach. For loans serviced for others, servicers are often contractually required to take those actions that maximize the value of the mortgage to the holder of the mortgage (the investor). Under normal economic conditions, servicers often modify delinquent mortgages—especially as a first step—by capitalizing missed payments, interest, advances for taxes or insurance, and fees, and then re-amortizing that amount over the remainder of a mortgage term. This practice may be appropriate in cases where borrowers experience temporary cash flow or liquidity problems but have prospects to repay debt over time. Under more positive economic conditions, this practice was generally accepted by investors, servicers, and lenders as an effective loss mitigation strategy. However, in periods of economic stress, the same strategy of increasing monthly payment can carry additional risk and should be administered on a case-by-case basis where borrowers' income is verified and servicers can have confidence that the modification is likely to be sustainable.

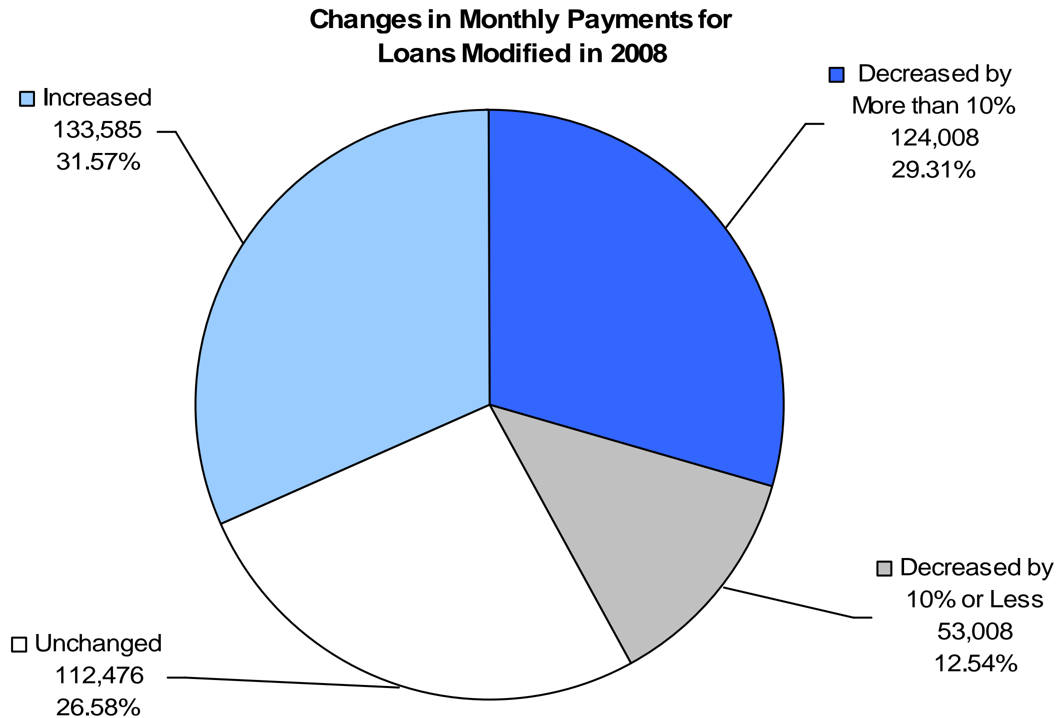
Also servicers' modification activities often are dictated by private label and government servicing agreements which, in some cases, define the type and the amount of modification(s) that could be executed. In this regard, a common type of loan modification that is allowed by these pooling and servicing agreements is the capitalization of missed principal and interest payments, fees, advances for taxes and insurance. Moreover, pooling and servicing agreements tended to target severely delinquent borrowers for modification rather than allowing servicers to work with borrowers who are either current or facing imminent default. Servicers report that recent changes in some government and private label servicing standards give them more flexibility to structure loan modifications that reduce monthly payments.

Second, the data summarized in this section of the report consistently show that re-default rates are higher for modifications that leave monthly payments unchanged than for modifications that increased monthly payments. The reasons for this apparent anomaly are unclear. According to servicers, one explanation for why loan modifications that result in unchanged payments would produce higher re-default rates is that modifications where the payments are unchanged generally do not involve a full assessment of the borrowers' capacity to continue their payments. Many of these modifications result from servicers freezing the interest rate on adjustable rate mortgages where borrowers face the risk of imminent default prior to the loans resetting to higher payments.

Changes to Monthly Payments Due to Modification—Full Year 2008

As the chart below shows, for all of 2008, 41.85 percent of all modifications reduced monthly principal and interest payments; 26.58 percent left payments unchanged; and 31.57 percent increased monthly payments.[13]

Changes in Monthly Payments for Loans Modified in 2008		
	Percent of All Modifications	Number of Modifications in Each Category
Decreased by More than 10%	29.31%	124,008
Decreased by 10% or Less	12.54%	53,083
Unchanged	26.58%	112,476
Increased	31.57%	133,585
Total	100.00%	423,152

