Federal Housing Finance Agency

Foreclosure Prevention Report

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

CONTENTS

Correction Notice
The following information was corrected in this document on April 29, 2009, at 3 p.m.:

The "Loss Mitigation Action Breakdown" graphs on page 14 were replaced with corrected versions. The graph showing numbers of actions contained a minor error—the graph's vertical axis did not extend far enough to capture all the variables plotted. A footnote was added to the second graph to clarify the totaling of percentages depicted.

Introduction

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

The report focuses on the delinquencies, loss mitigation actions, and foreclosure data reported by more than 3,000 Enterprise-approved servicers. As of December 31, 2008, a total of 30.7 million first lien residential mortgages with total outstanding balances of $ 4.6 trillion had been serviced for Fannie Mae and Freddie Mac. The combined Enterprise portfolios had a weighted average FICO[1] score of 724 at origination, a weighted average loan-to-value at origination of 72 percent, and a weighted average mark-to-market loan-to-value ratio of 71 percent. Roughly 84 percent of the mortgages were classified as *prime*.

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

Although this report is comprehensive, it is inappropriate to draw conclusions about overall conditions in mortgage lending from Enterprise data. Loan data and related metrics vary. In addition, some servicers report mortgages HOPE NOW, the Enterprises, and other entities, so the data reported is not mutually exclusive.

[1] The standard measure of consumer credit risk, developed by the Fair Isaac Corporation.

Overall Mortgage Portfolio

As of December 31, 2008, the Enterprises' combined first lien residential mortgages totaled 30.7 million loans with outstanding balances of $4.6 trillion. This was a decrease of 0.3 percent in loans over third quarter of 2008 (77,914 mortgages). However, prime first-lien residential mortgages increased by 0.3 percent, while nonprime first-lien residential mortgages decreased by 2.8 percent. This is indicative of both Enterprises' initiatives to increase the credit quality of new business.

Of the 30.7 million total mortgages, 25.8 million (84 percent) were prime and 4.9 million (16 percent) were nonprime. Those percentages remained relatively unchanged over the reporting period.

A nonprime mortgage is a mortgage with either a FICO[2] score less than 660 or with no FICO score at origination. Other industry participants may categorize these mortgages as Alt-A, subprime, or other.

Table 1. Overall Mortgage Portfolio (Number of Loans)

	10/31/2008	11/30/2008	12/31/2008
Prime	25,680,402	25,666,584	25,765,149
Nonprime	4,954,026	4,919,980	4,901,072
Total Servicing	**30,634,428**	**30,586,564**	**30,666,221**

[2] The standard measure of consumer credit risk, developed by the Fair Isaac Corporation.

