Comptroller of the Currency
Administrator of National Banks
US Department of the Treasury

Office of Thrift Supervision
US Department of the Treasury

OCC and OTS Mortgage Metrics Report

Disclosure of National Bank and Federal Thrift Mortgage Loan Data

Second Quarter 2009

Office of the Comptroller of the Currency
Office of Thrift Supervision
Washington, D.C.

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Contents

Executive Summary

This *OCC and OTS Mortgage Metrics Report* for the second quarter of 2009 provides performance data on first lien residential mortgages serviced by national banks and federally regulated thrifts. The report covers all types of first lien mortgages serviced by most of the industry's largest mortgage servicers, whose loans make up approximately 64 percent of all mortgages outstanding in the United States. The report covers nearly 34 million loans totaling almost $6 trillion in principal balances and provides information on their performance through the end of the second quarter of 2009 (June 30, 2009).

The mortgage data reported for the second quarter of 2009 continued to reflect negative trends influenced by weakness in economic conditions including high unemployment and declining home prices in weak housing markets. As a result, the number of seriously delinquent mortgages and foreclosures in process continued to increase. However, a lull in newly initiated foreclosures occurred as servicers worked to implement the "Making Home Affordable" program during the second quarter.

Against the backdrop of economic weakness and rising mortgage delinquencies, home retention actions—including loan modifications and payment plans—rose 21.7 percent over first quarter to 439,574, nearly 75 percent more than were implemented a year earlier. Driving the increase in overall home retention efforts were actions taken under the "Making Home Affordable" program to assist troubled homeowners.

The "Making Home Affordable" program requires borrowers to successfully complete a three-month trial period before their loan is permanently modified. During the trial period, these loans are reported as payment plans in this report. Upon conversion to a permanent modification, these loans will be reported and monitored as "Making Home Affordable" modifications. No permanent "Making Home Affordable" modifications had been implemented as of June 30, 2009.

Emphasis on the "Making Home Affordable" program contributed to a dramatic shift in the composition of home retention actions toward payment plans. A 73.9 percent increase in payment plans was reported for the quarter, alongside a 25.2 percent drop in loan modifications. The 114,538 "Making Home Affordable" trial period payment plans reported in the second quarter more than offset a 47,995 decrease in loan modifications as servicers reallocated resources to the "Making Home Affordable" program.

The loan modifications reported for the second quarter continued to show an increase in the percentage that reduced borrowers' monthly principal and interest payments continued to increase to more than 78 percent of all modifications implemented during the quarter, up from fewer than 54 percent in the previous quarter. Also noteworthy, the number of modifications that reduced principal more than doubled with 10 percent of modifications made in the second quarter reducing principal compared with 3.1 percent in the first quarter. This trend represents a significant shift from earlier practices, in which the vast majority of loan modifications either did not change or increased monthly payments. As noted in prior reports, modifications that reduce borrowers' monthly payments continue to show lower levels of re-defaults and longer term sustainability than modifications in which payments are either increased or unchanged.

Mortgage Performance

- The percentage of current and performing mortgages in the portfolio decreased by 1.4 percent from the previous quarter to 88.6 percent of all mortgages in the portfolio. All categories of delinquencies increased from the previous quarter, with serious delinquencies—loans 60 or more days past due and loans to delinquent bankrupt borrowers—reaching 5.3 percent of all mortgages in the portfolio, an increase of 11.5 percent from the previous quarter. Foreclosures in process reached 2.9 percent of all mortgages, a 16.2 percent increase.
- Serious delinquencies increased relatively evenly across all risk categories. The percentage of prime loans that was seriously delinquent totaled 3.0 percent, a 10.5 percent increase from the previous

quarter and a 13 percent increase from a year ago. The percentage of Alt-A loans that was seriously delinquent was 10.3 percent, an 11.1 percent increase from the previous quarter, and the percentage of subprime loans that was seriously delinquent was 17.8 percent, a 12.9 percent increase from the previous quarter.

- New to this report are performance data on Payment Option Adjustable Rate Mortgages (ARMs). Payment Option ARMs allow the borrower to choose a monthly payment that may either reduce principal, pay interest only, or result in negative amortization—some amount of unpaid interest is added to the principal balance of the loan, resulting in an increased amount owed. The added risk characteristics and geographic concentration of these loans cause them to perform significantly worse than the overall portfolio. In the second quarter, 15.2 percent of Payment Option ARMs were seriously delinquent, compared with 5.3 percent of all mortgages, and 10 percent were in the process of foreclosure, more than triple the 2.9 percent rate for all mortgages.

- Mortgages guaranteed by the U.S. government, primarily through the Federal Housing Administration (FHA) or the Department of Veterans Affairs (VA), also showed higher delinquencies than the overall servicing portfolio. Serious delinquencies increased to 7.5 percent of all government-guaranteed mortgages, up from 6.8 percent in the previous quarter.

Home Retention Actions: Loan Modifications and Payment Plans

- Home retention actions increased by 21.7 percent from the previous quarter. This increase was driven by the 73.9 percent rise in payment plans reflecting, in part, the 114,538 trial period plans initiated under the "Making Home Affordable" program. No "Making Home Affordable" trial payment plans were converted to permanent modifications through second quarter, with all recorded modifications reflecting other programs offered by servicers and investors. (See table 1.)

Table 1. Number of Home Retention Actions—New Loan Modifications and Payment Plans

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Loan Modifications	125,348	114,070	116,354	190,357	142,362	-25.2%	13.6%
Payment Plans	126,114	154,649	177,314	170,945	297,212	73.9%	135.7%
Total	251,462	268,719	293,668	361,302	439,574	21.7%	74.8%

- Actions under the "Making Home Affordable" program began in the second quarter of 2009. The program requires borrowers to successfully complete a three-month trial period before terms of the mortgage are permanently modified. During this trial period, the actions are reported as payment plans in this report. Actions that successfully complete the trial period will generally be converted to permanent loan modifications and will be reported as "Making Home Affordable" modifications in future reports. In addition to actions taken under the "Making Home Affordable" program, servicers implement other trial period and payment plans under other programs.[1]

Table 2. "Making Home Affordable" and Other Payment Plans

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
"Making Home Affordable" Trial Period Plans	--	--	--	--	114,538	--	--
Other Trial Period Plans	--	--	--	51,189	59,571	16.4%	--
Other Payment Plans	126,114	154,649	177,314	119,756	123,103	2.8%	-2.4%
Total	126,114	154,649	177,314	170,945	297,212	73.9%	135.7%

- Modifications made during the second quarter of 2009 lowered monthly principal and interest payments in 78.2 percent of all modified loans, up from 53.5 percent in the previous quarter. The percentage of modifications that reduced payments by 20 percent or more increased to 38.6 percent of all modifications made in the second quarter, up from 28.8 percent in the previous quarter. Modifications that increased monthly payments declined to 17.4 percent of all modifications during the quarter, down from 18.1 percent in the previous quarter and from 32.7 percent a year ago. Actions that left payments unchanged decreased significantly to 4.3 percent of all modifications during the quarter from 28.4 percent last quarter, a decline of almost 85 percent.[2]

- Nearly three-quarters of all modifications were "combination modifications" that involved two or more changes to the terms of the loan. During the second quarter, 64.3 percent of loan modifications capitalized missed payments and fees, and 70.1 percent of modifications reduced rates. Extending the term of the mortgage became much more common in the second quarter, with 46 percent of modifications extending the term compared with 25.8 percent in the first quarter. The number of modifications that reduced principal more than doubled to 10 percent of modifications compared with 3.1 percent in the first quarter.[3]

- Home retention actions—loan modifications and payment plans—continued to increase more quickly than new foreclosures. Subprime mortgages had almost twice as many new home retention actions as new foreclosures during the quarter. By contrast, prime mortgages continued to receive more new foreclosures than home retention actions, but the gap shrank to the lowest level in the last twelve months.

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[1] The OCC and OTS began collecting data on other trial period plans in first quarter 2009. Trial period plans are payment plans that will be converted to a loan modification once the borrower has successfully completed the trial period.

[2] As described later in this report, modifications that increase or leave principal and interest payments unchanged may be appropriate in certain circumstances.

[3] These percentages total more than 100 percent because nearly three-quarters of the modifications involved two or more changes to the terms of the loan.

Modified Loan Performance

- As shown in table 3, the percentage of loans that were 60 or more days delinquent or in the process of foreclosure rose steadily in the months subsequent to modification for all vintages for which data were available. Modifications made in third quarter 2008 showed the highest percentage of modifications that were 60 or more days past due following the modification. Modifications made during fourth quarter 2008 and first quarter 2009 performed better in the first three to six months after the modification than those made in the third quarter 2008.

Table 3. Modified Loans 60 or More Days Delinquent
(60+ Re-Default Rate for 2008-2009 Modifications)

Modification Date	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification*
First Quarter 2008	22.8%	37.0%	46.6%	54.0%
Second Quarter	27.9%	44.1%	52.1%	56.2%
Third Quarter	30.8%	46.2%	53.5%	--
Fourth Quarter	28.1%	40.8%	--	--
First Quarter 2009	27.7%	--	--	--

- Modifications on loans held in the servicers' own portfolios continued to perform better than on loans serviced for others.[4] This difference may be attributable to differences in modification programs and the servicers' flexibility to modify loan terms to achieve greater affordability and sustainability.

Table 4. Re-Default Rates for Portfolio Loans and Loans Serviced for Others
(60 or More Days Delinquent)

Investor Loan Type	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
Fannie Mae	28.3%	44.1%	52.6%	57.0%
Freddie Mac	34.4%	40.2%	49.8%	52.4%
Government Guaranteed	27.7%	49.8%	58.3%	59.1%
Private	33.8%	46.4%	53.4%	57.2%
Portfolio Loans	14.0%	28.7%	38.7%	42.4%

Modified Loan Performance, by Change in Monthly Payments

- Modifications that decreased monthly payments had consistently lower re-default rates, with greater percentage decreases resulting in lower subsequent re-default rates. While lower payments reduce monthly cash flows to mortgage investors, they tend to result in longer term sustainability of the payments. After 12 months, 34.1 percent of modifications that decreased monthly payments by 20 percent or more were seriously delinquent. In contrast, 63.4 percent of modifications that left

[4] In describing performance following modification, data include only loans implemented since first quarter 2008 that have had time to age the indicated number of months as of June 30, 2009. For example, only modifications implemented during first and second quarter 2008 have been in effect for at least 12 months subsequent to the modification.

payments unchanged and 64.7 percent of modifications that increased payments were seriously delinquent after 12 months.

Table 5. Re-Default Rates of Loans Modified in 2008 by Changes in Payment (60 or More Days Delinquent)

	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
Decreased by 20% or More	15.0%	24.6%	30.4%	34.1%
Decreased by 10% to Less than 20%	16.7%	29.3%	36.9%	43.0%
Decreased by Less than 10%	18.8%	36.1%	45.4%	50.8%
Unchanged	47.2%	57.0%	62.8%	63.4%
Increased	30.3%	50.9%	60.6%	64.7%

Foreclosures and Other Home Forfeiture Actions

- While the inventory of foreclosures in process continued to grow, reaching 992,554 or 2.9 percent of all serviced loans, the number of newly initiated foreclosures remained about the same as the previous quarter. Newly initiated foreclosures decreased for all risk categories other than prime loans. Among prime loans, new foreclosures increased by 5.8 percent from the previous quarter, reflecting the continued economic pressure on this largest group. Emphasis on home retention actions, including those taken under the "Making Home Affordable" program, helped keep the number of newly initiated foreclosures flat despite rising serious delinquencies.[5]

- Completed foreclosures increased 16.9 percent from the prior quarter primarily as a result of the end of various national, state, local, and servicer-imposed moratoria. New short sales increased by 34.8 percent to 23,102, but remained a small percentage of total loss mitigation actions.

Table 6. Completed Foreclosures and Other Home Forfeiture Actions

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
New Short Sales	9,402	13,015	15,588	17,141	23,102	34.8%	145.7%
New Deed-in-Lieu-of-Foreclosure Actions	865	838	2,173	1,201	1,032	-14.1%	19.3%
Completed Foreclosures	117,325	126,266	89,634	90,696	106,007	16.9%	-9.6%
Total	127,592	140,119	107,395	109,038	130,141	19.4%	2.0%

- Servicers implemented more home retention actions than newly initiated or completed foreclosure actions during the second quarter, as shown in table 7. Loan modifications and payment plans, including "Making Home Affordable" trial period plans, were 1.2 times the number of newly

[5] Many newly initiated foreclosures and foreclosures in process never result in a completed foreclosure sale of the property because of the efforts of the homeowner and servicers to avoid foreclosure.

initiated foreclosures, and 3.4 times the number of completed foreclosures and other home forfeiture actions during the second quarter.

Table 7. Newly Initiated Home Retention Actions Compared with Foreclosure Actions

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Newly Initiated Home Retention Actions	251,462	268,719	293,668	361,302	439,574	21.7%	74.8%
Newly Initiated Foreclosures	288,458	281,285	262,691	370,567	369,226	-0.4%	28.0%
Completed Foreclosures and Other Home Forfeiture Actions	127,592	140,119	107,395	109,038	130,141	19.4%	2.0%
Newly Initiated Home Retention Actions/Newly Initiated Foreclosures	87.2%	95.5%	111.8%	97.5%	119.1%	22.1%	36.6%
Newly Initiated Home Retention Actions/ Completed Foreclosures and Other Home Forfeiture Actions	197.1%	191.8%	273.4%	331.4%	337.8%	1.9%	71.4%

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 and three thrifts[6] that have the largest mortgage servicing portfolios among all national banks and thrifts. As a result of mergers and acquisitions, these 12 depository institutions are now owned by nine holding companies.[7] The data represent 64 percent of all first lien residential mortgages outstanding in the country. More than 91 percent of the mortgages in the portfolio are serviced for third parties as a result of loan sales and securitization by government-sponsored enterprises (GSEs), the originating banks, and other financial institutions. At the end of June 2009, the reporting institutions serviced nearly 34 million first lien mortgage loans, totaling almost $6 trillion in outstanding balances.