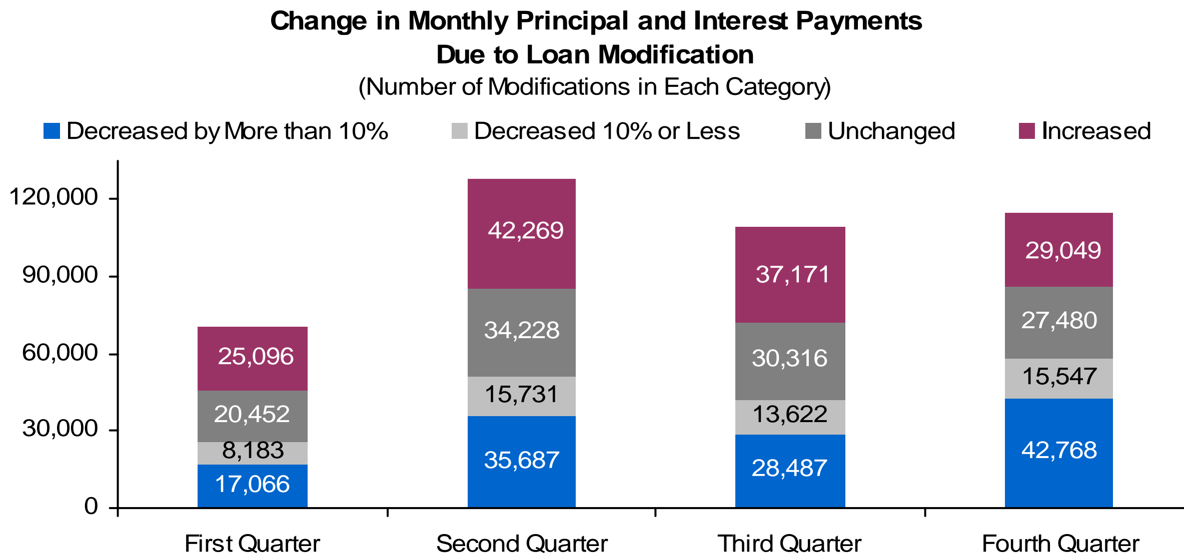


[13] Some servicers were unable to report the change in monthly payment for all modifications due to system limitations and processing lag times. Payment change information was not reported on 3,412 modifications in the first quarter, 6,563 in the second quarter, 6,888 in the third quarter, and 6,652 in the fourth quarter.

Changes to Monthly Payments Due to Modifications—by Quarters in 2008

In the fourth quarter, there was a significant shift toward modifications resulting in payment reductions, as shown below. Unlike in previous quarters, such payment-reducing modifications constituted more than 50 percent of all modifications. Similarly, modifications that reduced monthly payments by more than 10 percent increased more than 11 percentage points, rising to 37.2 percent of all fourth quarter modifications.

Change in Monthly Principal and Interest Payments Due to Loan Modification								
	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Decreased by More than 10%	17,066	24.1%	35,687	27.9%	28,487	26.0%	42,768	37.2%
Decreased 10% or Less	8,183	11.6%	15,731	12.3%	13,622	12.4%	15,547	13.5%
Unchanged	20,452	28.9%	34,228	26.8%	30,316	27.7%	27,480	23.9%
Increased	25,096	35.4%	42,269	33.0%	37,171	33.9%	29,049	25.3%
Total	70,797	100.0%	127,915	100.0%	109,596	100.0%	114,844	100.0%



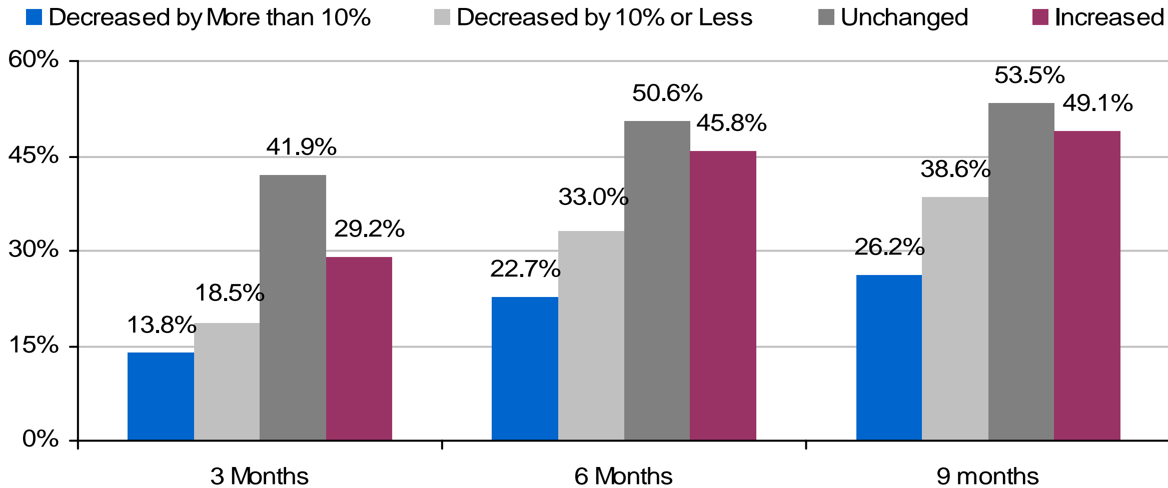
Modified Loans 60 or More Days Delinquent, by Changes to Monthly Payments: Re-Default Rates at Three, Six, and Nine Months after Modification

As shown in the chart below, modifications that decreased monthly payments had consistently lower re-default rates, with significant payment reductions resulting in significantly lower re-default rates. When loan modifications decreased monthly payments by more than 10 percent, only 22.7 percent of those loans were seriously delinquent six months after modification. In contrast, when modifications left payments unchanged, 50.6 percent of such loans were seriously delinquent after six months, and for modifications that increased payments, the comparable rate was 45.8 percent.

