FEDERAL HOUSING FINANCE AGENCY

NEWS RELEASE

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FHFA REPORTS ON HOMEOWNER ASSISTANCE SHOW GROWING NUMBERS OF LOAN MODIFICATIONS

Washington, DC – Federal Housing Finance Agency (FHFA) Director James B. Lockhart submitted to Congress FHFA's latest report as a Federal Property Manager (FPM) detailing actions it has taken to prevent unnecessary foreclosures. The report shows a 76 percent increase in loan modifications by Fannie Mae and Freddie Mac from the third to fourth quarters of 2008. There were 23,777 loan modifications during the fourth quarter, compared to 13,488 during the third quarter.

"These data reflect that the post-conservatorship programs are starting to work to prevent foreclosures, even before the implementation of the streamlined modification program (SMP) in January," said Lockhart. "I believe that the Making Home Affordable loan modification and refinance programs, building upon Fannie Mae and Freddie Mac's SMP should cause loan modifications to accelerate. These more aggressive modifications should help lessen redefaults and better stabilize the housing market and neighborhoods."

Section 110 of the Emergency Economic Stabilization Act of 2008 (EESA) directs Federal Property Managers to develop and implement plans to maximize assistance for homeowners and encourage servicers of underlying mortgages to take advantage of programs to minimize foreclosures. FHFA is a designated FPM in its role as conservator for Fannie Mae and Freddie Mac. Each FPM is required to report to Congress about the number and types of loan modifications and the number of foreclosures during the reporting period. The FPM report also includes the latest monthly *Foreclosure Prevention Report* which provides comprehensive data on the loss mitigation efforts of Fannie Mae and Freddie Mac as of December 31, 2008.

As announced in late November, the Enterprises suspended foreclosure sales and evictions scheduled in December. The suspensions allowed servicers additional time to work with borrowers in foreclosure who were eligible for the Streamlined Modification Program (SMP). The impact of the suspensions caused December completed foreclosure sales and third party sales to decline by 77.3 percent – from the prior three-month average of 16,342 to 3,711. At the same time, loans that were 60+ and 90+ days delinquent increased.

When adjustments were made to account for suspensions, the month-over-month change in the delinquency rates actually decreased. The month-over-month change in the 60+ days delinquency rate from October to November was 14.39 percent, while the month-over-month change from November to December was 9.31 percent.

As of December 31, 2008, the report shows that of the Enterprises' 30.7 million residential mortgages:

- Loans 60+ days delinquent (including those in bankruptcy and foreclosure) as a percent of all loans increased from 1.46 percent as of March 31, 1.73 percent as of June 30, and 2.21 percent as of September 30 to 3.02 percent as of December 31. When adjusted for the suspension of foreclosure sales, the rate would have been 2.98 percent.

- Loans 90+ days delinquent (including those in bankruptcy and foreclosure) as a percent of all loans, increased from 1.00 percent as of March 31, 1.19 percent as of June 30, 1.52 percent as of September 30 to 2.14 percent as of December 31. When adjusted for the suspension of foreclosure sales, the rate would have been 2.10 percent.

- Loans for which the foreclosure process was started as a percent of loans 60+ days delinquent declined from 8.29 for the first quarter, 7.81 percent for the second quarter, 7.20 percent for the third quarter to 6.44 percent for October 2008, 5.25 percent for November 2008 and 6.38 percent for December. When adjusted for the suspension of foreclosure sales, the rate would have been 6.46 percent. During 2008, February represented the peak at 9.22 percent.

- Loans for which the foreclosure process was completed as a percent of loans 60+ days delinquent decreased from 2.41 percent for the first quarter, 2.55 percent for the second quarter, 2.56 percent for the quarter to 2.33 percent for October, 1.73 percent for November, and .37 percent for December. When adjusted for the suspension of foreclosure sales, the rate would have been 1.27 percent. During 2008, July represented the peak at 2.89 percent.

- Modifications completed totaled 8,688 in December. This represents an increase over the 2007 monthly average of 2,884, the November 2008 year-to-date average of 5,420, and the prior three-month average of 6,622.

- Both short sales and deeds-in-lieu were at their highest volumes for the year. Short sales were reported at 2,261 versus a low of 516 reported for January, and the prior three-month average of 1,883. Deeds-in-lieu were reported at 234 versus a low of 62 reported for May, and the prior three-month average of 159. Compared to the prior year, 2008 total loss mitigation actions averaged 18,321 monthly, which was 2.33 times the 2007 average of 7,858.

Link to Letter and FHFA Federal Property Managers Report No. 4 (includes monthly *Foreclosure Prevention Report).* (Identical letters sent to Chairmen Dodd and Frank and Ranking Members Shelby and Bachus.)

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