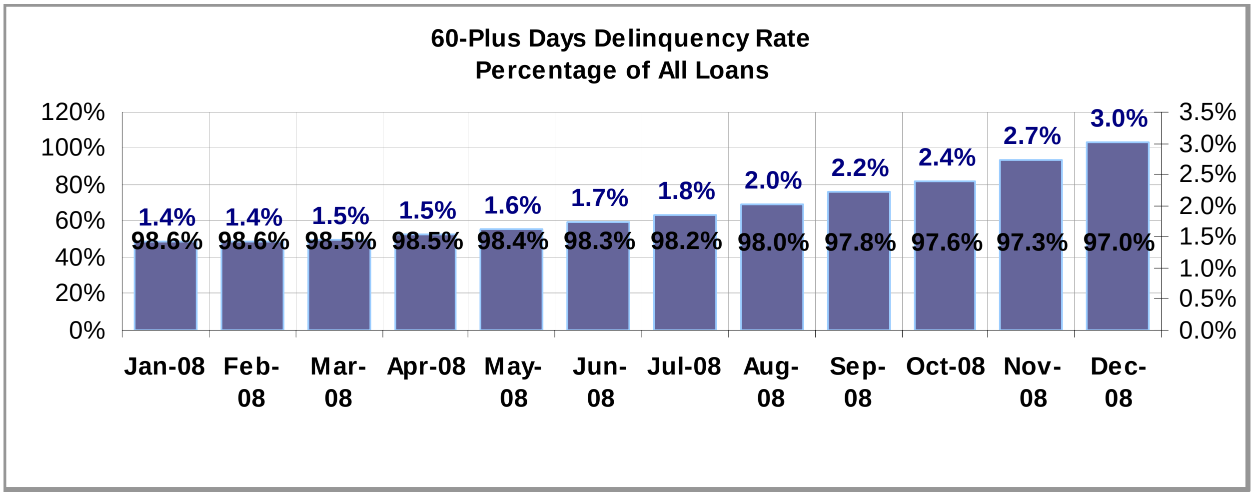
Delinquent Mortgages

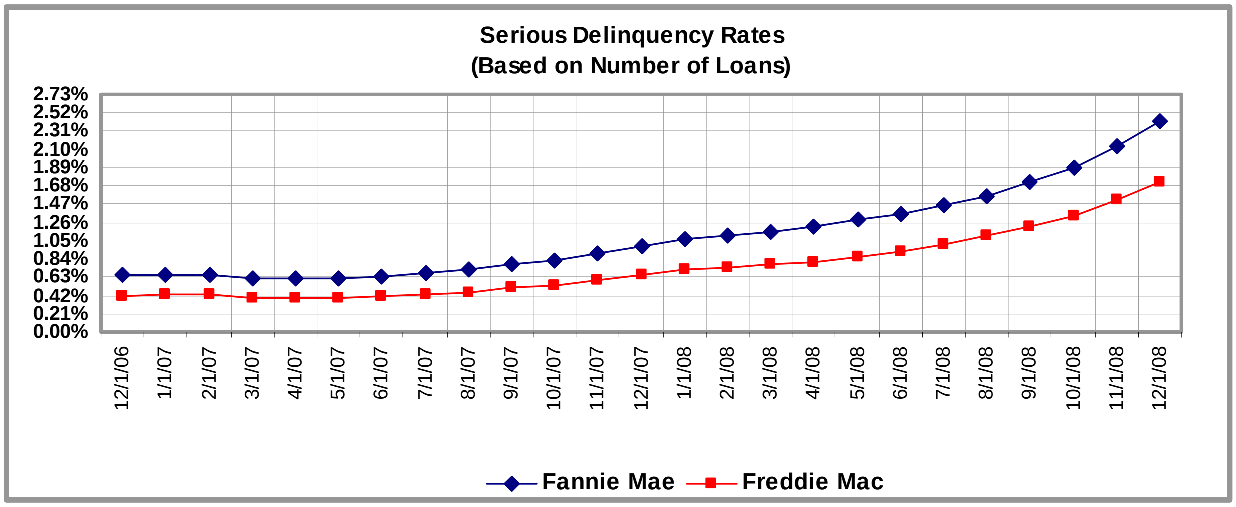
Delinquencies have been rising since April 2007. As of December 31, 2008, 29.7 million of the total loans serviced (97 percent) were current or less than 60 days delinquent. The proportion of 60-plus-days delinquent mortgages in the total portfolios was 3.02 percent. The proportion of 60-plus-days delinquent prime mortgages in the prime portfolio was at 1.93 percent. The proportion of 60-plus-days delinquent nonprime mortgages in the nonprime portfolio was 8.75 percent, or 4.5 times that of prime mortgages. The 60-plus-days delinquency rate increased from 1.35 percent as of December 31, 2007, to 1.46 percent as of March 31, 2008, 1.73 percent as of June 30, 2008, and 2.21 percent as of September 30, 2008.

The 90-plus-days delinquency rate (also called the *serious delinquency rate*) increased from 0.85 percent as of December 31, 2007, to 1.00 percent as of March 31, 2008, 1.19 percent as of June 30, 2008, 1.52 percent as of September 30, 2008, and 2.14 percent as of December 31, 2008.

Table 2. Delinquent Mortgage Composition (Number of Loans)

	10/31/2008	11/30/2008	12/31/2008
Current and Less Than 60 Days Delinquent	**29,903,457**	**29,751,733**	**29,740,385**
Prime	25,300,617	25,227,954	25,268,018
Nonprime	4,602,840	4,523,779	4,472,367
60-Plus Days Delinquent	**730,971**	**834,831**	**925,836**
Prime	379,785	438,630	497,131
Nonprime	351,186	396,201	428,705
90-Plus Days Delinquent	**511,166**	**576,293**	**655,908**


60-Plus Days Delinquency Rate
Percentage of All Loans
120%
100%
80%
60%
40%
20%
0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
1.4% 1.4% 1.5% 1.5% 1.6% 1.7% 1.8% 2.0% 2.2% 2.4% 2.7% 3.0%
98.6% 98.6% 98.5% 98.5% 98.4% 98.3% 98.2% 98.0% 97.8% 97.6% 97.3% 97.0%
Jan-08 Feb-08 Mar-08 Apr-08 May-08 Jun-08 Jul-08 Aug-08 Sep-08 Oct-08 Nov-08 Dec-08


Serious Delinquency Rates
(Based on Number of Loans)
2.73%
2.52%
2.31%
2.10%
1.89%
1.68%
1.47%
1.26%
1.05%
0.84%
0.63%
0.42%
0.21%
0.00%
12/1/06 1/1/07 2/1/07 3/1/07 4/1/07 5/1/07 6/1/07 7/1/07 8/1/07 9/1/07 10/1/07 11/1/07 12/1/07 1/1/08 2/1/08 3/1/08 4/1/08 5/1/08 6/1/08 7/1/08 8/1/08 9/1/08 10/1/08 11/1/08 12/1/08
Fannie Mae
Freddie Mac

Key Findings

This report completes and summarizes FHFA findings on the Enterprises' efforts to prevent foreclosures during 2008. The Enterprises temporarily suspended foreclosure sales during the fourth quarter, and this report analyzes the overall impact of that action. Our analysis includes a look at the effect of the suspension in December on the metrics, as well as year-over-year changes in credit portfolio and loss mitigation performance.

Impact of Enterprise Suspension of Foreclosures

On November 20, 2008, Fannie Mae and Freddie Mac announced they would suspend foreclosure sales from November 26, 2008, until January 9, 2009. The date was later extended to January 31, 2009.

Suspensions gave servicers more time to work with borrowers in foreclosure who were eligible for the Streamlined Modification Program (SMP). The impact of the suspensions caused December numbers for completed foreclosure and third-party sales to decline and for total loans, 60-plus, and 90-plus-day delinquent loans to increase.

When adjusted to account for suspensions, the month-over-month change in the delinquency rates actually decreased. The month-over-month change in the 60-plus-days delinquency rate from October to November was an increase of 14.39 percent. The month-over-month change from November to December was an increase of 9.31 percent.

We reported the actual results along with calculations adjusted for the effect of foreclosure sale suspension on several categories. (See Table 3)

The table shows how various numbers in different categories were affected as a result of the foreclosure suspension. For example:

- The suspension of foreclosure sales on foreclosure and third-party sales caused 12,631 loans to remain in the credit portfolio, increasing 60-plus-days and 90-plus-days delinquency rates.

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

- The number of loans for which foreclosure was completed was 5.8 percent of foreclosure starts. Adjusted for the suspension of foreclosure sales, the rate would have been 26.5 percent.

Year-Over-Year Changes – FY 2007 versus FY 2008

- ***Credit Quality***. All credit performance indicators deteriorated significantly year-over-year. As of year-end 2008, the 60-plus-days delinquency rate was 3.02 percent versus 1.35 percent as of year-end 2007. The 90-plus-days serious delinquency rate was 2.14 percent versus 0.85 percent as of year-end 2007.