Re-Default Rates of Modified Loans, by Changes in Payment (60 or More Days Delinquent) (Includes Loans Modified through the End of the Third Quarter)[14]			
	Three Months after Modification	Six Months after Modification	Nine Months after Modification
Decreased by More than 10%	13.8%	22.7%	26.2%
Decreased by 10% or Less	18.5%	33.0%	38.6%
Unchanged	41.9%	50.6%	53.5%
Increased	29.2%	45.8%	49.1%

Re-Default Rates of Modified Loans, by Changes in Payment (60 or More Days Delinquent)

(Includes Loans Modified through the End of the Third Quarter)



[14] Insufficient time has passed to measure loans originated in the second and third quarter at nine months or to measure loans originated in the third quarter after six months. Data include loans for those quarters only when they have had sufficient time to age the indicated number of months.

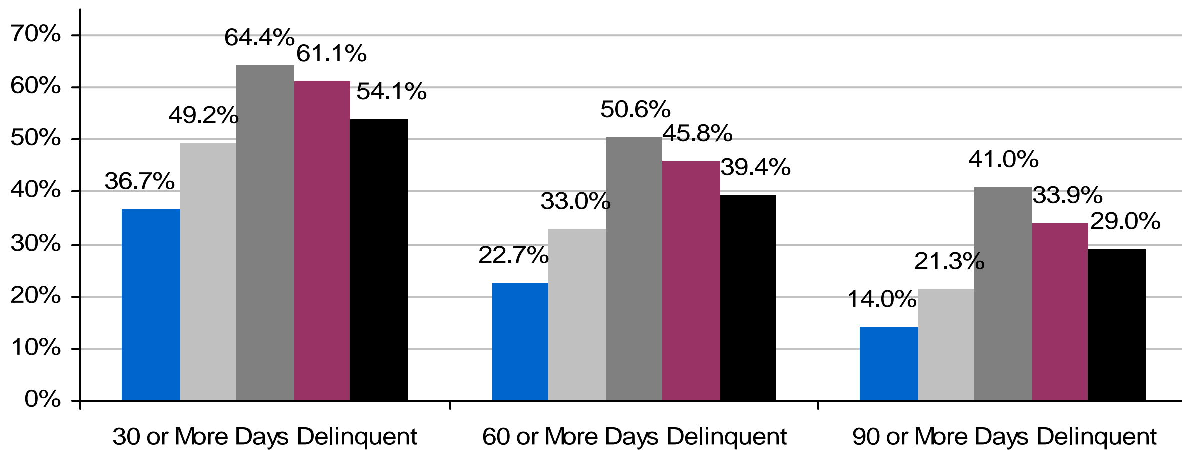
Modified Loans Delinquent after Six Months, by Changes to Monthly Payments: Re-Default Rates Using Varying Definitions

Using varying measures of re-default—30 or more days, 60 or more days, and 90 or more days delinquent or in the process of foreclosure—the data also show that the modifications that reduced payments the most had significantly lower levels of delinquency.

Varying Measures of Delinquency at Six Months after Modification
(Includes Loans Modified through the End of the Second Quarter)

	Decreased by More than 10%	Decreased by 10% or Less	Unchanged	Increased	Overall
30 or More Days Delinquent	36.7%	49.2%	64.4%	61.1%	54.1%
60 or more Days Delinquent	22.7%	33.0%	50.6%	45.8%	39.4%
90 or More Days Delinquent	14.0%	21.3%	41.0%	33.9%	29.0%

Varying Measures of Delinquency at Six Months after Modification
(Includes Loans Modified through the End of the Second Quarter)



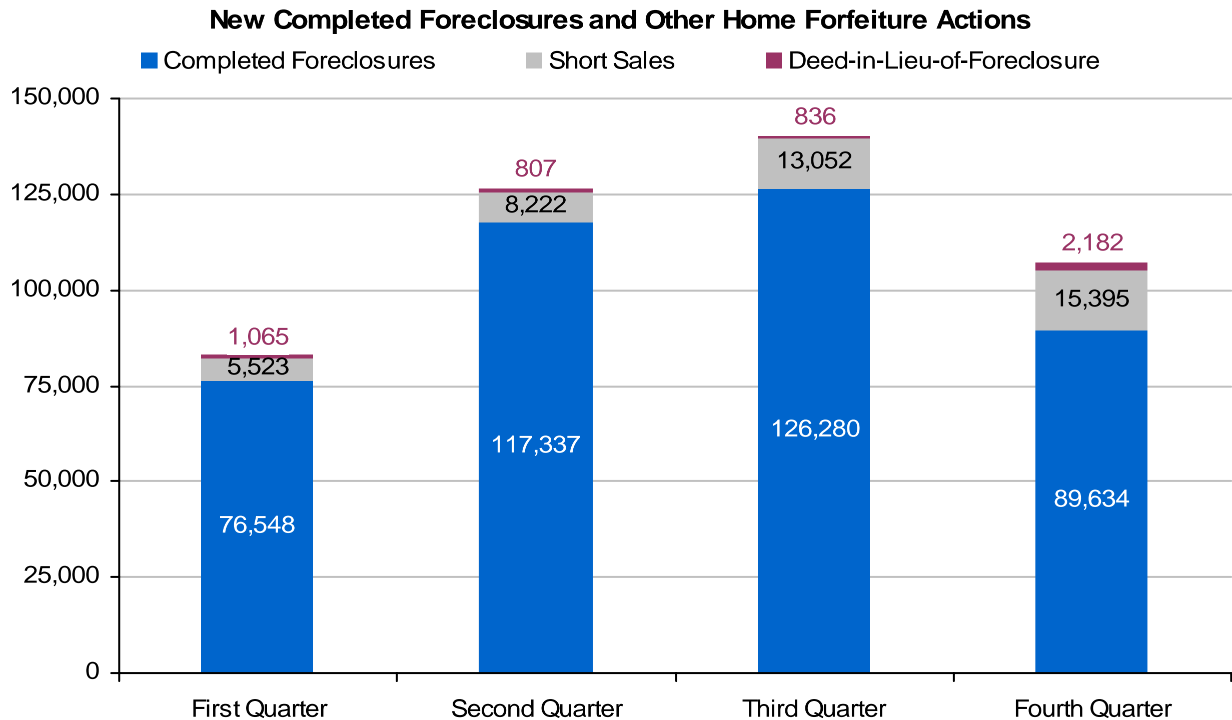
Part III: Home Forfeiture Actions: Foreclosures, Short Sales, and Deed-in-Lieu-of-Foreclosure Actions