The loans reflected in this report represent a large percentage of the overall mortgage industry, but they do not represent a statistically random sample of all mortgage loans. The characteristics of these loans

[6] The nine banks are Bank of America, JPMorgan Chase, Citibank, First Tennessee (formerly referred to as First Horizon), HSBC, National City, USBank, Wachovia, and Wells Fargo. Countrywide FSB, reporting as a separate institution through March 2009, was acquired by and merged into Bank of America in April 2009. The thrifts are OneWestBank (formerly IndyMac), Merrill Lynch, and Wachovia FSB.

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

differ in notable ways from the overall population of mortgages. This report does not attempt to quantify or adjust for known seasonal effects that occur within the mortgage industry.

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

The report promotes a common reporting framework using standardized 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 devote significant resources to validating the data to ensure that the information is reliable and accurate. 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, as well as the external vendor who compiled the data. 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. 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

This report includes data on actions by the reporting banks and thrifts taken as part of the "Making Home Affordable" program. Actions under the program began in the second quarter of 2009. In this report, "Making Home Affordable" plans are classified as payment plans while they are in the trial period. Actions that successfully complete their three-month trial periods will be reported as "Making Home Affordable" modifications in future reports.

The report also presents new information on the quantity and performance of Payment Option ARMs. Payment Option ARMs allow the borrower to choose a monthly payment that may either reduce principal, pay interest only, or result in "negative amortization" (some amount of unpaid interest is added to the principal of the loan, resulting in an increased balance owed.)

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 13 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 loans. In large part, the lack of credit scores results from acquisitions of loan portfolios from third parties for which borrower credit scores at the origination of the loans were not available. Additional definitions are as follows:

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

- **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. Deed-in-lieu-of-foreclosure actions typically have less adverse impact than foreclosure on borrowers' credit records.
- **Foreclosures in process**—Number of mortgages for which servicers have begun formal foreclosure proceedings but have not yet completed the process resulting in the loss of borrowers' homes. The foreclosure process varies by state and can take 15 months or more to complete. Many foreclosures in process never 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.
- **Government-guaranteed mortgages**—Government-guaranteed mortgages include all loans with an explicit guaranty from the U.S. government, including the FHA, VA, and certain other departments. These loans may be held in GNMA securities (Ginnie Mae) or owned by and/or securitized through different investors.
- **Home retention actions**—Home retention actions are loan modifications and payment plans that allow borrowers to retain ownership and occupancy of their homes while attempting to return the loans to a current and performing status.
- **Loan modifications**—Actions that contractually change the terms of mortgages with respect to interest rates, maturity, principal, or other terms of the loan.
- **Newly initiated foreclosures**—Mortgages for which the servicers initiate formal foreclosure proceedings during the month. 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.
- **Payment plans**—Short- to medium-term changes in scheduled terms and payments to return mortgages to a current and performing status. Payment plans also include loans that are in trial periods with respect to making revised payments under proposed loan modifications. The loans are reported as modifications after successful completion of the trial periods.
- **Re-default rates**—Percentage of modified loans that subsequently become delinquent or enter the foreclosure process. As alternative measures of delinquency, this report presents re-default rates using 30, 60, and 90 or more days delinquent and in process of foreclosure but focuses most often on the 60-day-delinquent measure.[8]
- **Seriously delinquent loans**—Mortgages that are 60 or more days past due and all mortgages held by bankrupt borrowers whose payments are 30 or more days past due.
- **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. Short sales have less adverse impact than foreclosure on borrowers' credit records.

[8] Some servicers offer modification programs that do not reset or "re-age" delinquency status following modification. Loans in this category represent a small percentage of total loan modifications.

Loan delinquencies are reported using the Mortgage Bankers Association convention that a loan is past due when a scheduled payment is unpaid for 30 days or more. The statistics and calculated ratios in this report are based on the number of loans rather than on the dollar amount outstanding.

Percentages are rounded to one decimal place unless the result is less than 0.1 percent, in which case percentages are rounded to two decimal places. When approximating, the report uses whole numbers.

In tables throughout this report, the quarters are indicated by the last day of the quarter (e.g., 3/31/09), quarter-to-quarter changes are shown under the column "1Q %Change," and year-to-year changes are shown under the column "1Y %Change."

In tables throughout this report, percentages shown under "1Q %Change" and "1Y %Change" are calculated using unrounded values for each quarter. Calculating these percentages from the amounts shown in the table that are rounded to the nearest tenth of a percent may yield materially different values.

PART I: Mortgage Performance

Part I describes the performance of mortgages in the portfolio on an overall portfolio basis, for government-guaranteed mortgages, for loans serviced for the GSEs, for Payment Option ARMs, and by loan risk category.

Overall Mortgage Portfolio

The size of the combined national bank and thrift servicing portfolio decreased slightly during the second quarter of 2009, ending the period with just less than 34 million loans totaling nearly $6 trillion in unpaid principal balances. Portfolio composition remained stable, and included 68 percent prime, 10 percent Alt-A, 8 percent subprime, and 13 percent other loans.

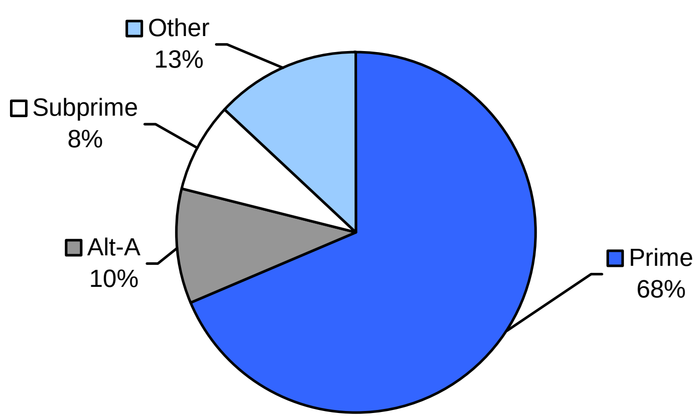
***Table 8.* Overall Mortgage Portfolio**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09
Total Servicing (Dollars in Millions)	$6,105,519	$6,098,766	$6,106,368	$6,014,462	$5,969,246
Total Servicing (Number of Loans)	34,599,881	34,491,229	34,549,215	34,096,605	33,832,014
Composition (Percent of All Mortgage Loans in the Portfolio)					
Prime	66%	66%	66%	67%	68%
Alt-A	10%	10%	10%	10%	10%
Subprime	9%	9%	9%	8%	8%
Other	14%	14%	14%	14%	13%
Composition (Number of Loans in Each Risk Category of the Portfolio)					
Prime	22,961,297	22,925,217	22,963,412	22,867,056	22,929,113
Alt-A	3,587,910	3,567,861	3,566,709	3,519,824	3,528,840
Subprime	3,095,164	3,063,429	3,034,004	2,888,030	2,847,412
Other	4,955,510	4,934,722	4,985,090	4,821,695	4,526,649

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

***Figure 1.* Portfolio Composition**

Percentage of All Mortgage Loans in the Portfolio
Second Quarter 2009



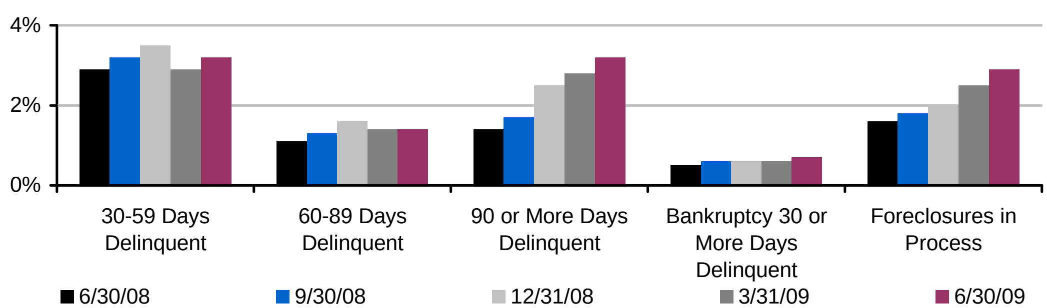
Overall Mortgage Performance

The percentage of current and performing mortgages fell by 1.4 percent to 88.6 percent of the servicing portfolio. Serious delinquencies—loans 60 or more days past due and loans to delinquent bankrupt borrowers—increased by 11.5 percent from the previous quarter to 5.3 percent of all mortgages in the portfolio at the end of the quarter. Delinquencies increased in all categories and for all risk classifications, reflecting the continuing adverse effects of depressed home prices and high unemployment on borrower credit quality. Foreclosures in process rose to 992,554 and represented 2.9 percent of all serviced loans. The number of foreclosures in process rose 15.3 percent from the previous quarter and 79.4 percent rise from a year ago.

***Table 9.* Overall Portfolio Performance (Percent of All Mortgages in the Portfolio)**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Current and Performing	92.6%	91.4%	89.9%	89.8%	88.6%	-1.4%	-4.3%
30-59 Days Delinquent	2.9%	3.2%	3.5%	2.9%	3.2%	10.9%	11.4%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	1.1%	1.3%	1.6%	1.4%	1.4%	4.2%	32.2%
90 or More Days Delinquent	1.4%	1.7%	2.5%	2.8%	3.2%	15.2%	134.4%
Bankruptcy 30 or More Days Delinquent	0.5%	0.6%	0.6%	0.6%	0.7%	11.1%	32.2%
Subtotal for Seriously Delinquent	**3.0%**	**3.6%**	**4.6%**	**4.8%**	**5.3%**	**11.5%**	**79.9%**
Foreclosures in Process	1.6%	1.8%	2.0%	2.5%	2.9%	16.2%	83.5%
Overall Portfolio Performance (Number of Mortgages in the Portfolio)							
Current and Performing	32,034,227	31,541,171	31,065,228	30,629,973	29,962,265	-2.2%	-6.5%
30-59 Days Delinquent	990,084	1,108,309	1,193,476	980,516	1,078,663	10.0%	8.9%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	368,415	446,167	539,972	460,684	476,179	3.4%	29.3%
90 or More Days Delinquent	477,213	588,276	850,173	957,135	1,093,791	14.3%	129.2%
Bankruptcy 30 or More Days Delinquent	176,787	192,843	206,943	207,268	228,562	10.3%	29.3%
Subtotal for Seriously Delinquent	**1,022,415**	**1,227,286**	**1,597,088**	**1,625,087**	**1,798,532**	**10.7%**	**75.9%**
Foreclosures in Process	553,155	614,463	693,423	861,029	992,554	15.3%	79.4%

***Figure 2.* Overall Portfolio Performance**



Performance of Government-Guaranteed Mortgages

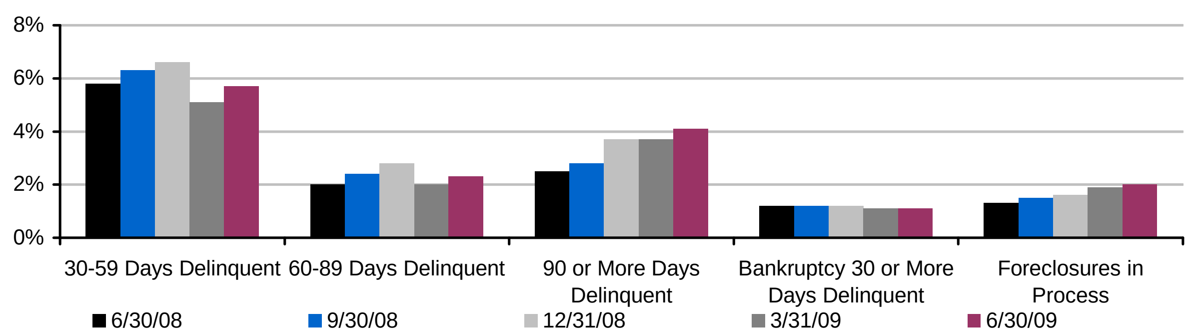
Compared with the overall portfolio, government-guaranteed mortgages had a lower percentage of current and performing loans and a higher percentage of seriously delinquent loans. Consistent with the overall portfolio, delinquencies and foreclosures in process increased among these loans. The percentage of current and performing guaranteed mortgages fell by 1.6 percent to 84.9 percent of government-guaranteed mortgages. Serious delinquencies increased to 7.5 percent of government-guaranteed mortgages, up from 6.8 percent in the previous quarter. Foreclosures in process also increased to 2.0 percent from 1.9 percent. Reflecting the significantly increased origination of government-guaranteed mortgages in the first two quarters of 2009, these loans now make up 14.1 percent of all mortgages in the portfolio, or almost 4.8 million loans, an increase of 5.7 percent from the previous quarter and nearly 23 percent from a year ago. Of these loans, 77 percent were FHA loans, 20 percent were VA loans, and 3 percent were other government-guaranteed loans. More than 83 percent of these loans were held in Ginnie Mae securities.

Table 10. **Performance of Government-Guaranteed* Loans (Percent)**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Current and Performing	87.1%	85.7%	84.2%	86.2%	84.9%	-1.6%	-2.6%
30-59 Days Delinquent	5.8%	6.3%	6.6%	5.1%	5.7%	11.9%	-1.7%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	2.0%	2.4%	2.8%	2.0%	2.3%	13.6%	13.5%
90 or More Days Delinquent	2.5%	2.8%	3.7%	3.7%	4.1%	10.0%	63.1%
Bankruptcy 30 or More Days Delinquent	1.2%	1.2%	1.2%	1.1%	1.1%	-0.8%	-11.2%
Subtotal for Seriously Delinquent	**5.7%**	**6.5%**	**7.6%**	**6.8%**	**7.5%**	**9.4%**	**29.9%**
Foreclosures in Process	1.3%	1.5%	1.6%	1.9%	2.0%	5.1%	45.2%
Performance Government-Guaranteed Loans (Number)							
Current and Performing	3,392,065	3,506,534	3,644,783	3,897,218	4,056,662	4.1%	19.6%
30-59 Days Delinquent	225,278	259,109	283,779	229,575	271,651	18.3%	20.6%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	79,285	99,715	119,997	91,937	110,407	20.1%	39.3%
90 or More Days Delinquent	97,404	116,480	160,354	167,555	194,934	16.3%	100.1%
Bankruptcy 30 or More Days Delinquent	47,043	48,233	49,826	48,878	51,277	4.9%	9.0%
Subtotal for Seriously Delinquent	**223,732**	**264,428**	**330,177**	**308,370**	**356,618**	**15.6%**	**59.4%**
Foreclosures in Process	52,311	59,505	68,660	83,937	93,231	11.1%	78.2%

*Percentages may not add to 100 due to rounding.