- ***Real Estate Owned***. REO activity increased significantly. REO additions were 202 percent of the prior year additions.

- ***Total Workouts***. Workouts completed generally kept pace with the rise in delinquencies with short sales showing the largest increase.

- ***Loss Mitigation Performance Ratio.*** The overall loss mitigation performance ratio increased from 52.6 percent to 56.1 percent. This percent means that 56.1 percent of the accounts for which foreclosure was to be completed were resolved thorough a workout. The increase in this percent indicates that not only did servicers keep pace with the rise in delinquencies, but they actually increased their workout production.

Table 3. Analysis of Fourth Quarter Enterprise Foreclosure Suspension

	FY 2007	Dec-08	Adjusted Dec-08	4Q2008	Adjusted 4Q2008	FY 2008	Adjusted FY 2008	Yr-over-Yr Change	2008 as % of 2007
Number of Loans (at period end)	29,917,314	30,666,221	30,653,590	30,666,221	30,653,590	30,666,221	30,653,590	748,907	102.5%
60 Days+ Delinquency (at period end)	405,063	925,836	913,205	925,836	913,205	925,836	913,205	520,773	228.6%
60 Days+ Delinquency (percent of total loans)	1.35%	3.02%	2.98%	3.02%	2.98%	3.02%	2.98%	1.67%	223.0%
90 Days+ Delinquency (percent of total loans)	0.85%	2.14%	2.10%	2.14%	2.10%	2.14%	2.10%	1.29%	252.9%
Foreclosure Starts	270,545	59,068	59,068	149,981	149,981	508,253	508,253	237,708	187.9%
Completed Foreclosure Sales	76,900	3,430	15,674	34,846	47,090	152,061	164,305	75,161	197.7%
Completed Foreclosure Sales (Percentage of Starts)	28.4%	5.8%	26.5%	23.2%	31.4%	29.9%	32.3%	1.49%	105.3%
Third Party Sales Completed (# of Loans)	8,100	281	669	1,571	1,959	7,732	8,120	(368)	95.5%
Additions to Real Estate Owned (REO)	72,178	3,091	15,018	33,293	45,220	145,537	157,464	73,359	201.6%
REO Inventory (at period end)	48,118	92,807	104,734	92,807	104,734	92,807	104,734	44,689	192.9%
Payment Plans Completed	54,368	4,235	4,235	13,309	13,309	62,560	62,560	8,192	115.1%
HomeSaver Advance (Fannie Mae only)	-	9,296	9,296	25,788	25,788	70,967	70,967	70,967	n/a
Modifications Completed	34,603	8,688	8,688	23,777	23,777	68,307	68,307	33,704	197.4%
Short Sales Completed	4,016	2,261	2,261	6,192	6,192	15,704	15,704	11,688	391.0%
Deed in Lieu Completed	828	234	234	540	540	1,511	1,511	683	182.5%
Charge-offs in Lieu of Foreclosure	484	101	101	273	273	799	799	315	165.1%
Total Workouts	94,300	24,815	24,815	69,879	69,879	219,848	219,848	125,548	233.1%
Loss Mitigation Performance Ratio	52.6%	87.0%	60.3%	65.7%	58.9%	57.9%	56.1%	5.32%	110.1%

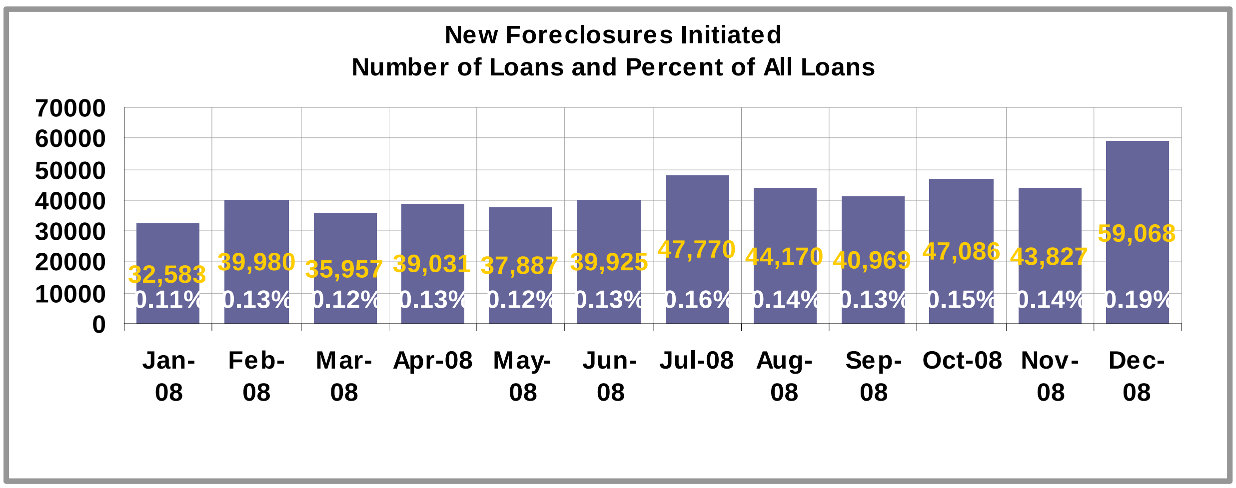
Note: Adjusted numbers account for suspension of foreclosure sales in December and report metrics as if no suspension occurred.