Completed Foreclosures and Other Home Forfeiture Actions

Completed foreclosures and other home forfeiture actions—short sales and deed-in-lieu-of-foreclosure actions—require borrowers to give up their homes. While homes are forfeited, both short sales and deed-in-lieu-of-foreclosure generally have less adverse impact on borrowers and their credit reports than foreclosure.

Completed foreclosures of 89,634 during the fourth quarter were 29 percent lower than the third quarter. While short sales and deed-in-lieu-of-foreclosure actions increased from 13,888 in the third quarter to 17,577 in the fourth quarter, total home forfeiture actions declined by 23.5 percent to 107,211 from the third to the fourth quarter. The number of home retention actions—loan modifications and payment plans—initiated during the fourth quarter was more than 2.8 times the number of completed foreclosures and other home forfeiture actions during the fourth quarter.

Completed Foreclosures and Other Home Forfeiture Actions				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
New Short Sales	5,523	8,222	13,052	15,395
New Deed-in-Lieu-of-Foreclosure Actions	1,065	807	836	2,182
Completed Foreclosures	76,548	117,337	126,280	89,634
Total	83,136	126,366	140,168	107,211
Newly Initiated Home Retention Actions Relative to Completed Foreclosures and Other Home Forfeiture Actions	251.19%	205.30%	193.43%	281.36%

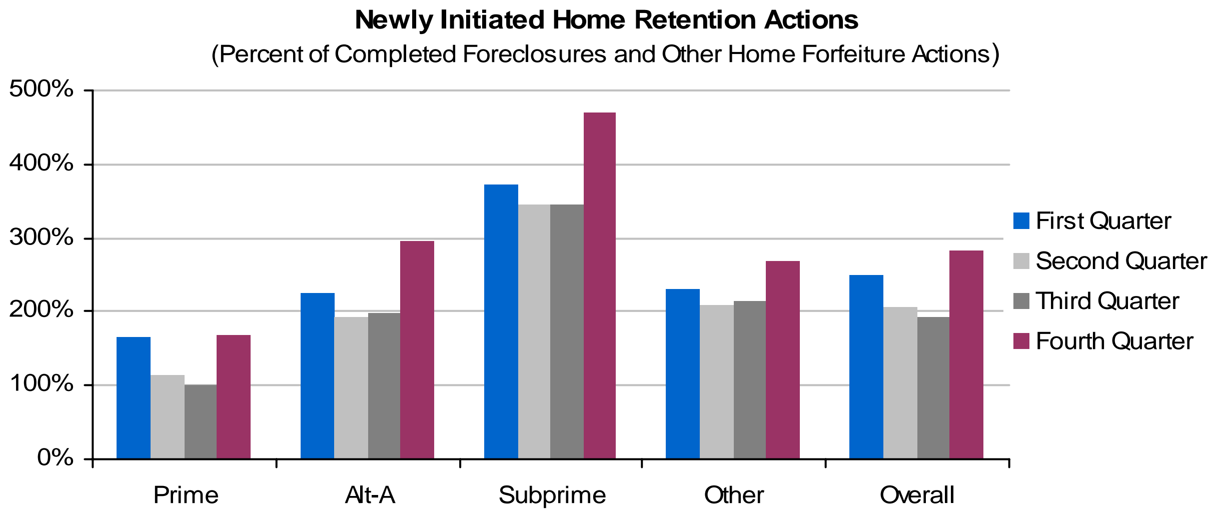


Home Retention Actions Relative to Forfeiture Actions by Risk Category

During the fourth quarter, newly initiated home retention actions—loan modifications and payment plans—increased for all risk categories, while the number of completed foreclosures and other home forfeiture actions—short sales and deed-in-lieu-of-foreclosure actions—decreased for all risk categories.

Newly initiated home retention actions were more than 2.8 times the number of completed foreclosures and other home forfeiture actions during the fourth quarter. For subprime loans, newly initiated home retention actions were more than 4.7 times the number of completed foreclosures and other home forfeiture actions. All risk categories reflected a significantly greater number of new home retention actions relative to home forfeiture actions during the fourth quarter.