Figure 3. **Performance of Government-Guaranteed Loans**



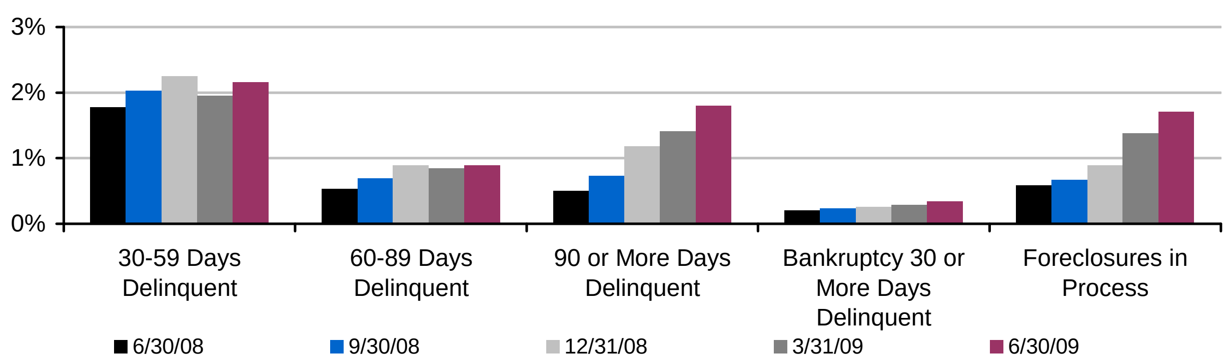
Performance of GSE Mortgages

Mortgages serviced for GSEs—Fannie Mae and Freddie Mac—have a higher concentration of prime mortgages than those serviced for private investors or held on the servicers' balance sheets. As a result, these mortgages showed lower delinquencies and foreclosures in process. In the second quarter of 2009, 93.1 percent of these loans were current and performing compared with 88.6 percent for the total servicing portfolio. Seriously delinquent loans increased to 3.0 percent—rising by 19.1 percent from the previous quarter and by 146.4 percent from a year ago. The percentage of these loans in the process of foreclosure increased to 1.7 percent—rising by 24.5 percent from the previous quarter and by 196.2 percent from a year ago. Mortgages serviced for these agencies made up about 64 percent of all mortgages in the portfolio, or approximately 21.5 million loans. Of the GSE mortgages, 66 percent were serviced for Fannie Mae and 34 percent were serviced for Freddie Mac.

Table 11. **Performance of GSE Loans (Percent)**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Current and Performing	96.4%	95.7%	94.5%	94.1%	93.1%	-1.1%	-3.4%
30-59 Days Delinquent	1.8%	2.0%	2.3%	1.9%	2.2%	11.1%	21.7%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	0.5%	0.7%	0.9%	0.8%	0.9%	6.1%	68.5%
90 or More Days Delinquent	0.5%	0.7%	1.2%	1.4%	1.8%	27.1%	258.4%
Bankruptcy 30 or More Days Delinquent	0.2%	0.2%	0.3%	0.3%	0.3%	17.6%	70.9%
Subtotal for Seriously Delinquent	**1.2%**	**1.7%**	**2.3%**	**2.5%**	**3.0%**	**19.1%**	**146.4%**
Foreclosures in Process	0.6%	0.7%	0.9%	1.4%	1.7%	24.5%	196.2%
Performance of GSE Loans (Number)							
Current and Performing	21,203,134	20,595,705	20,840,824	20,493,160	20,000,848	-2.4%	-5.7%
30-59 Days Delinquent	390,870	436,373	496,587	423,877	464,532	9.6%	18.8%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	116,409	149,323	197,067	183,038	191,608	4.7%	64.6%
90 or More Days Delinquent	110,358	157,686	260,698	307,979	386,351	25.4%	250.1%
Bankruptcy 30 or More Days Delinquent	43,620	49,043	56,894	62,757	72,845	16.1%	67.0%
Subtotal for Seriously Delinquent	**270,387**	**356,052**	**514,659**	**553,774**	**650,804**	**17.5%**	**140.7%**
Foreclosures in Process	127,276	144,231	195,989	299,756	368,336	22.9%	189.4%

Figure 4. **Performance of GSE Loans**



Performance of Payment Option ARMs

New to this report are performance data on Payment Option ARMs. Although Payment Option ARMs were made to prime borrowers in nearly the same percentage as the overall portfolio (64% versus 68% overall), the added risk characteristics and geographical concentration of these loans cause them to perform significantly worse than the overall portfolio.

As of second quarter 2009, there were slightly more than 900,000 Payment Option ARMs loans, representing 2.7 percent of the total servicing portfolio. Performance of these loans continued to decline during the quarter. Only 70.3 percent were current and performing at the end of the second quarter, compared with 88.6 percent for the total servicing portfolio. Seriously delinquent Payment Option ARMs increased to 15.2 percent in second quarter, approaching the 17.8 percent rate for subprime loans, and 10 percent of these loans were in the process of foreclosure.

***Table 12.* Performance of Payment Option ARMs (Percent)**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Current and Performing	85.5%	82.1%	76.6%	72.9%	70.3%	-3.6%	-17.8%
30-59 Days Delinquent	4.0%	4.8%	5.3%	4.5%	4.5%	-1.3%	11.9%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	2.1%	2.4%	3.1%	3.0%	2.6%	-13.9%	26.3%
90 or More Days Delinquent	3.2%	4.2%	7.0%	9.5%	10.9%	14.0%	238.6%
Bankruptcy 30 or More Days Delinquent	0.7%	1.0%	1.1%	1.3%	1.7%	29.6%	145.7%
Subtotal for Seriously Delinquent	**6.0%**	**7.6%**	**11.3%**	**13.9%**	**15.2%**	**9.4%**	**154.2%**
Foreclosures in Process	4.5%	5.5%	6.8%	8.7%	10.0%	16.0%	123.5%
Performance of Payment Option ARMs Loans (Number)							
Current and Performing	946,309	874,065	784,394	714,018	647,480	-9.3%	-31.6%
30-59 Days Delinquent	44,421	50,733	54,113	44,527	41,366	-7.1%	-6.9%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	22,901	25,730	31,961	29,719	24,074	-19.0%	5.1%
90 or More Days Delinquent	35,503	44,457	71,911	93,284	100,068	7.3%	181.9%
Bankruptcy 30 or More Days Delinquent	7,699	10,473	11,565	12,912	15,746	21.9%	104.5%
Subtotal for Seriously Delinquent	**66,103**	**80,660**	**115,437**	**135,915**	**139,888**	**2.9%**	**111.6%**
Foreclosures in Process	49,724	58,539	69,829	84,782	92,523	9.1%	86.1%

Seriously Delinquent Mortgages, by Risk Category

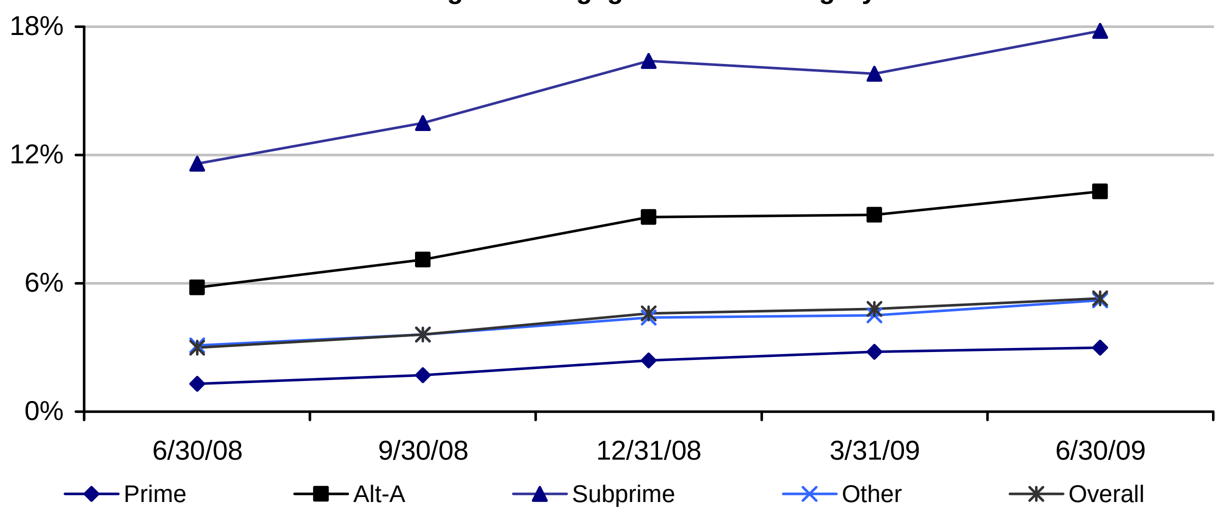
Serious delinquencies increased relatively evenly across all risk categories. The percentage of prime loans that were seriously delinquent increased by 10.5 percent during the second quarter. The percentage of Alt-A loans that were seriously delinquent increased by 11.1 percent, and the percentage of subprime loans that were seriously delinquent increased by 12.9 percent. Year-over-year, prime mortgages showed the greatest increase in serious delinquencies, rising nearly 132 percent from a year ago. The percentage of mortgages that were seriously delinquent rose by 11.5 percent of the total servicing portfolio, reaching 1,798,532. Depressed home prices and high unemployment were primary contributors to the decline in borrower credit quality.

Table 13. **Seriously Delinquent Mortgages** (Percent of Mortgages in Each Category)

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Prime	1.3%	1.7%	2.4%	2.8%	3.0%	10.5%	131.9%
Alt-A	5.8%	7.1%	9.1%	9.2%	10.3%	11.1%	76.2%
Subprime	11.6%	13.5%	16.4%	15.8%	17.8%	12.9%	53.3%
Other	3.1%	3.6%	4.4%	4.5%	5.2%	15.0%	66.4%
Overall	3.0%	3.6%	4.6%	4.8%	5.3%	11.5%	79.9%
Seriously Delinquent Mortgages (Number of Mortgages)							
Prime	300,896	384,486	553,288	628,902	696,699	10.8%	131.5%
Alt-A	208,737	252,259	325,355	324,907	361,839	11.4%	73.3%
Subprime	359,303	414,472	498,115	455,106	506,692	11.3%	41.0%
Other	153,479	176,069	220,330	216,172	233,302	7.9%	52.0%
Total	1,022,415	1,227,286	1,597,088	1,625,087	1,798,532	10.7%	75.9%

Figure 5. **Seriously Delinquent Mortgages**

Percentage of Mortgages in Each Category



Mortgages 30–59 Days Delinquent, by Risk Category

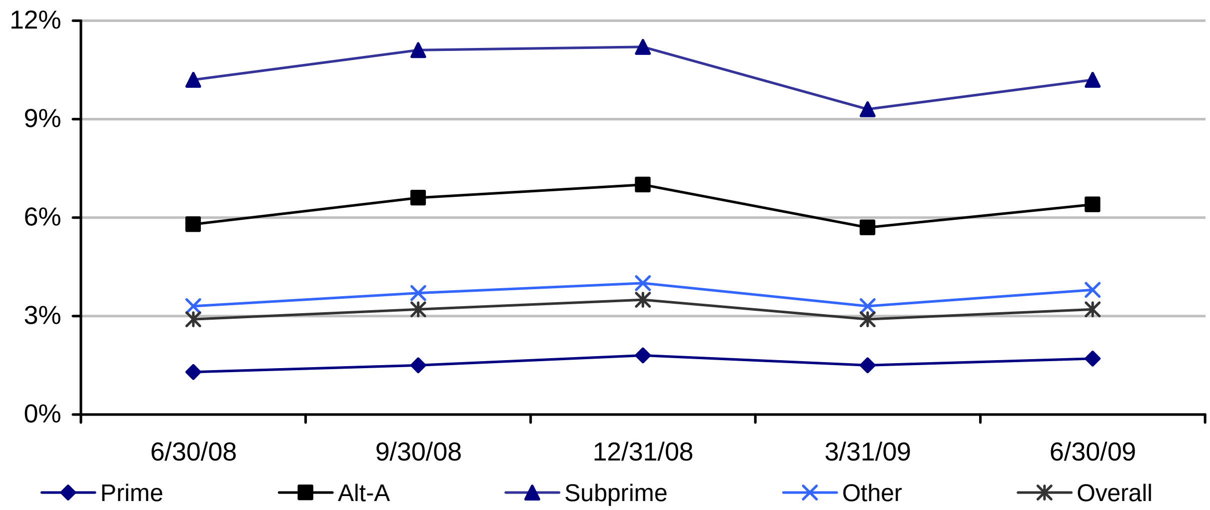
Following a normal seasonal decline in the prior quarter, the percentage of mortgages in the early stages of delinquency (30–59 days delinquent) increased across all risk categories during the second quarter of 2009. The percentage of mortgages in the early stages of delinquency increased by 10.9 percent to 3.2 percent of the total portfolio, reflecting the general decline in borrower credit quality.

Table 14. **Mortgages 30-59 Days Delinquent (Percent of Mortgages in Each Category)**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Prime	1.3%	1.5%	1.8%	1.5%	1.7%	11.0%	30.5%
Alt-A	5.8%	6.6%	7.0%	5.7%	6.4%	11.2%	9.2%
Subprime	10.2%	11.1%	11.2%	9.3%	10.2%	10.5%	0.0%
Other	3.3%	3.7%	4.0%	3.3%	3.8%	14.0%	14.2%
Overall	2.9%	3.2%	3.5%	2.9%	3.2%	10.9%	11.4%
Mortgages 30-59 Days Delinquent (Number of Mortgages)							
Prime	301,127	350,015	403,630	352,584	392,412	11.3%	30.3%
Alt-A	209,524	235,723	251,016	201,787	224,971	11.5%	7.4%
Subprime	316,498	341,399	341,183	267,251	291,285	9.0%	-8.0%
Other	162,935	181,172	197,647	158,894	169,995	7.0%	4.3%
Total	990,084	1,108,309	1,193,476	980,516	1,078,663	10.0%	8.9%

Figure 6. **Mortgages 30-59 Days Delinquent**

Percentage of Mortgages in Each Category



PART II: Home Retention Actions

Home retention actions include loan modifications, in which servicers modify one or more mortgage terms, and payment plans, in which no terms are contractually modified, but borrowers are given time to catch up on missed payments or to demonstrate the ability to meet amended terms in anticipation of a formal modification.