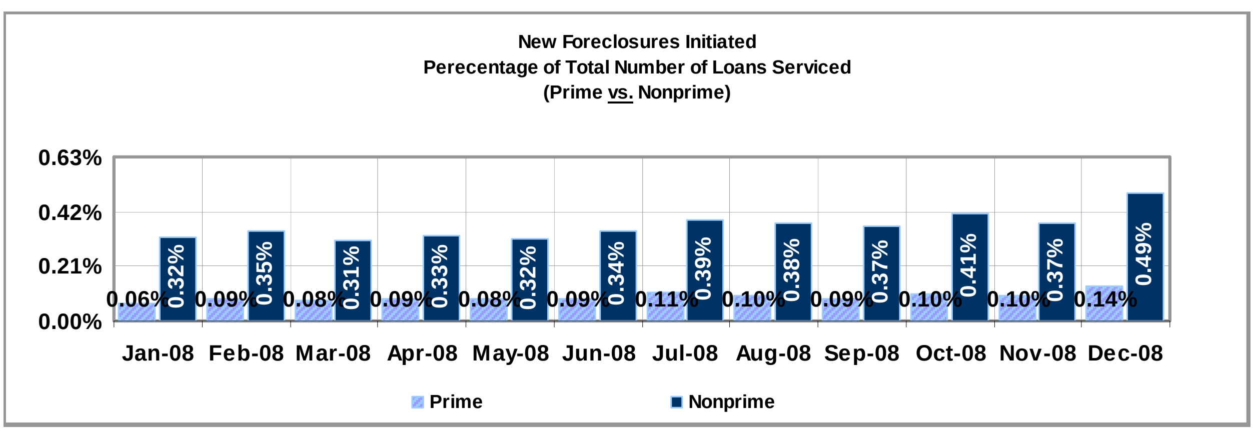
New Foreclosures Initiated

The foreclosure initiation rate has been rising since year-end 2007. During the fourth quarter of 2008, new foreclosures initiated averaged 49,994 per month with 29,101 classified as prime and 20,892 classified as nonprime. New foreclosures initiated for all mortgages were 12.8 percent greater than the third quarter of 2008 monthly average. New foreclosures initiated for prime mortgages were 15.5 percent higher than the third quarter of 2008 monthly average, while new foreclosures initiated for nonprime mortgages were 9.3 percent higher than the third quarter of 2008 monthly average.

Table 4. New Foreclosures Initiated (Number of Loans)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime	19,316	21,973	25,192	26,808	25,456	35,040	29,101
Nonprime	16,857	16,975	19,111	20,278	18,371	24,028	20,892
Total	**36,173**	**38,948**	**44,303**	**47,086**	**43,827**	**59,068**	**49,994**





Foreclosures Completed

During the fourth quarter of 2008, foreclosures completed were 26.6 percent less than the third quarter monthly average as a result of the suspension of foreclosure sales in December. Foreclosures completed for prime mortgage properties averaged 26.0 percent less than the third quarter of 2008 monthly average, while foreclosures completed for nonprime mortgage properties averaged 27.6 percent less than the third quarter monthly average.

Table 5. Foreclosure Sales Completed (Number of Loans)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime	5,735	7,285	9,522	10,226	8,769	2,153	7,049
Nonprime	4,776	5,443	6,311	6,782	5,639	1,277	4,566
Total	**10,511**	**12,728**	**15,832**	**17,008**	**14,408**	**3,430**	**11,615**

Table 6. Foreclosure Sales Completed (Percent of Portfolio)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime FC Sales as a Percent of Total Prime Loans	0.02%	0.03%	0.04%	0.04%	0.03%	0.01%	0.03%
Nonprime FC Sales as a Percent of Total Nonprime Loans	0.09%	0.11%	0.12%	0.14%	0.11%	0.03%	0.09%
Total FC Sales as a Percent of All Loans	**0.03%**	**0.04%**	**0.05%**	**0.06%**	**0.05%**	**0.01%**	**0.04%**

Third-Party Sales Completed

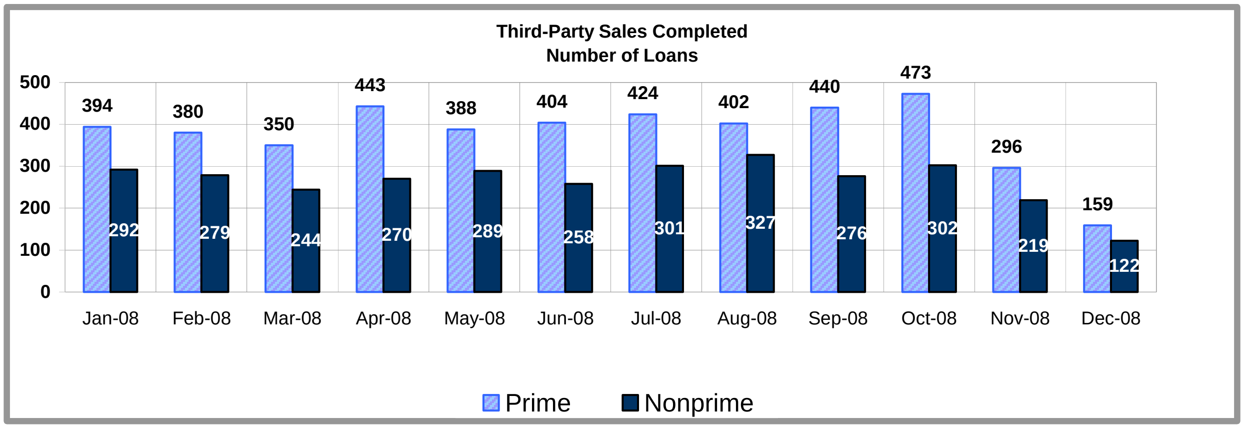
A third-party sale is the sale of the mortgaged property to a third party at the foreclosure auction. The borrower loses the property to foreclosure, but ownership of (deed to) the property transfers to a new owner and not to the mortgage servicer. The property is not added to the servicer's real estate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

Table 7. Third-Party Sales Completed (Number of Loans)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime	375	412	422	473	296	159	309
Nonprime	272	272	301	302	219	122	214
Total	**646**	**684**	**723**	**775**	**515**	**281**	**524**

During the fourth quarter of 2008, the monthly average of all third-party sales decreased by 27.6 percent over the third quarter to 524, with 309 classified as prime and 214 classified as nonprime mortgage properties. Third-party sales of prime mortgage properties decreased by 26.7 percent over the third quarter of 2008 monthly average, while third-party sales of nonprime mortgage properties decreased by 28.9 percent.