Newly Initiated Home Retention Actions (Percent of Completed Foreclosures and Other Home Forfeiture Actions)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Prime	164.42%	113.25%	101.29%	167.93%
Alt-A	226.88%	194.19%	198.32%	297.19%
Subprime	373.18%	345.34%	344.15%	470.54%
Other	230.62%	210.08%	215.23%	268.20%
Overall	251.19%	205.30%	193.43%	281.36%

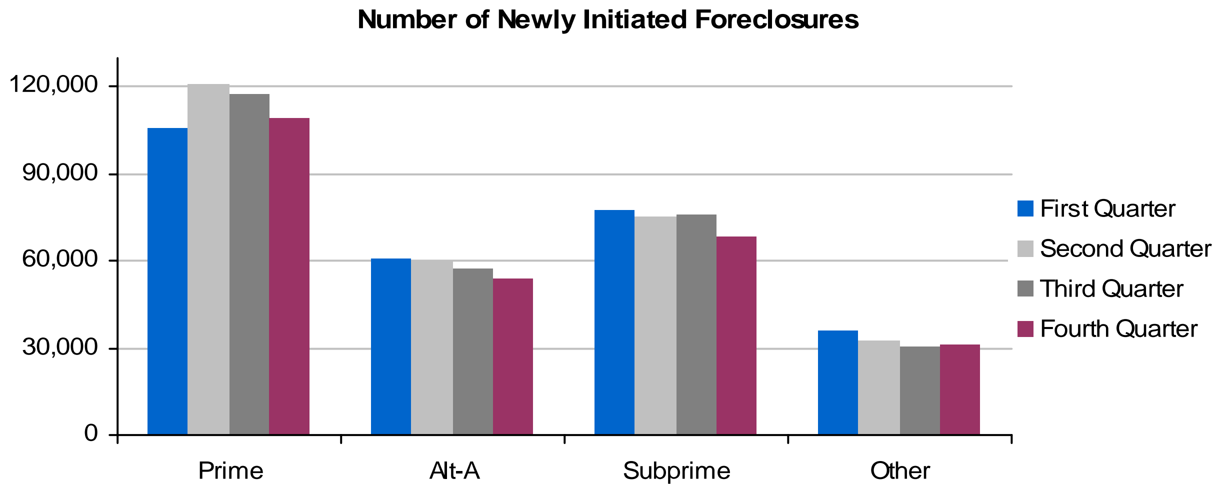


Newly Initiated Foreclosures

The number of newly initiated foreclosures declined for the second consecutive quarter, falling 6.5 percent from the third quarter to 262,906. Newly initiated foreclosures decreased for every risk category except "other," which increased by 744, or 2.4 percent, from the third to the fourth quarter.

Newly initiated foreclosures were concentrated disproportionately in subprime loans, which experienced 26 percent of all newly initiated foreclosures in the quarter, despite representing only 9 percent of all loans.[15]

Number of Newly Initiated Foreclosures				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Prime	105,698	121,058	117,285	109,379
Alt-A	61,187	60,427	57,648	53,957
Subprime	77,539	75,030	75,786	68,247
Other	35,737	32,174	30,579	31,323
Total	280,161	288,689	281,298	262,906



[15] The drop in completed and newly initiated foreclosures may reflect national emphasis on preventing foreclosure, as well as state moratoria laws and voluntary suspension of foreclosure proceedings by servicers in anticipation of a federal program governing loan modifications.

Appendices

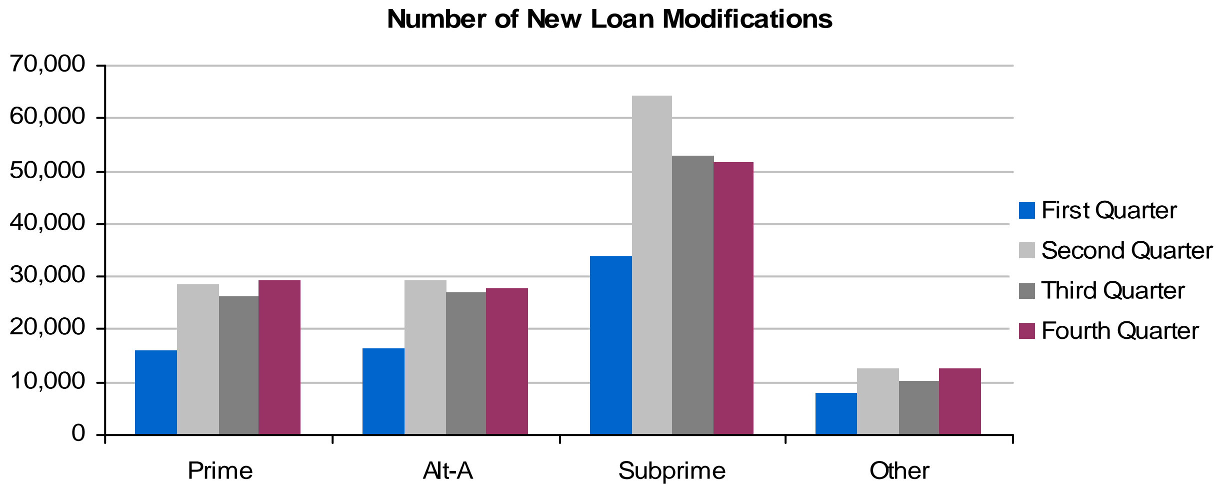
Appendix A—New Loan Modifications

New loan modifications increased by more than 4.3 percent from the third to the fourth quarter. New loan modifications were 40 percent of total home retention actions in the fourth quarter compared with 43 percent in the third quarter.

Subprime loans had the highest volume of new loan modifications during the fourth quarter at 51,773, or 43 percent of all new modifications, while constituting 9 percent of the total servicing portfolio.

Prime loans had 29,147 new loan modifications, or 24 percent of all new loan modifications during the fourth quarter, while constituting 67 percent of the total servicing portfolio.