New to this report are data on "Making Home Affordable" trial period payment plans. The "Making Home Affordable" program, designed to assist troubled homeowners while minimizing investor losses, requires borrowers to successfully complete a three-month trial period before the terms of the loan are permanently modified. "Making Home Affordable" plans are classified as payment plans rather than modifications while in the trial period. Servicers began implementing "Making Home Affordable" trial period payment plans in the second quarter; none had completed the trial period and converted to permanent modifications as of June 30, 2009.

A. Loan Modifications and Payment Plans

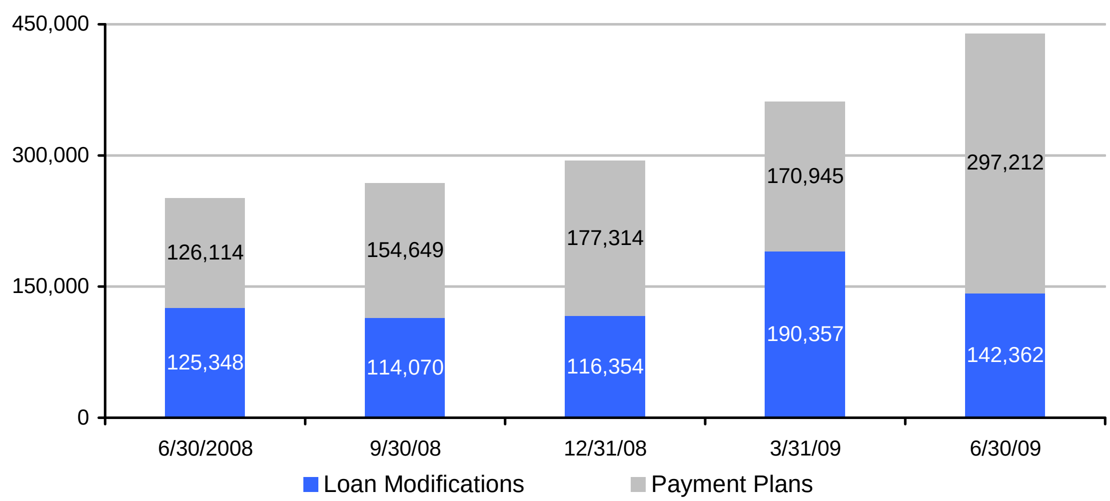
Newly Initiated Home Retention Actions

Emphasis on "Making Home Affordable" actions contributed to the 73.9 percent increase in payment plans in the second quarter. This increase more than offset the 47,995 decrease in the number of modifications implemented in the second quarter. The net result was a 21.7 percent increase in home retention actions to 439,574 in the second quarter. The modifications implemented through the second quarter reflected other programs offered by servicers and investors in addition to the "Making Home Affordable" program.

Table 15. **Number of Home Retention Actions—New Loan Modifications and Payment Plans**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y % Change
Loan Modifications	125,348	114,070	116,354	190,357	142,362	-25.2%	13.6%
Payment Plans	126,114	154,649	177,314	170,945	297,212	73.9%	135.7%
Total	251,462	268,719	293,668	361,302	439,574	21.7%	74.8%

Figure 7. **Number of Home Retention Actions—New Loan Modifications and Payment Plans**



"Making Home Affordable" Program Actions and Other Payment Plans

Servicers began initiating "Making Home Affordable" trial period plans in the second quarter of 2009, with 114,538 implemented during the quarter. During the trial period, these loans will be reported as payment plans in this report. Upon conversion to a permanent modification, they will be reported and monitored as "Making Home Affordable" modifications. No permanent "Making Home Affordable" modifications had been implemented as of June 30, 2009.

In addition to actions taken under the "Making Home Affordable" program, servicers and investors also implemented 59,571 trial period plans and 123,103 payment plans under other programs. These trial period plans will generally be converted to permanent loan modifications after successful completion of the trial payment periods. Other payment plans, generally consisting of shorter term actions designed to allow the borrower sufficient time to return a delinquent loan to current status, increased by 2.8 percent during the quarter.

Table 16. "Making Home Affordable" and Other Payment Plans

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
"Making Home Affordable" Trial Period Plans	--	--	--	--	114,538	--	--
Other Trial Period Plans*	--	--	--	51,189	59,571	16.4%	--
Other Payment Plans	126,114	154,649	177,314	119,756	123,103	2.8%	-2.4%
Total	126,114	154,649	177,314	170,945	297,212	73.9%	135.7%

* The OCC and OTS began collecting data on other trial period plans in first quarter 2009.

Table 17 presents the number of "Making Home Affordable" trial plans implemented for each investor within each mortgage risk category. Prime mortgages received 44.4 percent of the "Making Home Affordable" actions taken in the second quarter reflecting the increasing number of prime borrowers who have fallen behind in making mortgage payments. Subprime mortgages received 26.5 percent of the "Making Home Affordable" actions taken in the second quarter. Loans serviced by Fannie Mae or Freddie Mac received 61.2 percent.

Table 17. "Making Home Affordable" Program Actions by Investor and Risk Category
Trial actions implemented in the second quarter of 2009.

	Fannie Mae	Freddie Mac	Government Guaranteed	Portfolio	Private	Unknown	Total
Prime	23,818	13,723	0	7,219	6,084	23	50,867
Alt-A	10,378	4,778	0	4,372	5,809	39	25,376
Subprime	7,647	3,049	6	7,534	12,062	53	30,351
Other	4,187	2,494	7	410	846	0	7,944
Total	46,030	24,044	13	19,535	24,801	115	114,538

Newly Initiated Home Retention Actions Relative to Newly Initiated Foreclosures

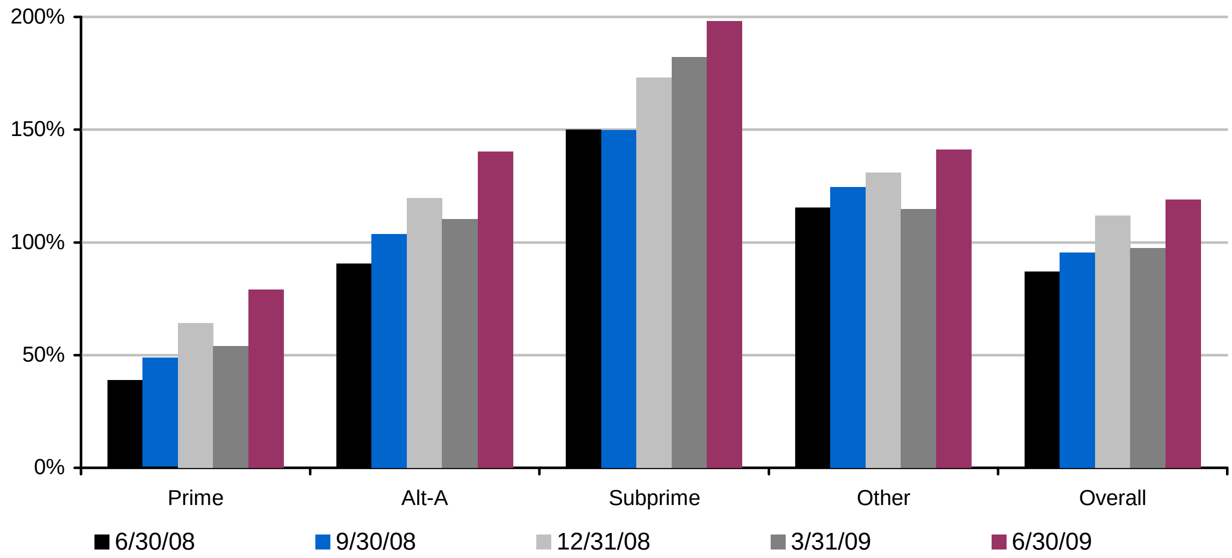
Home retention actions—loan modifications and payment plans—increased more quickly than new foreclosures during the quarter. Subprime mortgages had almost twice as many new home retention actions as new foreclosures. By contrast, prime mortgages continued to receive more new foreclosure actions than home retention actions during the quarter, but the gap shrank to the lowest level in the last twelve months.

Table 18. **Newly Initiated Home Retention Actions**
(Percentage of Newly Initiated Foreclosures)

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Prime	38.9%	48.8%	64.2%	53.9%	79.0%	46.7%	103.3%
Alt-A	90.7%	103.7%	119.7%	110.4%	140.2%	26.9%	54.5%
Subprime	150.1%	149.9%	173.0%	182.1%	198.2%	8.9%	32.0%
Other	115.4%	124.7%	130.9%	114.9%	141.3%	23.0%	22.4%
Overall	87.2%	95.5%	111.8%	97.5%	119.1%	22.1%	36.6%
Newly Initiated Home Retention Actions	251,462	268,719	293,668	361,302	439,574	21.7%	74.8%
Newly Initiated Foreclosures	288,458	281,285	262,691	370,567	369,226	-0.4%	28.0%

Figure 8. **Newly Initiated Home Retention Actions**

Percentage of Newly Initiated Foreclosures



Types of Modifications

Interest rate reductions and capitalization of missed payments and fees continued to be the most common features of loan modifications. Rate reductions were applied to 70.1 percent of all modifications in the second quarter, a material increase from 55.4 percent in the first quarter. During the second quarter, 64.3 percent of loan modifications capitalized missed payments and fees, a slight reduction from first quarter. Extending the term of the mortgage, an action generally taken to reduce the monthly principal and interest payment, became much more common in the second quarter with 46 percent of modifications extending the term compared with 25.8 percent in the first quarter. Also noteworthy, the number of modifications that reduced principal more than doubled with 10 percent of modifications made in the second quarter reducing principal compared with 3.1 percent in the first quarter. Principal reductions reduce monthly payments as well as increase the equity in the home, which may contribute to the borrower's willingness to continue making payments on the loan. Since three quarters of all modifications changed more than one loan term, the sum of the percentages in table 19 exceeds 100 percent.

The actions or combinations of action have different effects on the borrower's principal and interest payments and may, over time, have different effects on the long-term sustainability of the loan. Appendix C presents additional detail on combined modifications.

Table 19. Changes in Loan Terms Made by Modifications Made during the Second Quarter of 2009

	Total Number of Changes in Each Category		Percentage of Modifications	
	3/31/09	6/30/09	3/31/09 (of 190,357)	6/30/09 (of 142,632)
Capitalization	127,867	91,590	67.2%	64.3%
Rate Reduction	105,501	99,796	55.4%	70.1%
Rate Freeze	28,773	10,671	15.1%	7.5%
Term Extension	49,140	65,468	25.8%	46.0%
Principal Reduction	5,831	14,176	3.1%	10.0%
Principal Deferral	411	3,496	0.2%	2.5%
Unknown*	17,163	10,605	9.0%	7.5%

*Processing constraints at some servicers prevented them from aggregating and reporting specific modified term(s).

Types of Modifications, by Risk Category

Tables 20 and 21 show the distribution of the types of modification actions by risk category. Because 74 percent of the modifications changed more than one term, the number of individual features changed exceeds the number of modified loans in each risk category.

Table 20. **Numbers of Each Type of Modification by Risk Category in Second Quarter 2009**

	Prime	Alt-A	Subprime	Other	Total
Total Mortgages Modified	40,855	32,650	53,884	14,973	142,362
Capitalization	23,601	20,239	35,505	12,245	91,590
Rate Reduction	28,483	23,193	38,319	9,801	99,796
Rate Freeze	2,607	2,376	3,844	1,844	10,671
Term Extension	20,711	15,568	21,773	7,416	65,468
Principal Reduction	5,219	3,869	4,730	358	14,176
Principal Deferral	1,954	663	358	521	3,496
Unknown	3,927	2,314	3,616	748	10,605

The percentage of each type of modification in each risk category showed that other loans had the highest percentage of capitalization of delinquent interest and fees, at 81.8 percent, followed by subprime at 65.9 percent. Interest rate reductions were used fairly evenly across risk categories. Term extensions and principal reductions were more prevalent for prime and Alt-A loans than subprime loans.

Table 21. **Percentages of Each Type of Modification by Risk Category in Second Quarter 2009**

	Prime	Alt-A	Subprime	Other	Overall
Capitalization	57.8%	62.0%	65.9%	81.8%	64.3%
Rate Reduction	69.7%	71.0%	71.1%	65.5%	70.1%
Rate Freeze	6.4%	7.3%	7.1%	12.3%	7.5%
Term Extension	50.7%	47.7%	40.4%	49.5%	46.0%
Principal Reduction	12.8%	11.8%	8.8%	2.4%	10.0%
Principal Deferral	4.8%	2.0%	0.7%	3.5%	2.5%
Unknown	9.6%	7.1%	6.7%	5.0%	7.4%

Types of Modifications, by Investor/Product Type

The great majority of modifications continued to go to loans held by the reporting servicers or private investors. Loans serviced for the GSEs accounted for only 15.7 percent of all modifications despite making up about 64 percent of the -servicing portfolio. However, servicers began initiating “Making Home Affordable” trial period plans for GSE loans during second quarter. These trial period plans have not been in effect long enough to be converted to permanent modifications.

Tables 22 and 23 show the distribution of the types of modification actions by investor. Because modifications may change more than one term, the number of features changed exceeds the number of modified loans for each investor.