The decrease in third-party sales is attributable to the suspension of foreclosure sales in December.



Real Estate Owned (REO) Acquisitions

During the fourth quarter, REO acquisitions decreased by 27.0 percent over the third quarter of 2008 monthly average. REO acquisitions for prime mortgage properties decreased by 26.4 percent over the third quarter of 2008 monthly average, while REO acquisitions for nonprime mortgage properties decreased by 27.9 percent. These decreases stemmed from the suspension of foreclosures sales in December.

Table 8. REO Acquisitions (Number of Properties)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime	5,496	6,959	9,167	9,756	8,533	1,963	6,751
Nonprime	4,554	5,210	6,029	6,447	5,466	1,128	4,347
Total	**10,050**	**12,169**	**15,196**	**16,203**	**13,999**	**3,091**	**11,098**

Real Estate Owned (REO) Inventory

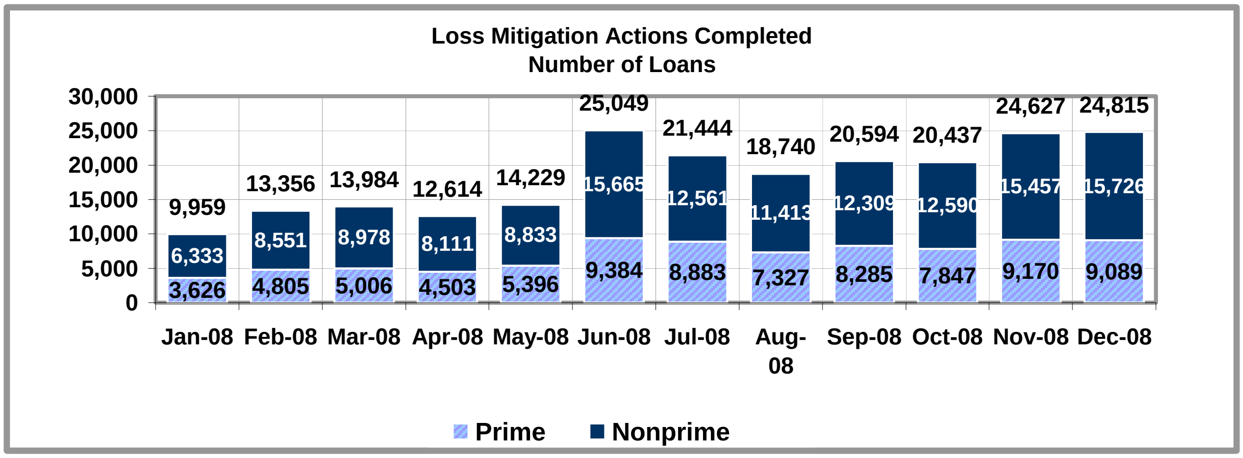
Similarly, just as REO acquisitions fell, real estate owned (REO) inventory fell from 95,553 on September 30, 2008, to 92,807 as of December 31, 2008 — a decrease of 2,746 properties, or 2.9 percent, during the fourth quarter of 2008. As of December 31, 2008, prime mortgage properties represented 59.4 percent and nonprime mortgage properties represented 40.6 percent of REO inventory.

Table 9. REO Inventory at Month end (Number of Properties)

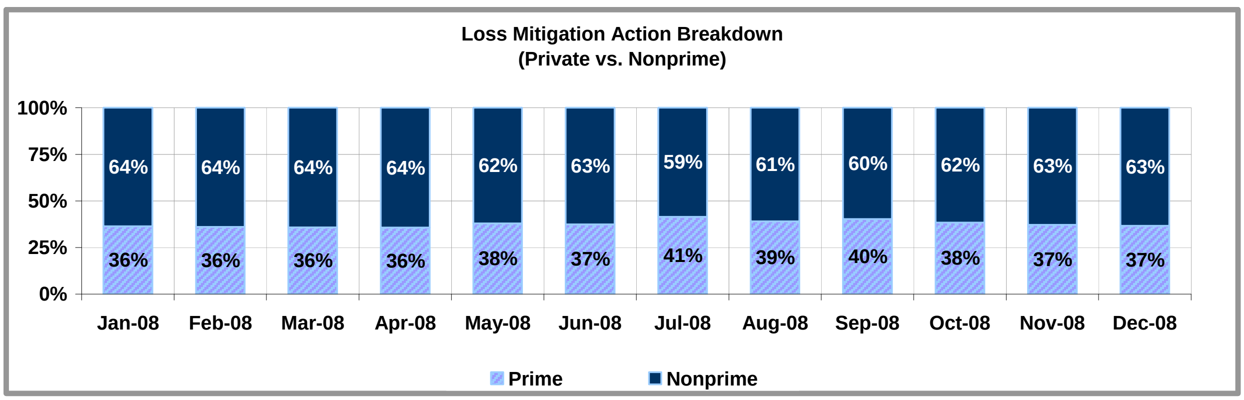
	6/30/08	7/31/08	8/31/08	9/30/08	10/31/08	11/30/08	12/31/08
Prime	41,822	46,905	51,122	55,117	58,065	60,726	55,145
Nonprime	34,332	36,705	38,739	40,436	41,030	42,090	37,662
Total	**76,154**	**83,610**	**89,861**	**95,553**	**99,095**	**102,816**	**92,807**