Number of New Loan Modifications				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Prime	15,985	28,488	26,180	29,147
Alt-A	16,204	29,203	27,059	27,867
Subprime	33,967	64,191	52,904	51,773
Other	8,052	12,596	10,340	12,709
Total	74,208	134,478	116,483	121,496



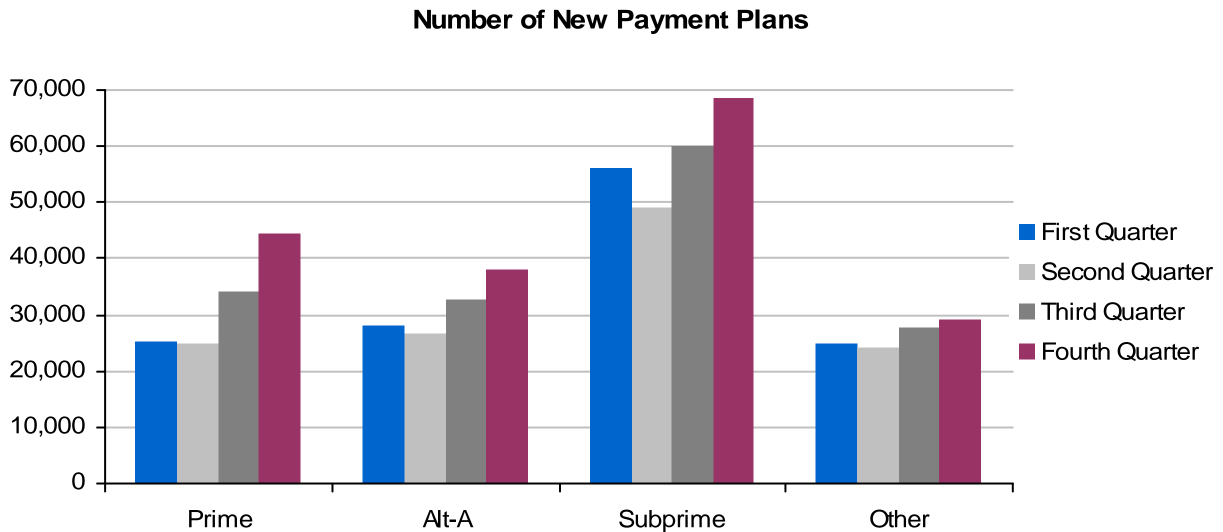
Appendix B—New Payment Plans

New payment plans totaled 180,152 during the fourth quarter, a 16 percent increase from the third quarter. New payment plans constituted nearly 60 percent of all home retention actions in the fourth quarter and remain a predominant home retention action.

Subprime loans constituted 38 percent of all new payment plans in the fourth quarter, despite constituting only 9 percent of all loans in the servicing portfolio.

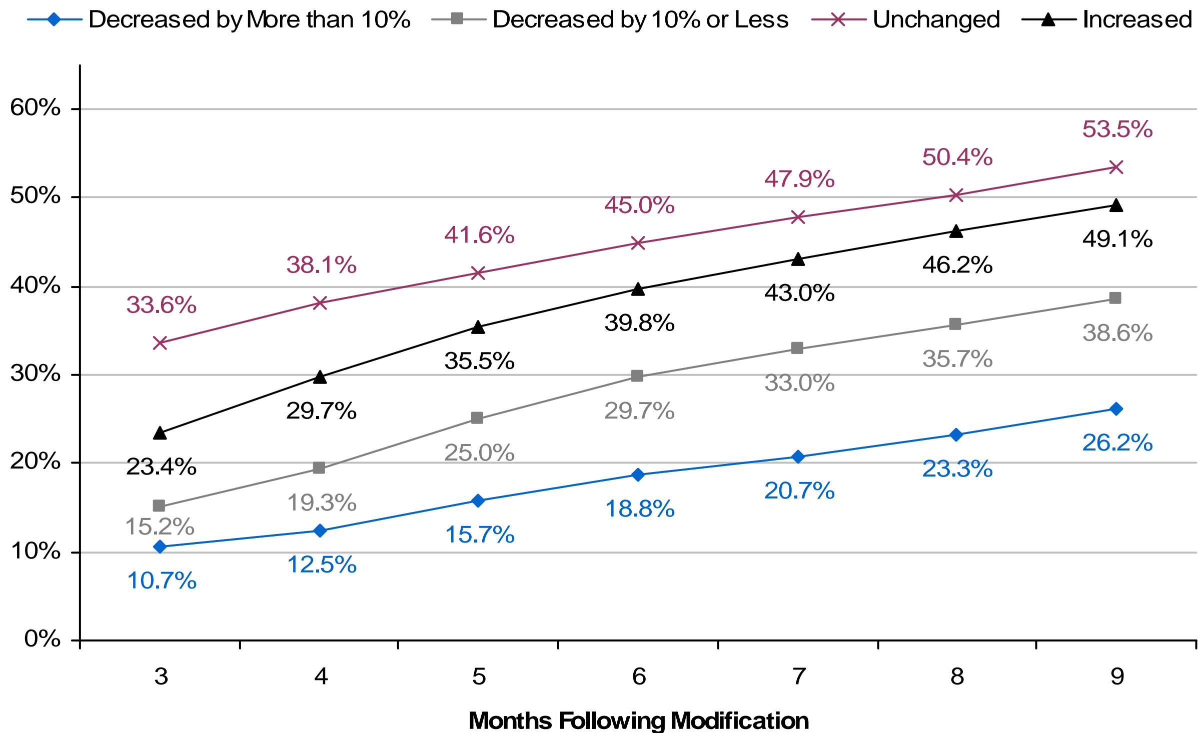
Prime loans constituted almost 25 percent of all new payment plans in the fourth quarter, and 67 percent of all loans in the servicing portfolio.