Table 22. Numbers of Each Type of Modification by Investor in Second Quarter 2009

	Fannie Mae	Freddie Mac	Government Guaranteed	Private Investor	Portfolio**	Total
Total Mortgages Modified	12,579	9,796	25,721	47,755	46,511	142,362
Capitalization	8,234	8,731	24,456	35,236	14,933	91,590
Rate Reduction	5,483	5,021	19,794	30,379	39,119	99,796
Rate Freeze	2,088	1,421	1,518	3,064	2,580	10,671
Term Extension	6,019	7,604	11,926	6,264	33,655	65,468
Principal Reduction	2	0	0	2	14,172	14,176
Principal Deferral	10	1	0	2,249	1,236	3,496
Unknown	2,390	993	1,145	4,604	1,473	10,605

The percentage of each type of loan term change varied significantly by investor. GSE, government guaranteed and private investor modifications included capitalization of past-due interest and fees much more often than did portfolio modifications. Conversely, portfolio modifications received a higher percentage of rate reductions and principal reductions than did GSE, government guaranteed, and private investor modifications.

Table 23. Percentages of Each Type of Modification by Investor in Second Quarter 2009

	Fannie Mae	Freddie Mac	Government Guaranteed	Private Investor	Portfolio	Overall
Capitalization	65.5%	89.1%	95.1%	73.8%	32.1%	64.3%
Rate Reduction	43.6%	51.3%	77.0%	63.6%	84.1%	70.1%
Rate Freeze	16.6%	14.5%	5.9%	6.4%	5.5%	7.5%
Term Extension	47.8%	77.6%	46.4%	13.1%	72.4%	46.0%
Principal Reduction	0.0%	0.0%	0.0%	0.0%	30.5%	10.0%
Principal Deferral	0.1%	0.0%	0.0%	4.7%	2.7%	2.5%
Unknown	19.0%	10.1%	4.5%	9.6%	3.2%	7.4%

Changes to Monthly Payments Owing to Modification

The previous sections described the types of modifications and modified loan terms. This section describes the effect of those changes on monthly principal and interest payments and how those changes affected re-default rates.

Of the loans modified during the second quarter, 78.2 percent reduced payments, 4.3 percent left payments unchanged, and 17.4 percent increased payments. This represents a significant shift from 2008, when the vast majority of loan modifications either did not change or increased monthly payments.

Loan modifications may increase monthly payments when borrowers and servicers agree to add past due interest, advances for taxes or insurance, and other fees to the balances and re-amortize the new balances over the remaining life of the loans. The interest rate or maturity of the loans may be changed, but may not be enough to offset the additional required principal payment. Modifications may also increase monthly payments when interest rates of adjustable rate mortgages that are about to reset are increased, even though they are increased by less than the amount indicated in the original mortgage contracts.

Modifications that increase payments may be appropriate when borrowers experience temporary cash flow or liquidity problems but have reasonable prospects to make the higher payments and repay the debt over time. In the past, such modifications were made in lower volume and tended to mitigate loss effectively. However, during periods of economic stress, this strategy can carry additional risk, underscoring the importance of verifying borrowers' incomes and debt payment ability, so that borrowers and servicers can have confidence that the modifications are likely to be sustainable.

Servicers also modify some loans that leave principal and interest payments unchanged. This occurs, for example, in cases where servicers "freeze" current interest rates and payments instead of allowing them to increase to the level required by the original mortgage contracts.

Modifications that decrease payments occur when servicers elect to lower interest rates, extend the amortization period, or forgive or defer principal. Reduced payments can make loans more affordable and more likely to be sustainable over time. The lower payments also result in less monthly cash flow and interest income to the mortgage investor, who often compares this reduced cash flow with the potentially greater sustainability of receiving the modified payments over time.

Servicers' modification activities often are dictated by servicing agreements that define the type and amount of modification action(s) that can be executed. Pooling and servicing agreements often encouraged the capitalization and recapitalization of missed interest payments, fees, and advances in an attempt to recapture all contractual cash flow and income for the mortgage investor. These agreements tended to allow modifications only for severely delinquent borrowers rather than allowing servicers to work with borrowers who are current but facing an imminent default. Servicers report that recent changes in government and private investor servicing standards, including the guidelines provided under the "Making Home Affordable" program, provide greater flexibility to structure more effective loan modifications.

Changes to Monthly Payments Owing to Modifications, by Quarter

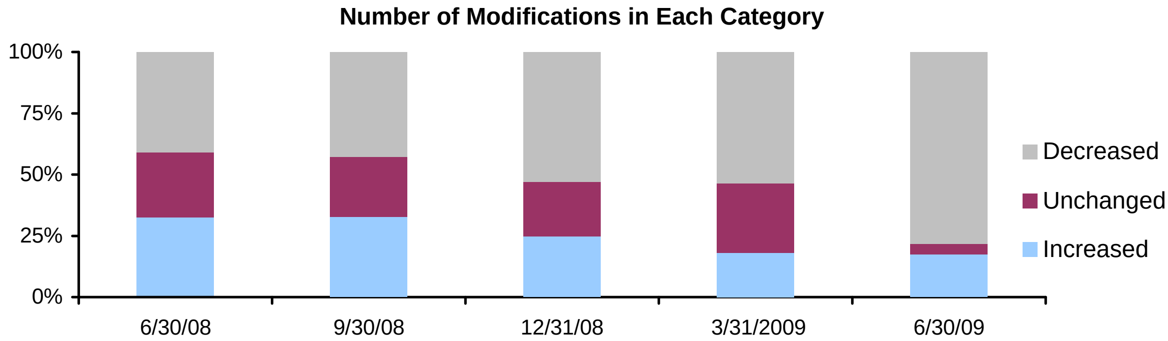
Modifications that lowered monthly principal and interest payments increased to 78.2 percent of all modified loans during the second quarter of 2009, up from 53.5 percent in the previous quarter, as servicers emphasized structuring modifications to make loans more sustainable. The percentage of modifications that reduced payments by 20 percent or more increased to 38.6 percent of all modifications made in the second quarter, up from 28.8 percent in the previous quarter. Modifications that increased monthly payments declined to 17.4 percent of all modifications during the quarter, down from 18.1 percent in the previous quarter and from 32.7 percent a year ago. Actions that left payments unchanged decreased significantly, to 4.3 percent of all modifications from 28.4 percent last quarter, a decline of almost 85 percent.[9]

***Table 24.* Change in Monthly Principal and Interest Payments Owing to Modification** (Number of Modifications)

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Decreased by 20% or More	21,529	19,330	28,627	53,453	53,779	0.6%	149.8%
Decreased by 10% to Less than 20%	12,592	13,171	14,350	22,590	27,436	21.5%	117.9%
Decreased Less than 10%	14,510	13,270	14,940	23,434	27,691	18.2%	90.8%
Subtotal for Decreased	**48,631**	**45,771**	**57,917**	**99,477**	**108,906**	**9.5%**	**123.9%**
Unchanged	31,340	26,587	24,586	52,819	6,024	-88.6%	-80.8%
Increased	38,815	34,959	27,167	33,597	24,268	-27.8%	-37.5%
Subtotal for Unchanged and Increased	**70,155**	**61,546**	**51,753**	**86,416**	**30,292**	**-64.9%**	**-56.8%**
Total	118,786	107,317	109,670	185,893	139,198	-25.1%	17.2%
Change in Monthly Principal and Interest Payments Owing to Modification (Percentage of Modifications)							
Decreased by 20% or More	18.1%	18.0%	26.1%	28.8%	38.6%	34.4%	113.2%
Decreased by 10% to Less than 20%	10.6%	12.3%	13.1%	12.2%	19.7%	62.2%	85.9%
Decreased Less than 10%	12.2%	12.4%	13.6%	12.6%	19.9%	57.8%	62.9%
Subtotal for Decreased	**40.9%**	**42.7%**	**52.8%**	**53.5%**	**78.2%**	**46.2%**	**91.1%**
Unchanged	26.4%	24.8%	22.4%	28.4%	4.3%	-84.8%	-83.6%
Increased	32.7%	32.6%	24.8%	18.1%	17.4%	-3.5%	-46.6%
Subtotal for Unchanged and Increased	**59.1%**	**57.3%**	**47.2%**	**46.5%**	**21.8%**	**-53.2%**	**-63.2%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%	--	--

[9] Some servicers were unable to report the change in monthly payment for all modifications because of system limitations and processing lag times. Payment change information was not reported on 3,065 modifications in the first quarter of 2008, 6,562 in the second quarter, 6,753 in the third quarter, 6,684 in the fourth quarter, 4,442 in the first quarter of 2009 and 3,144 in the second quarter.

Figure 9. **Change in Monthly Principal and Interest Payments**



B. Modified Loan Performance

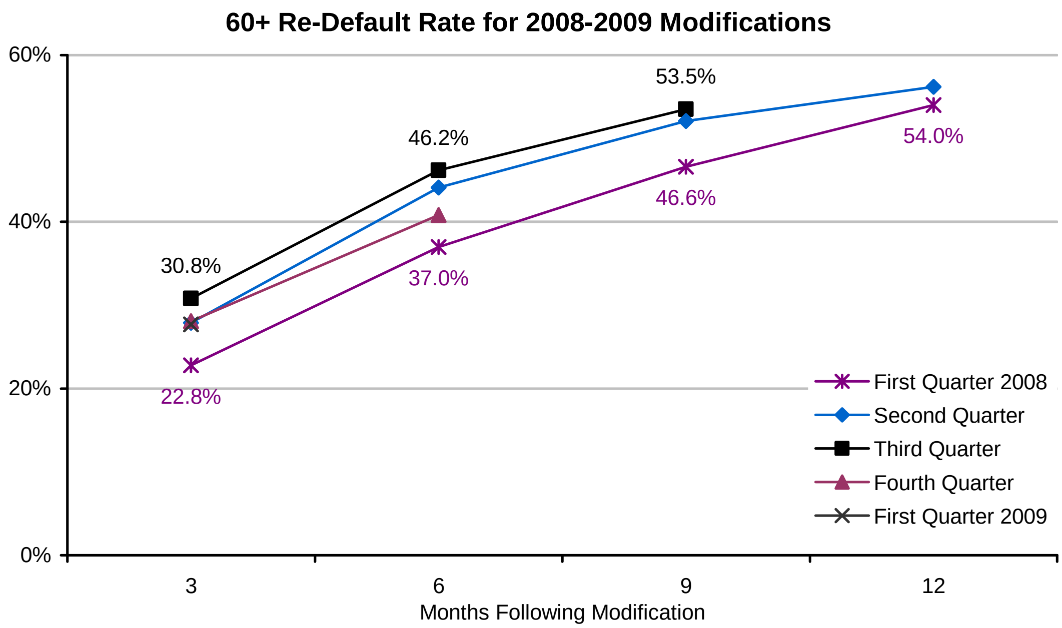
Re-Default Rates of Modified Loans: 60 or More Days Delinquent

The percentage of loans that were 60 or more days delinquent or in the process of foreclosure was high and rose steadily in the months subsequent to modification for all quarterly vintages. Marginally lower re-default rates of loans modified in fourth quarter 2008 and first quarter 2009, relative to modifications implemented in third quarter 2008, through six months and three months provide an early indicator that these modifications may be more sustainable over time.[10] However, it is too early to determine whether these later vintages will perform significantly better in the long term.

Table 25. Modified Loans 60 or More Days Delinquent
(60+ Re-Default Rate for 2008–2009 Modifications)

Modification Date	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification*
First Quarter 2008	22.8%	37.0%	46.6%	54.0%
Second Quarter	27.9%	44.1%	52.1%	56.2%
Third Quarter	30.8%	46.2%	53.5%	--
Fourth Quarter	28.1%	40.8%	--	--
First Quarter 2009	27.7%	--	--	--

Figure 10. Modified Loans 60 or More Days Delinquent



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[10] Data include only modifications that have had time to age the indicated number of months.

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

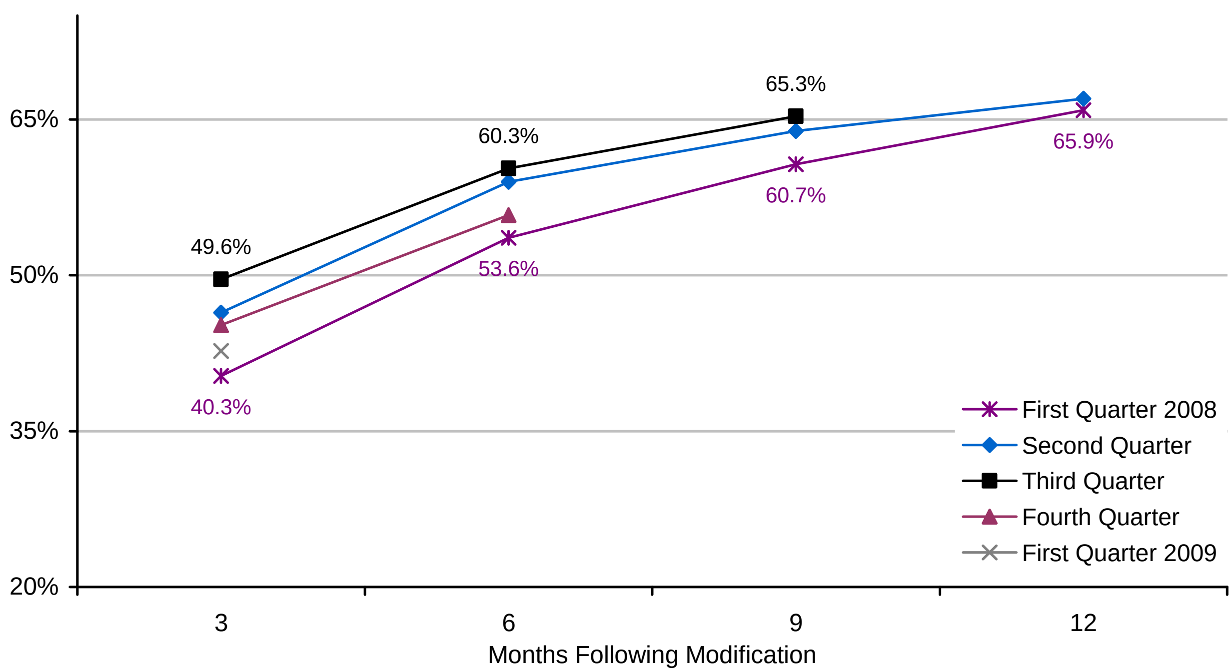
Modification re-default measured as 30 or more days delinquent or in the process of foreclosure is an early indicator of loans that may need additional attention to prevent more serious delinquency or foreclosure.[11] When measured at 30 or more days delinquent or in process of foreclosure, modifications implemented in the two most recent quarters have marginally lower re-default rates than those made in the second and third quarters of 2008.