Loss Mitigation Actions

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

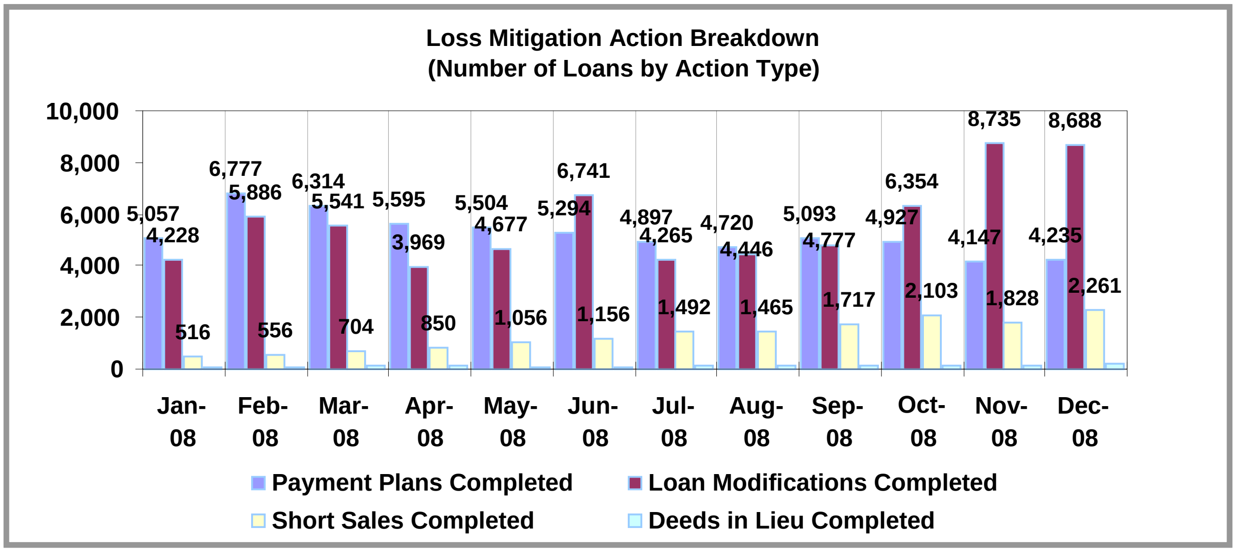


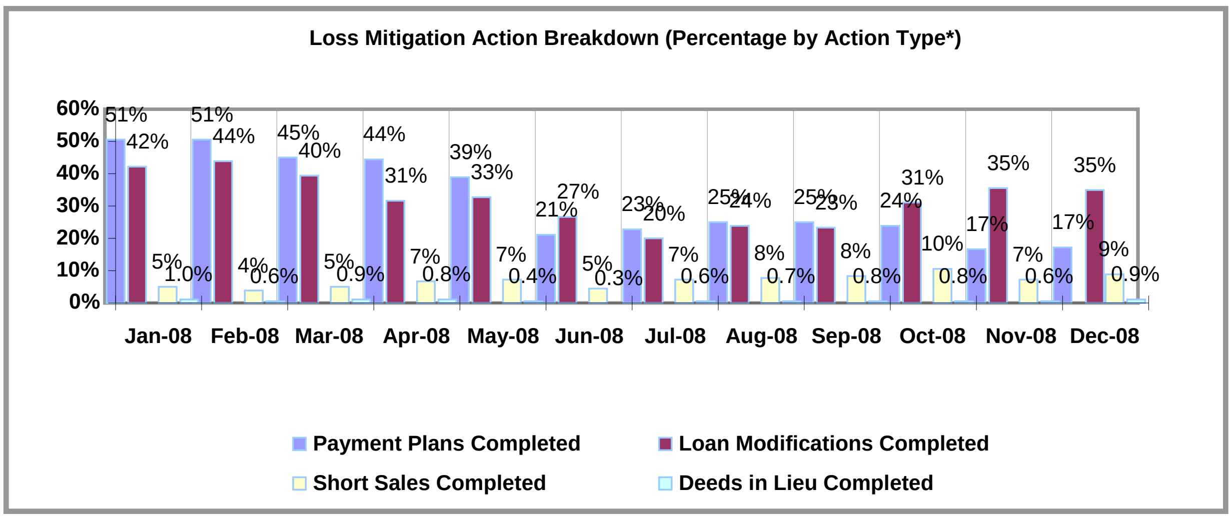
Workout options (excluding forbearance plans) increased 15.0 percent for fourth quarter of 2008. The use of workout options for prime borrowers increased 6.6 percent and 20.6 percent for nonprime borrowers. As a percent of workout options completed, prime mortgages averaged 40.3 percent in the third quarter of 2008 and 37.4 percent in fourth quarter of 2008. Nonprime mortgages averaged 59.7 percent in third quarter of 2008 and 62.6 percent during fourth quarter of 2008.



- Delinquency advances represented 44.9 percent of the third quarter and 36.9 percent of fourth quarter of 2008 loss mitigation actions.
- Completed payment plans represented 24.2 percent of the third quarter and 19.0 percent of fourth quarter of 2008 loss mitigation actions.
- Modifications represented 22.2 percent of the third quarter and 34.0 percent of fourth quarter of 2008 loss mitigation actions.
- Short sales represented 7.7 percent of third quarter and 8.9 percent of fourth quarter of 2008 loss mitigation actions.
- Deeds in lieu represented 0.7 percent of third quarter of 2008 and 0.8 percent of fourth quarter of 2008 loss mitigation actions.

- Charge-offs in lieu of foreclosure represented 0.3 percent of loss mitigation actions for both the third and fourth quarters 2008.
- No assumptions were completed.