Number of New Payment Plans				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Prime	25,372	25,032	34,058	44,573
Alt-A	28,121	26,825	32,798	37,981
Subprime	56,313	48,919	60,048	68,459
Other	24,818	24,170	27,745	29,139
Total	134,624	124,946	154,649	180,152

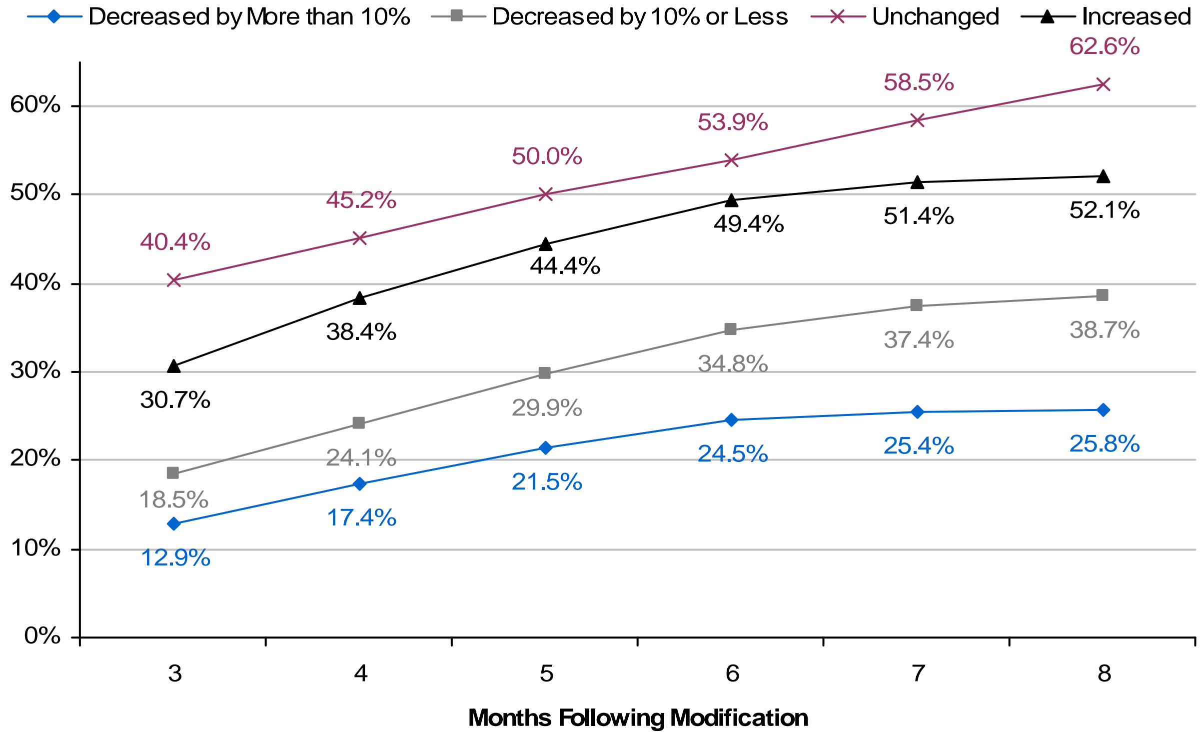


Appendix C—First Quarter 2008: Re-Default Rates of Modified Loans, by Changes to Monthly Payments (60 or More Days Delinquent)

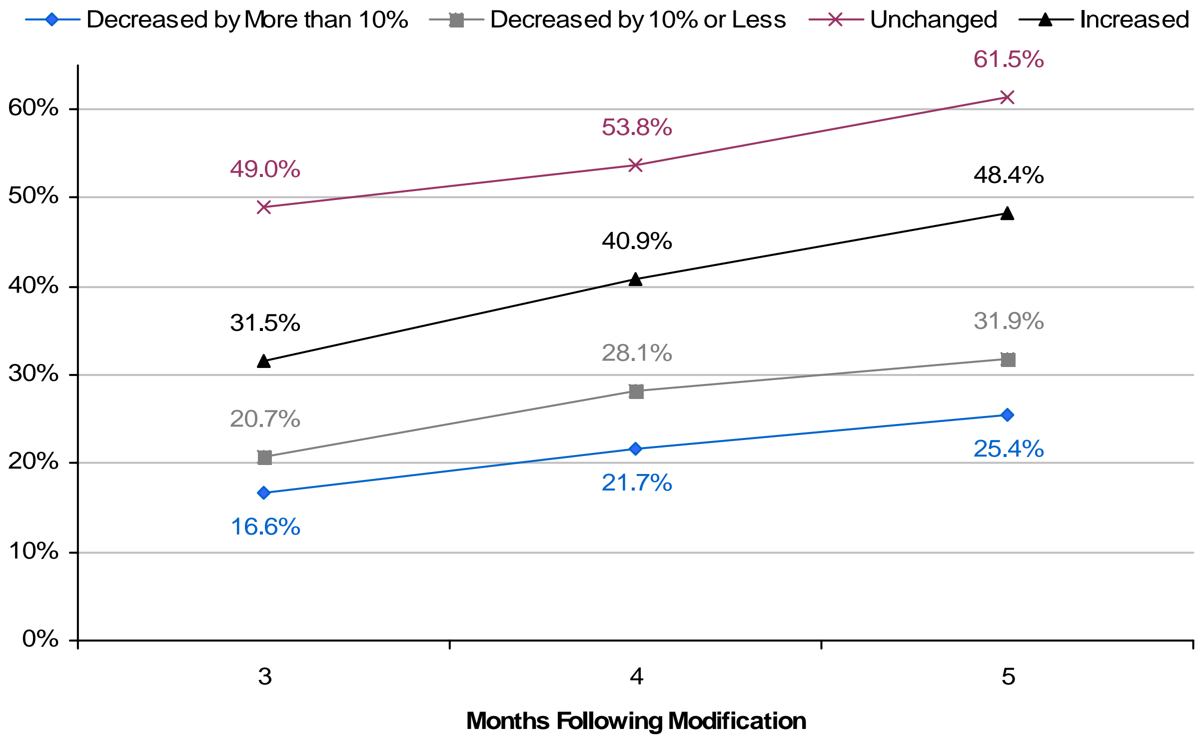
Using the 60-or-more-days-delinquency measure of re-default, the next three pages of graphs show that the same trend held true for loans modified in each of the first, second, and third quarters of 2008. That is, modifications with payment reductions of more than 10 percent had by far the lowest re-default rates, followed by modifications with less than 10 percent reductions, modifications with payment increases, and modifications with payments unchanged.