***Table 26.* Modified Loans 30 or More Days Delinquent**
(30+ Re-Default Rate for 2008–2009 Modifications)

Modification Date	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
First Quarter 2008	40.3%	53.6%	60.7%	65.9%
Second Quarter	46.4%	59.0%	63.9%	67.0%
Third Quarter	49.6%	60.3%	65.3%	--
Fourth Quarter	45.2%	55.8%	--	--
First Quarter 2009	42.7%	--	--	--

***Figure 11.* Modified Loans 30 or More Days Delinquent**

30+ Re-Default Rate for 2008 - 20009 Modifications



[11] Data include only modifications that have had time to age the indicated number of months.

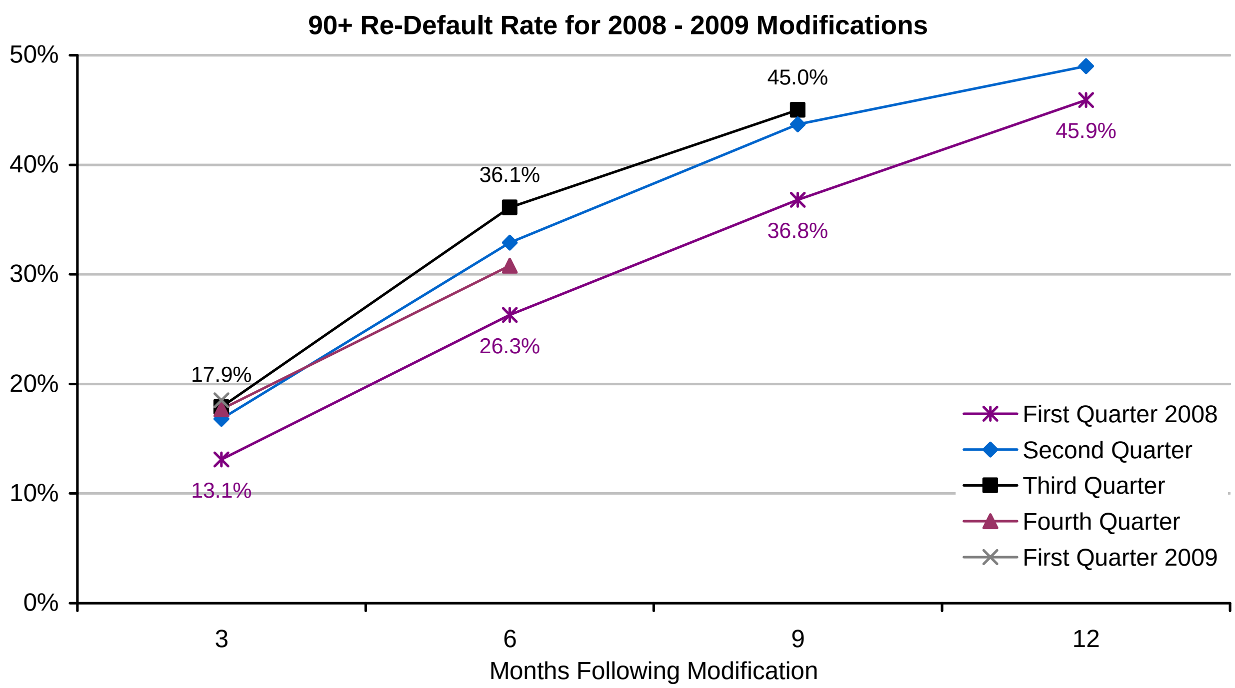
Re-Default Rates of Modified Loans: 90 or More Days Delinquent

The re-default rate measured at 90 or more days delinquent or in process of foreclosure marginally increased for loans modified in the first quarter of 2009 after three months relative to earlier modification vintages. It is too early to determine whether these modifications will perform significantly differently than prior vintages in the long term.

Table 27. **Modified Loans 90 or More Days Delinquent**
(90+ Re-Default Rate for 2008 Modifications)

Modification Date	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
First Quarter 2008	13.1%	26.3%	36.8%	45.9%
Second Quarter	16.8%	32.9%	43.7%	49.0%
Third Quarter	17.9%	36.1%	45.0%	--
Fourth Quarter	17.7%	30.8%	--	--
First Quarter 2009	18.5%	--	--	--

Figure 12. **Modified Loans 90 or More Days Delinquent**



Re-Default Rate, by Investor (60 or More Days Delinquent)

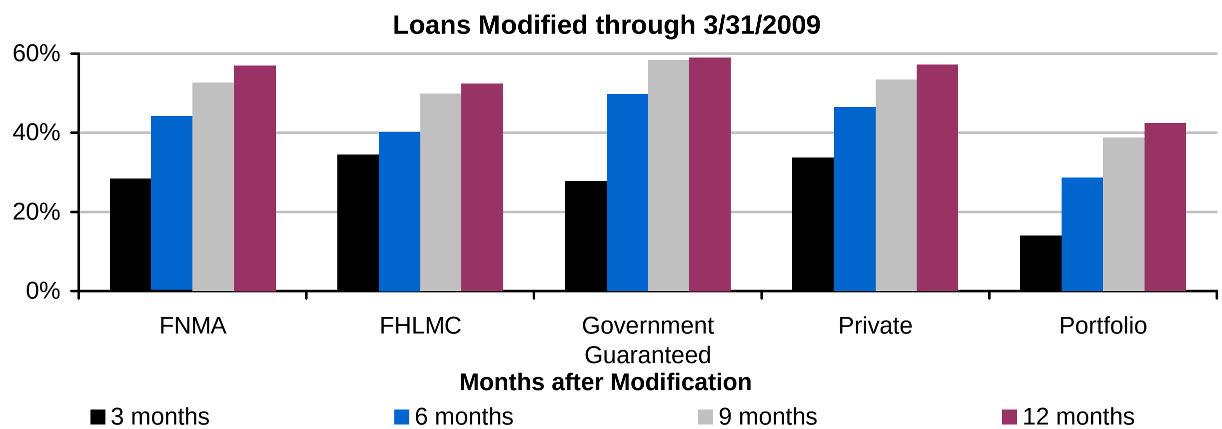
Modifications on loans held in the servicers' own portfolios continued to perform significantly better after modification than loans serviced for others. This difference may reflect differences in modification programs and the servicers' flexibility to modify loan terms to achieve greater affordability and sustainability.

Table 28. **Re-Default Rates for Portfolio Loans and Loans Serviced for Others (60 or More Days Delinquent)***

Investor Loan Type	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
Fannie Mae	28.3%	44.1%	52.6%	57.0%
Freddie Mac	34.4%	40.2%	49.8%	52.4%
Government Guaranteed	27.7%	49.8%	58.3%	59.1%
Private	33.8%	46.4%	53.4%	57.2%
Portfolio Loans	14.0%	28.7%	38.7%	42.4%

* Data include only loans implemented since first quarter 2008 that had time to age the indicated number of months as of June 30, 2009. For example, only modifications implemented during first and second quarter 2008 have been in effect at least 12 months subsequent to the modification.

Figure 13. **60 or More Days Delinquent by Investor after Modification**



C. Modified Loan Performance, by Change in Monthly Payments

Borrowers default on their mortgages for many reasons, but they likely include a combination of depressed property values, reduced income due to underemployment or unemployment, excessive borrower leverage, other issues affecting consumer ability or willingness to pay, and poor initial underwriting. Reasons for re-defaulting on a modified loan are similar, but also include the stage of delinquency in which the modification is implemented—the more serious the delinquency, the less likely the borrower will remain current after modification—and, significantly, the change in the monthly mortgage payment.

The data in this section consistently show that re-default rates were lowest, and payments most sustainable, for modifications that reduced monthly payments. The larger the reduction in monthly payment, the lower the subsequent re-default rate. Re-defaults were initially highest for modifications that resulted in no change in the monthly payment. Servicers say that one reason for this anomaly is that modifications in which payments are unchanged often result from freezing the interest rate on adjustable rate mortgages before the loans resetting to higher payments. While servicers determined that these borrowers were at risk of imminent default on the increased payment, the rate and payment were often frozen as part of a systemic program that did not involve a full assessment of the borrowers' capacity to continue making their payments. For servicers and investors, determining the optimal type of modification often requires weighing a combination of reduced cash flow from loan terms that reduce monthly principal and interest payments against the potential for longer term sustainability of the payments.

Modified Loans 60 or More Days Delinquent, by Changes to Monthly Payments: Re-Default Rate at Three, Six, Nine, and 12 Months after Modification

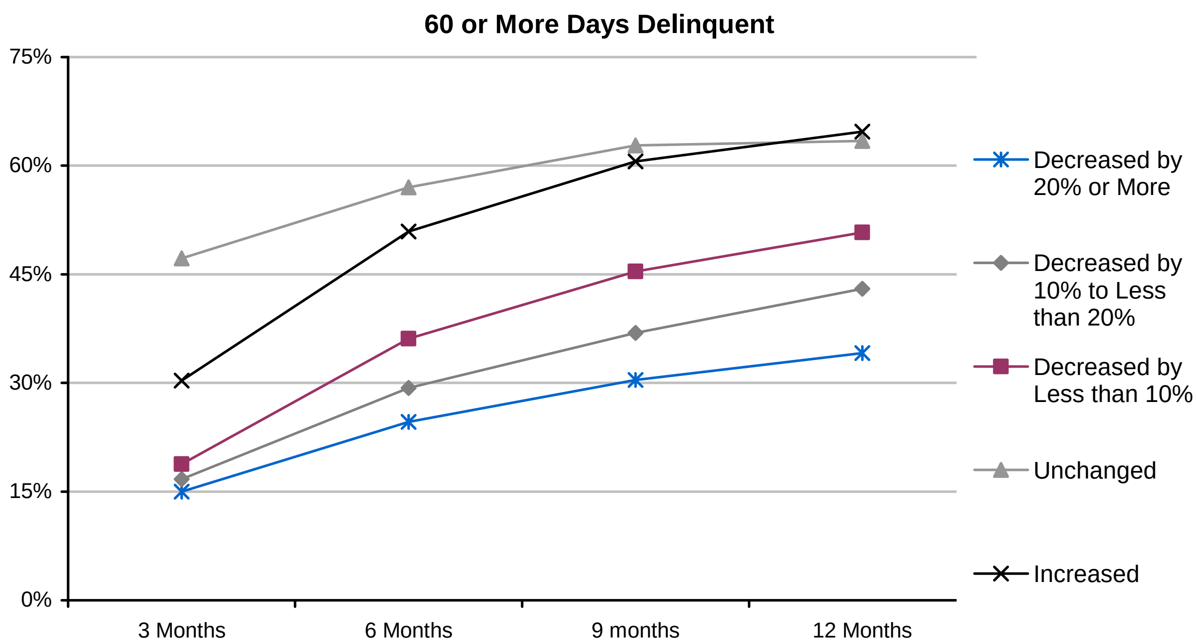
Modifications that decreased monthly payments had consistently lower re-default rates, with greater percentage decreases in payments resulting in lower subsequent re-default rates. While lower payments reduce monthly cash flows to mortgage investors, they may also result in longer term sustainability of the mortgage payments. After 12 months, 34.1 percent of modifications that decreased monthly payments by 20 percent or more were seriously delinquent. In contrast, 63.4 percent of modifications that left payments unchanged and 64.7 percent of modifications that increased payments were seriously delinquent after 12 months.

Table 29. **Re-Default Rates of Loans Modified in 2008-2009 by Changes in Payment**
(60 or More Days Delinquent)*

	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
Decreased by 20% or More	15.0%	24.6%	30.4%	34.1%
Decreased by 10% to Less than 20%	16.7%	29.3%	36.9%	43.0%
Decreased by Less than 10%	18.8%	36.1%	45.4%	50.8%
Unchanged	47.2%	57.0%	62.8%	63.4%
Increased	30.3%	50.9%	60.6%	64.7%

*Data include only loans implemented since first quarter 2008 that had time to age the indicated number of months as of June 30, 2009. For example, only modifications implemented during first and second quarter 2008 have been in effect at least 12 months subsequent to the modification.

Figure 14. **Re-Default Rates of Loans Modified in 2008 by Change in Payment**



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

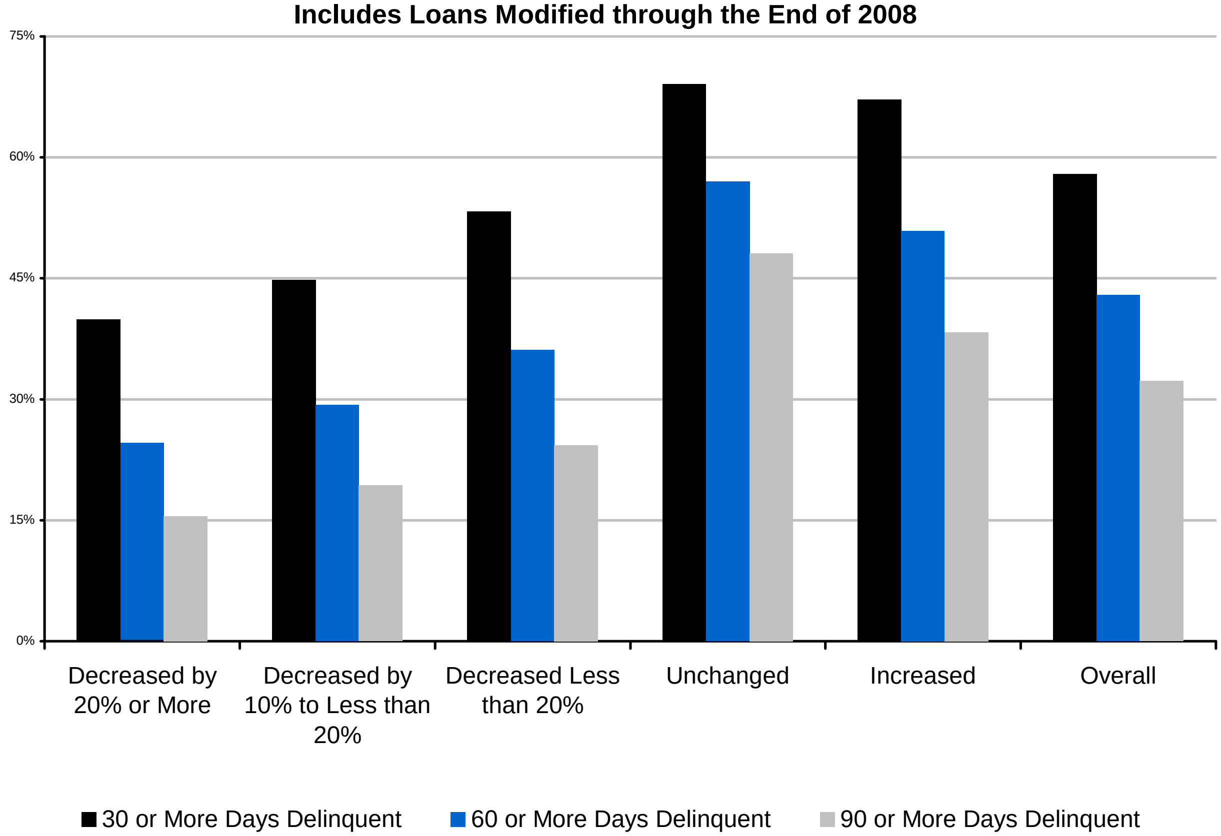
Regardless of the measure used for re-default—30, 60, or 90 days delinquent plus loans in process of foreclosure—modifications resulting in the greatest decrease in monthly payment showed the lowest re-default rates.