* Percentages do not add up to 100 percent. The data do not include charge-offs or Fannie Mae Homesaver Advances.

Forbearance Plans

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

Completed forbearance plans increased dramatically in the fourth quarter. The fourth quarter monthly average increased by 92.5 percent over the prior quarter. Completed forbearance plans for prime borrowers increased by 104.4 percent over the prior quarter. This is likely a reflection of an increase in the number of borrowers on trial forbearance plans in anticipation of a executed loan modification. Completed forbearance plans for nonprime borrowers increased by 84.2 percent over the prior quarter.

Table 10. Forbearance Plans Completed (Number of Loans)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime	161	179	151	207	311	408	309
Nonprime	239	247	215	365	347	478	397
Total	**399**	**426**	**366**	**572**	**658**	**886**	**705**

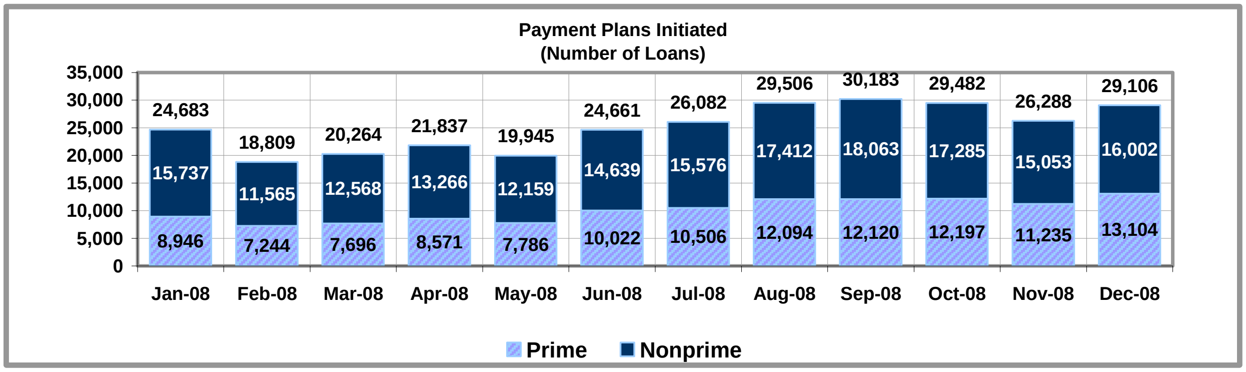
Payment Plans — Initiated

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

- Payment plans initiated decreased 1 percent in the fourth quarter.
- Payment plans initiated for prime borrowers increased by 5.2 percent.
- Payment plans initiated for nonprime borrowers decreased by 5.3 percent decrease.

Table 11. Payment Plans Initiated (Number of Loans)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime	7,962	8,793	11,573	12,197	11,235	13,104	12,179
Nonprime	13,290	13,355	17,017	17,285	15,053	16,002	16,113
Total	**21,252**	**22,148**	**28,590**	**29,482**	**26,288**	**29,106**	**28,292**



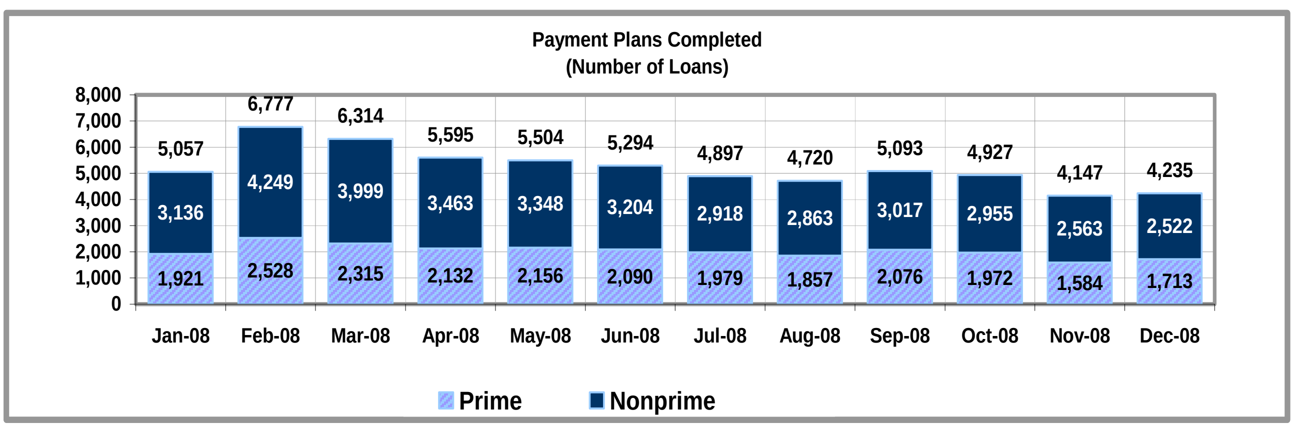
Payment Plans — Completed

Completed payment plans decreased 9.5 percent from the third quarter of 2008. For prime mortgages, completed payment plans decreased 10.9 percent from the third quarter monthly average. Completed payment plans for nonprime mortgages decreased by 8.6 percent.

Completed payment plans represented 17.2 percent of initiated payment plans in the third quarter and 15.7 percent of initiated payment plans in the fourth quarter of 2008.

Table 12. Payment Plans Completed (Number of Loans)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime	2,255	2,126	1,971	1,972	1,584	1,713	1,756
Nonprime	3,795	3,338	2,933	2,955	2,563	2,522	2,680
Total	**6,049**	**5,464**	**4,903**	**4,927**	**4,147**	**4,235**	**4,436**



Delinquency Advances

A delinquency advance allows a qualified borrower to bring the mortgage account current with a new 15-year unsecured loan advanced by the Enterprises. (This program is unique to Fannie Mae.)