Appendix D—Second Quarter 2008: Re-Default Rate of Modified Loans, by Changes to Monthly Payments (60 or More Days Delinquent)



Appendix E—Third Quarter 2008: Re-Default Rate of Modified Loans, by Changes to Monthly Payments (60 or More Days Delinquent)



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

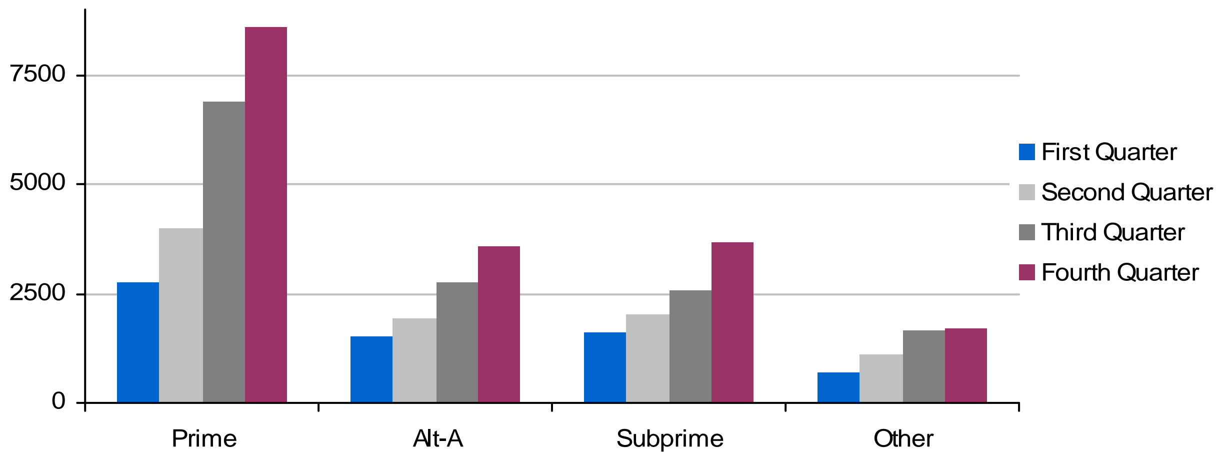
Short sales and deed-in-lieu-of-foreclosure actions require borrowers to forfeit their homes to pay (partially or in whole) mortgage debts. Short sales and deed-in-lieu-of-foreclosure actions allow borrowers to avoid foreclosures and lessen the impact on their credit ratings.

New short sales and deed-in-lieu-of-foreclosure actions totaled 17,577 during the fourth quarter, a 27 percent increase from the third quarter. Short sales and deed-in-lieu-of-foreclosure actions increased for all risk categories during the fourth quarter.

Prime loans had nearly 49 percent of new short sales and deed-in-lieu-of-foreclosure actions during the quarter.

Number of Short Sales and Deed-in-Lieu-of-Foreclosure Actions				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Prime	2,775	4,012	6,897	8,603
Alt-A	1,512	1,918	2,774	3,584
Subprime	1,597	2,003	2,550	3,683
Other	704	1,096	1,667	1,707
Total	6,588	9,029	13,888	17,577

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



Appendix G—Completed Foreclosures

Foreclosures are completed when ownership of the properties is transferred to the servicers or investors and the debts are extinguished. The foreclosure process varies by state and can take from two to 15 months or more to complete. Many loans that start the foreclosure process never result in foreclosure of the properties.

The number of foreclosures completed in the fourth quarter declined by 29 percent from the third to the fourth quarter. The number of completed foreclosures fell from 126,280 in the third quarter to 89,634 in the fourth.

Subprime loans constituted more than 24 percent of all completed foreclosures in the fourth quarter, but only nine percent of all loans in the servicing portfolio.

Prime loans constituted more than 39 percent of all completed foreclosures in the fourth quarter, but they 67 percent of all loans in the servicing portfolio.

Number of Completed Foreclosures				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Prime	22,379	43,248	52,573	35,296
Alt-A	18,025	26,934	27,408	18,573
Subprime	22,595	30,750	30,271	21,869
Other	13,549	16,405	16,028	13,896
Total	76,548	117,337	126,280	89,634