Table 30. **Varying Measures of Delinquency at Six Months after Modification**
(Includes Loans Modified during 2008-2009)

	Decreased by 20% or More	Decreased by 10% to Less than 20%	Decreased by Less than 10%	Unchanged	Increased	Overall
30 or More Days Delinquent	39.9%	44.8%	53.3%	69.1%	67.2%	57.9%
60 or more Days Delinquent	24.6%	29.3%	36.1%	57.0%	50.9%	42.9%
90 or More Days Delinquent	15.5%	19.3%	24.3%	48.1%	38.3%	32.3%

Figure 15. **Varying Measures of Delinquency at Six Months after Modification**

Includes Loans Modified through the End of 2008



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

Completed Foreclosures and Other Home Forfeiture Actions

During the second quarter of 2009, home forfeiture actions—foreclosure sales, short sales, and deeds-in-lieu of foreclosure—increased by 19.4 percent from the previous quarter. Completed foreclosures rose to 106,007, up 16.9 percent from the previous quarter, coinciding with the end of various federal, state, local, and servicer-imposed foreclosure moratoria. Short sales increased to 23,102, a 34.8 percent jump from the previous quarter.

While home forfeiture actions increased in the second quarter, banks and thrifts implemented nearly 3.4 times more home retention actions—loan modifications and payment plans—than completed foreclosures and other home forfeiture actions.

***Table 31.* Completed Foreclosures and Other Home Forfeiture Actions**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
New Short Sales	9,402	13,015	15,588	17,141	23,102	34.8%	145.7%
New Deed-in-Lieu-of-Foreclosure Actions	865	838	2,173	1,201	1,032	-14.1%	19.3%
Completed Foreclosures	117,325	126,266	89,634	90,696	106,007	16.9%	-9.6%
Total	127,592	140,119	107,395	109,038	130,141	19.4%	2.0%
Newly Initiated Home Retention Actions Relative to Completed Foreclosures and Other Home Forfeiture Actions	197.1%	191.8%	273.4%	331.4%	337.8%	1.9%	71.4%

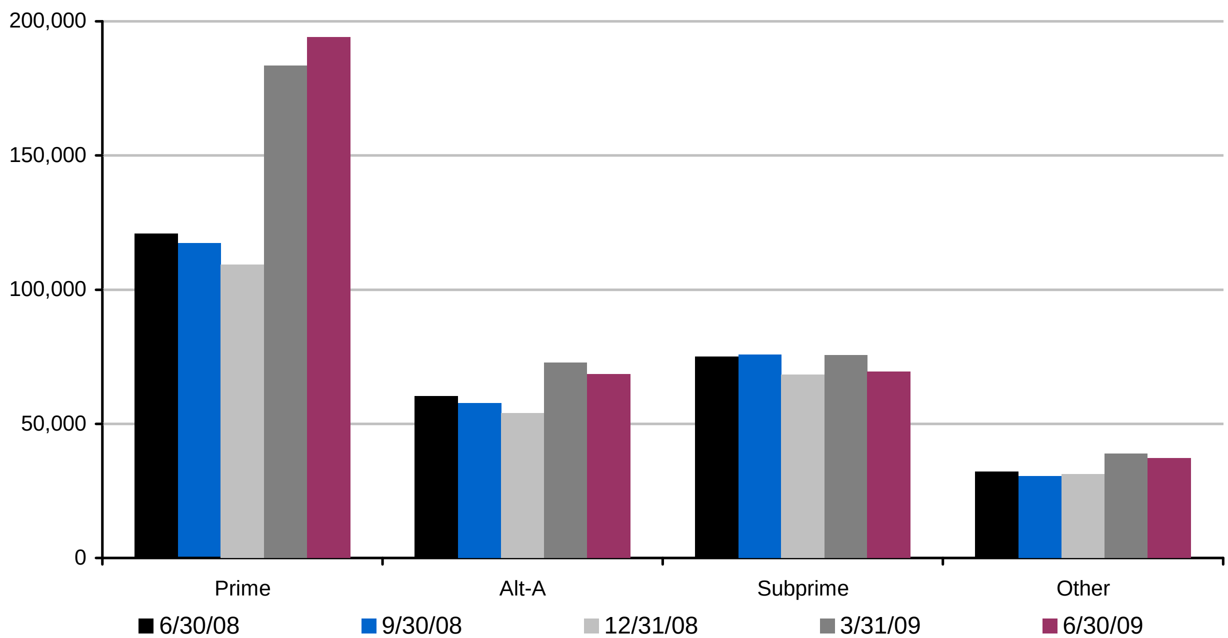
Newly Initiated Foreclosures

The number of newly initiated foreclosures in the second quarter (369,226) was essentially unchanged from the number during the previous quarter. Newly initiated foreclosure decreased for all risk categories other than prime loans. Among prime loans, new foreclosures increased by 5.8 percent from the previous quarter, reflecting the decline in borrower credit quality within this largest group. Servicer emphasis on home retention actions, including those under the "Making Home Affordable" program, helped keep the number of newly initiated foreclosures flat despite rising serious delinquencies.

Table 32. **Number of Newly Initiated Foreclosures**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Prime	120,931	117,276	109,285	183,441	194,071	5.8%	60.5%
Alt-A	60,392	57,651	53,914	72,702	68,622	-5.6%	13.6%
Subprime	74,961	75,789	68,204	75,508	69,382	-8.1%	-7.4%
Other	32,174	30,569	31,288	38,916	37,151	-4.5%	15.5%
Total	288,458	281,285	262,691	370,567	369,226	-0.4%	28.0%

Figure 16. **Number of Newly Initiated Foreclosures**



Foreclosures in Process

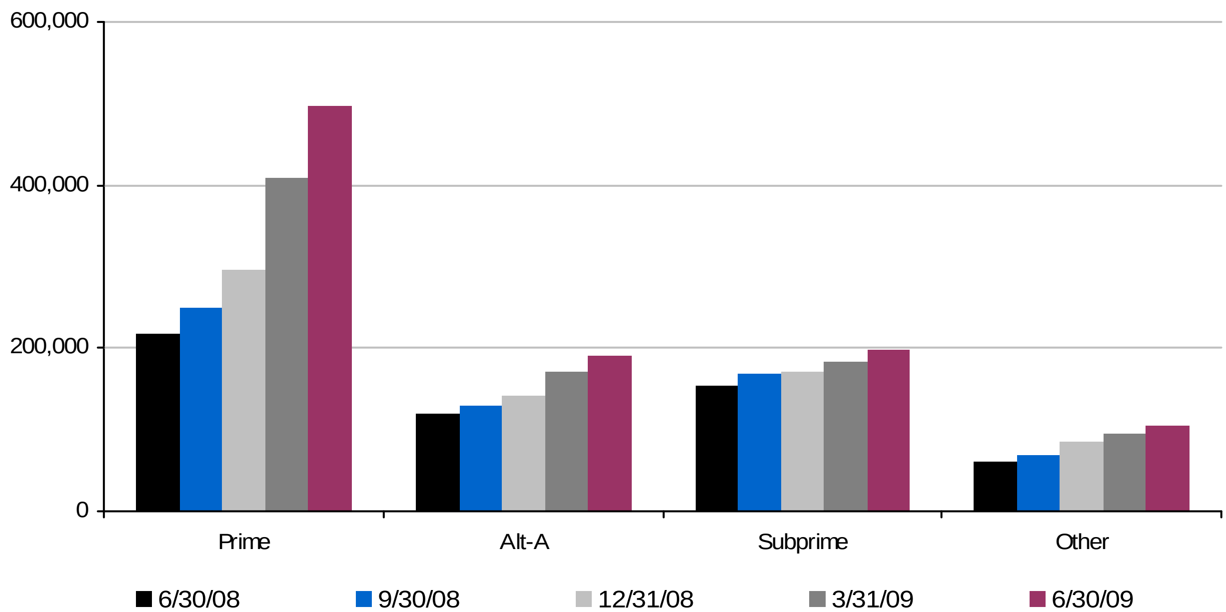
Foreclosures in process rose to 992,554 and represented 2.9 percent of all serviced loans. This increase is largely attributable to continued adverse economic conditions exerting pressure on homeowners' ability to remain current on mortgage obligations. The number of foreclosures in process jumped 15.3 percent from the previous quarter and 79.4 from a year ago. Prime mortgages had the highest rate of increase in foreclosures in process, repeating the trends noted for newly initiated foreclosures.

The rate of newly initiated foreclosure actions continued to outpace the rate of foreclosure sales, causing the number of loans in process of foreclosure to increase. Many of these loans are remaining in process of foreclosure for longer periods than before and never result in foreclosure sale or forfeiture of the home, as borrowers and servicers seek other resolutions.

Table 33. **Number of Foreclosures in Process**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Prime	218,634	249,438	295,358	409,313	497,266	21.5%	127.4%
Alt-A	118,938	129,236	141,091	172,268	191,456	11.1%	61.0%
Subprime	155,288	168,225	172,146	184,468	199,432	8.1%	28.4%
Other	60,295	67,564	84,828	94,980	104,400	9.9%	73.1%
Total	553,155	614,463	693,423	861,029	992,554	15.3%	79.4%
Number of Foreclosures in Process Relative to Mortgages in That Category							
Prime	1.0%	1.1%	1.3%	1.8%	2.2%	21.2%	127.8%
Alt-A	3.3%	3.6%	4.0%	4.9%	5.4%	10.9%	63.7%
Subprime	5.0%	5.5%	5.7%	6.4%	7.0%	9.7%	39.6%
Other	1.2%	1.4%	1.7%	2.0%	2.3%	17.1%	89.6%
Total	1.6%	1.8%	2.0%	2.5%	2.9%	16.2%	83.5%

Figure 17. **Number of Foreclosures in Process**



Completed Foreclosures

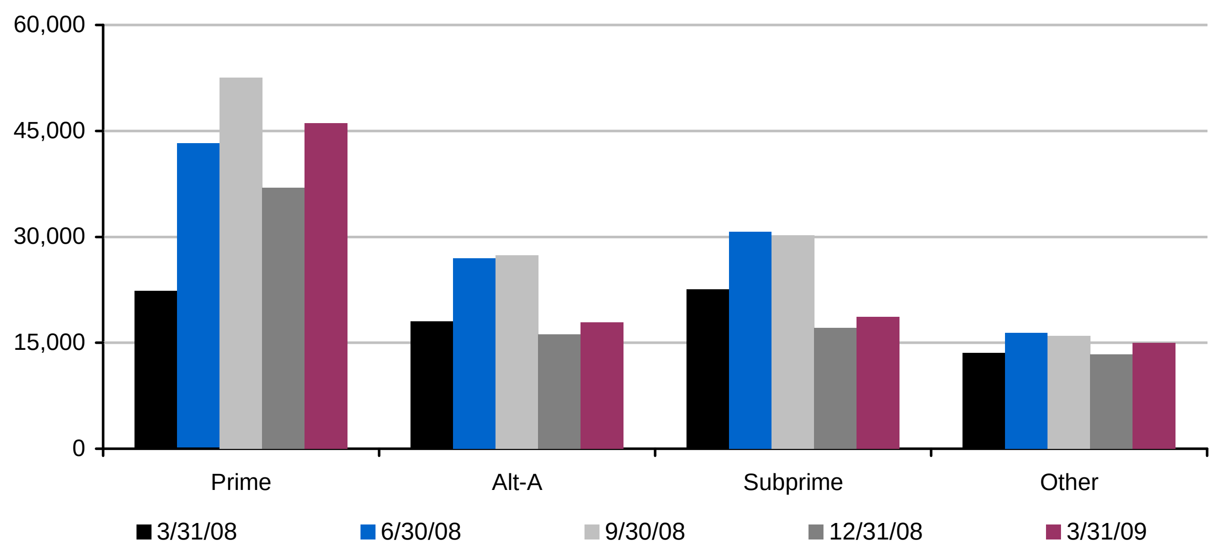
Completed foreclosures increased by 15,311 from the previous quarter, an increase of 16.9 percent, but down nearly 10 percent from a year ago. The increase in completed foreclosures resulted primarily from the end of national, state, local, and servicer-imposed moratoria.

Foreclosures are completed when ownership of the properties is transferred to the servicers or investors and the mortgage debts are extinguished. Foreclosure processes vary by state and can take more than 15 months to complete. Many foreclosures never reach completion, as borrowers and servicers seek other resolutions.

Table 34. **Number of Completed Foreclosures**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Prime	43,238	52,571	35,296	39,910	50,108	25.6%	15.9%
Alt-A	26,932	27,405	18,573	17,872	19,777	10.7%	-26.6%
Subprime	30,750	30,264	21,869	19,505	21,138	8.4%	-31.3%
Other	16,405	16,026	13,896	13,409	14,984	11.7%	-8.7%
Total	117,325	126,266	89,634	90,696	106,007	16.9%	-9.6%
Number of Completed Foreclosures Relative to Mortgages in that Category							
Prime	0.2%	0.2%	0.2%	0.2%	0.2%	25.2%	16.1%
Alt-A	0.8%	0.8%	0.5%	0.5%	0.6%	10.4%	-25.3%
Subprime	1.0%	1.0%	0.7%	0.7%	0.7%	9.9%	-25.3%
Other	0.3%	0.3%	0.3%	0.3%	0.3%	19.0%	0.0%
Total	0.3%	0.4%	0.3%	0.3%	0.3%	17.8%	-7.6%

Figure 18. **Number of Completed Foreclosures**



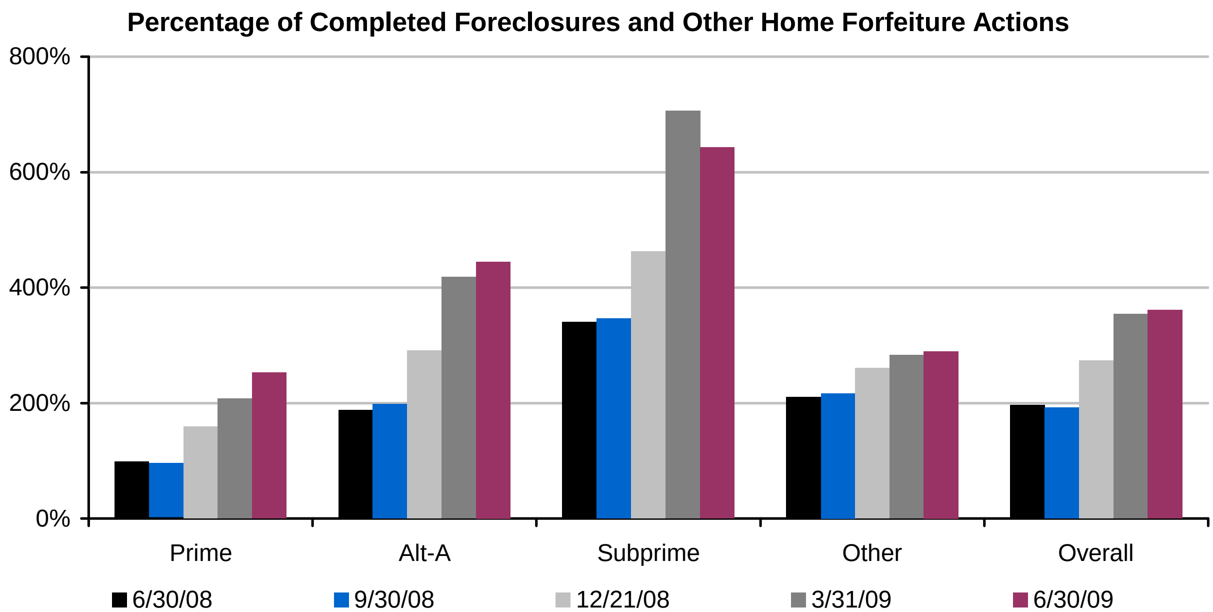
Home Retention Actions Relative to Forfeiture Actions, by Risk Category

During the second quarter of 2009, servicers implemented nearly 3.4 times as many home retention actions as completed home forfeiture actions, with the relative percentage increasing for all categories except subprime. For subprime loans, newly initiated home retention actions were more than 5.7 times the number of completed foreclosures and other home forfeiture actions.

Table 35. **Newly Initiated Home Retention Actions**
(Percentage of Completed Foreclosures and Other Home Forfeiture Actions)

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Prime	98.5%	96.2%	159.5%	196.0%	237.4%	21.2%	140.9%
Alt-A	188.1%	197.9%	291.3%	384.8%	409.1%	6.3%	117.5%
Subprime	339.9%	346.1%	462.7%	628.0%	575.9%	-8.3%	69.4%
Other	210.3%	216.9%	260.6%	282.3%	289.2%	2.5%	37.5%
Overall	197.1%	191.8%	273.4%	331.4%	337.8%	1.9%	71.4%

Figure 19. **Newly Initiated Home Retention Actions**



Appendixes

Appendix A—New Loan Modifications

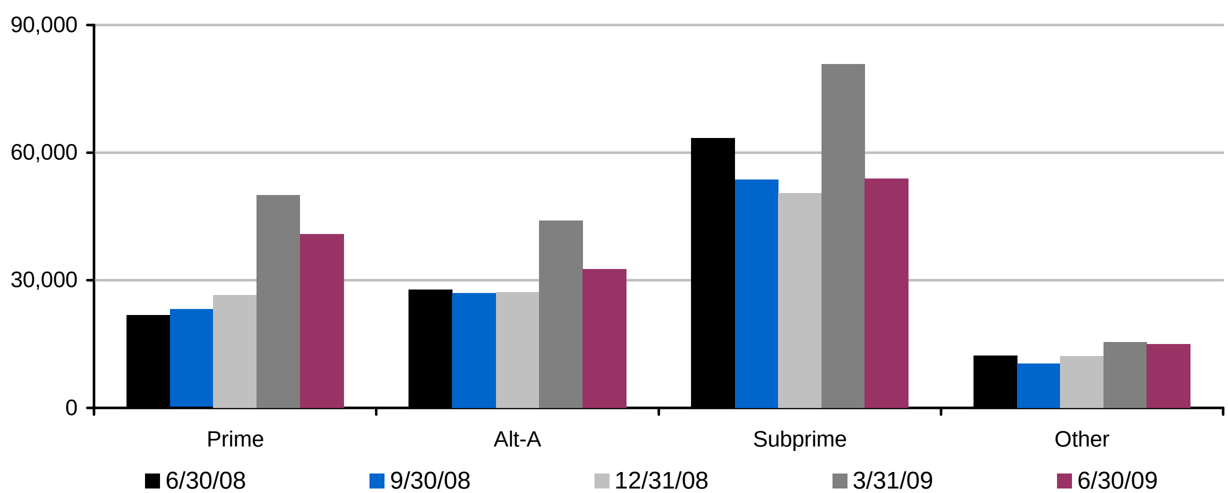
New loan modifications dropped by 25.2 percent to 142,362 during the second quarter of 2009. This decline was due to servicer emphasis on initiating new home retention actions under the "Making Home Affordable" program. New actions under this program require the borrower to successfully complete three trial payments prior to permanent modification of the mortgage. During the trial period, these actions are recorded as payment plans in this report. "Making Home Affordable" trial payment plans totaled 114,544 during second quarter 2009, more than offsetting the 47,995 decline in modifications offered by servicers and investors.

Modifications decreased across all risk categories, with the largest percentage decline in subprime mortgages. However, subprime loans received nearly 38 percent of all new modifications in the quarter, despite representing only 8 percent of all loans in the servicing portfolio. Prime loans constituted about 28.7 percent of all new modifications in the quarter, but 68 percent of all loans in the servicing portfolio.

Table 36. **Number of New Loan Modifications**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Prime	21,767	23,167	26,493	50,071	40,855	-18.4%	87.7%
Alt-A	27,806	26,960	27,248	44,056	32,650	-25.9%	17.4%
Subprime	63,415	53,574	50,437	80,803	53,884	-33.3%	-15.0%
Other	12,360	10,369	12,176	15,427	14,973	-2.9%	21.1%
Total	125,348	114,070	116,354	190,357	142,362	-25.2%	13.6%
Number of New Loan Modifications Relative to Mortgages in hat Category							
Prime	0.1%	0.1%	0.1%	0.2%	0.2%	-18.6%	88.0%
Alt-A	0.8%	0.8%	0.8%	1.3%	0.9%	-26.1%	19.4%
Subprime	2.0%	1.7%	1.7%	2.8%	1.9%	-32.4%	-7.6%
Other	0.2%	0.2%	0.2%	0.3%	0.3%	3.4%	32.6%
Total	0.4%	0.3%	0.3%	0.6%	0.4%	-24.6%	16.2%

Figure 20. **Number of New Loan Modifications**



Appendix B—New Payment Plans

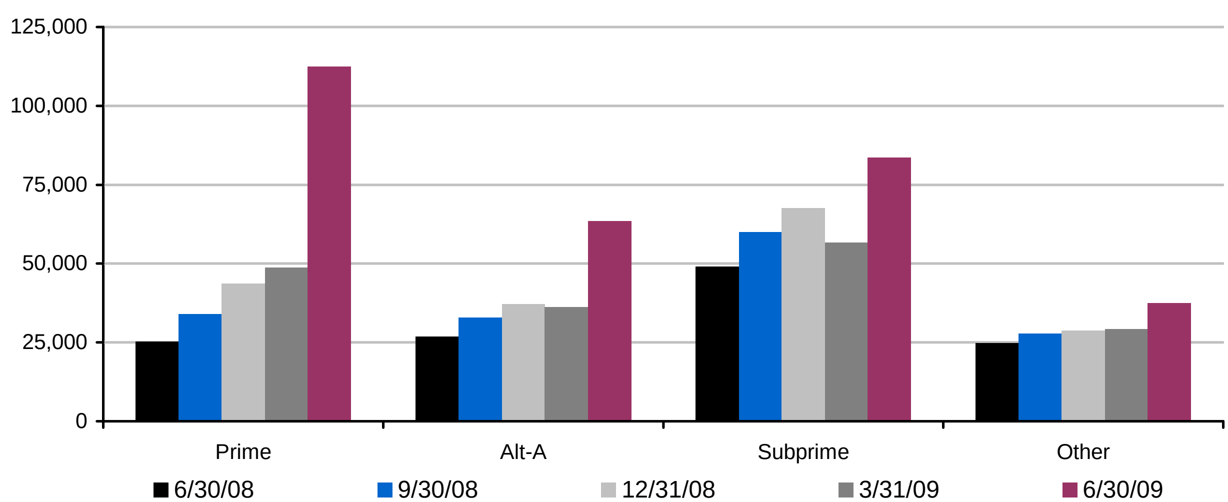
New payment plans increased to 297,212 during the second quarter of 2009—rising by 73.9 percent from the previous quarter and by 135.7 percent from a year ago. The 126,267 increase in the number of payment plans is primarily attributable to the 114,538 new "Making Home Affordable" trial period plans, recorded as payment plans in this report. Trial payment plans under the program that successfully complete the trial period will be permanently modified and reported as loan modifications in future reports.

New payment plans increased across all risk categories in the second quarter, most significantly among prime mortgages. The number of prime mortgages that received payments plans grew by 130.7 percent from the previous quarter and is up by 345.9 percent from a year ago.

Table 37. **Number of New Payment Plans**

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	1Q %Change	1Y %Change
Prime	25,243	34,058	43,708	48,789	112,548	130.7%	345.9%
Alt-A	26,987	32,798	37,272	36,226	63,537	75.4%	135.4%
Subprime	49,104	60,048	67,558	56,660	83,609	47.6%	70.3%
Other	24,780	27,745	28,776	29,270	37,518	28.2%	51.4%
Total	126,114	154,649	177,314	170,945	297,212	73.9%	135.7%
Number of New Payment Plans Relative to Mortgages in that Category							
Prime	0.1%	0.1%	0.2%	0.2%	0.5%	130.1%	346.5%
Alt-A	0.8%	0.9%	1.0%	1.0%	1.8%	74.9%	139.4%
Subprime	1.6%	2.0%	2.2%	2.0%	2.9%	49.7%	85.1%
Other	0.5%	0.6%	0.6%	0.6%	0.8%	36.5%	65.7%
Total	0.4%	0.4%	0.5%	0.5%	0.9%	75.2%	141.0%

Figure 21. **Number of New Payment Plans**



Appendix C—Breakdown of Individual and Combined Modification Actions

Table 38 shows the types of modifications implemented during the first two quarters of 2009. Combination modifications, actions that change more than one loan term, accounted for nearly three-quarters of all modifications implemented during the second quarter. Capitalization modifications, actions that add delinquent interest and fees to the principal balance of the loan and re-amortize the debt, accounted for an additional 11 percent.

Table 38. Changes in Loan Terms Made by Modifications Made during the First and Second Quarters of 2009

	Total Number of Changes in Each Category		Percentage of Modifications	
	3/31/09	6/30/09	3/31/09 (of 190,357)	6/30/09 (of 142,632)
Combination Modifications*	118,003	105,793	62.0%	74.3%
Capitalization	27,686	15,452	14.5%	10.9%
Rate Reduction	16,869	5,864	8.9%	4.1%
Rate Freeze	10,106	3,797	5.3%	2.7%
Term Extension	485	526	0.3%	0.4%
Principal Reduction	4	2	0.0%	0.0%
Principal Deferral	41	323	0.0%	0.2%
Unknown**	17,163	10,605	9.0%	7.5%
Total Modifications	190,357	142,362	100.0%	100.0%

*Combination modifications result in a change to two or more loan terms. All other modification types detailed in this table involve only the listed action.

More than 74 percent of all modifications implemented in second quarter 2009 changed more than one term of the loan. Known as combination modifications, these 105,793 modifications most often featured reduction of the interest rate, capitalization of missed fees and payments, and term extensions. Table 39 shows the breakdown of features included in combination modifications. Because combination modifications involve more than one change to the terms of a mortgage, the sum of these actions exceeds the number of mortgages modified in each quarter.

Table 39. Changes in Loan Terms Included in Combination Modifications Made during the First and Second Quarters of 2009

	Total Number of Changes in Each Category		Percentage of Modifications	
	3/31/09	6/30/09	3/31/09	6/30/09
Capitalization	100,181	76,138	84.9%	72.0%
Rate Reduction	88,632	93,932	75.1%	88.8%
Rate Freeze	18,667	6,874	15.8%	6.5%
Term Extension	48,655	64,942	41.2%	61.4%
Principal Reduction	5,827	14,174	4.9%	13.4%
Principal Deferral	370	3,173	0.3%	3.0%
Unknown**	17,163	10,605	14.5%	10.0%

**Processing constraints at some servicers prevented them from aggregating and reporting specific modified term(s).

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