Delinquency advances decreased from the third to fourth quarters by 5.5 percent. Delinquency advances for prime mortgages decreased 20.1 percent, but delinquency advances for nonprime mortgages increased 3.2 percent.

Table 13. Fannie Mae HomeSaver Advance (Number of Loans)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime	115	1,953	3,389	1,998	3,113	3,011	2,707
Nonprime	299	3,599	5,704	4,802	6,579	6,285	5,889
Total	**415**	**5,553**	**9,092**	**6,800**	**9,692**	**9,296**	**8,596**

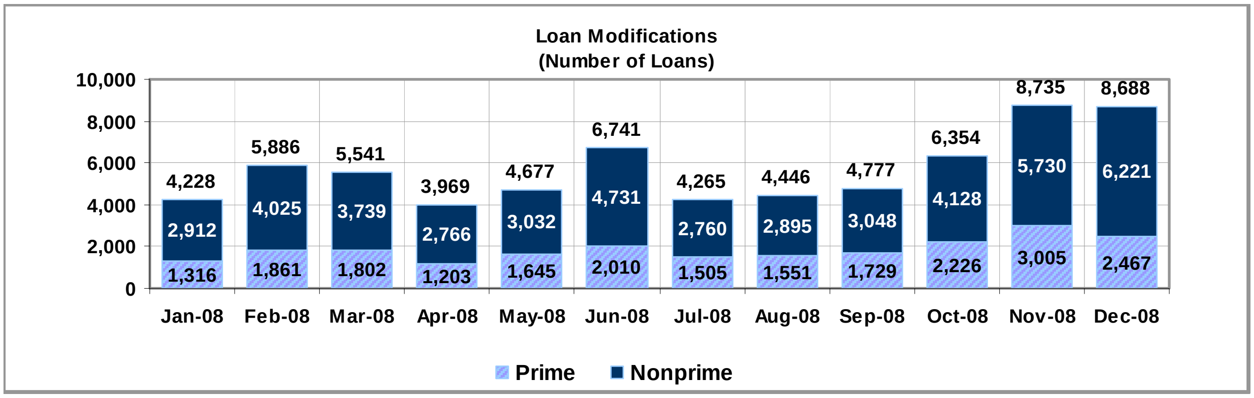
Loan Modifications

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

Completed loan modifications increased 76.3 percent from the third quarter to the fourth quarter. Completed loan modifications increased 60.9 percent for prime mortgages and 84.8 percent for nonprime mortgages. The increase shows that the postconservatorship efforts of the Enterprises are starting to work, including recent collaborative efforts with FHFA, Treasury, HUD, and HOPE NOW to increase modifications and prevent foreclosures.

Table 14. Modifications (Number of Loans)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime	1,660	1,619	1,595	2,226	3,005	2,467	2,566
Nonprime	3,559	3,510	2,901	4,128	5,730	6,221	5,360
Total	**5,218**	**5,129**	**4,496**	**6,354**	**8,735**	**8,688**	**7,926**



Short Sales

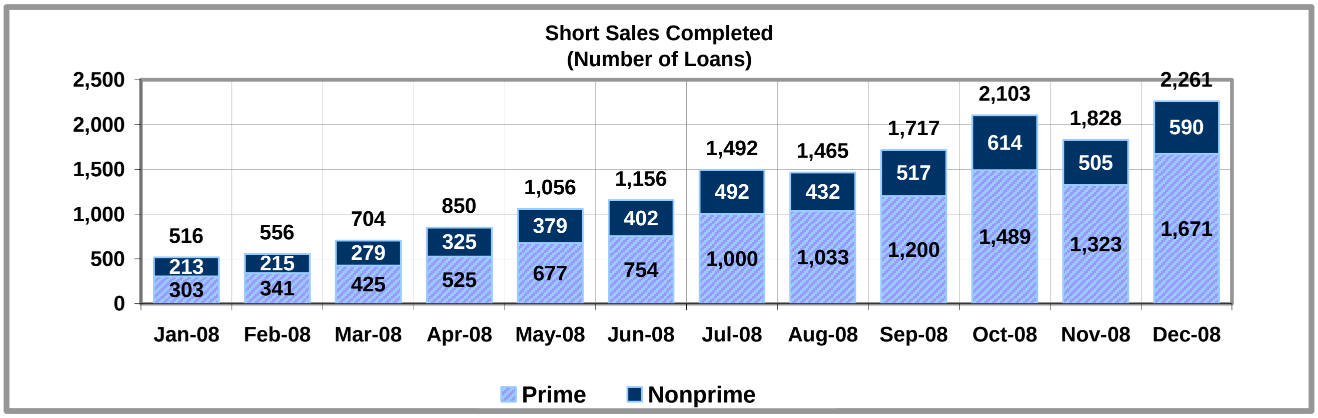
A short sale (also called a preforeclosure sale) is the sale of a mortgaged property at a price that nets less than the total amount due on the mortgage (e.g., the sum of the unpaid principal balance, accrued interest, advanced escrows, late fees, and delinquency charges.) The servicer and borrower negotiate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

- Completed short sales increased 32.5 percent in the fourth quarter.
- Completed short sales for prime mortgages increased from 38.7 percent.
- Completed short sales for nonprime mortgages increased only 18.6 percent.

The increase in short sales can be attributed to the concerted efforts by HOPE NOW and servicers to reach out to borrowers who are at risk of losing their homes. If an affordable payment cannot be achieved with a modification or if a borrower defaults on the modified loan, the next best option is a short sale.

Table 15. Short Sales (Number of Loans)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime	356	652	1,078	1,489	1,323	1,671	1,494
Nonprime	236	369	480	614	505	590	570
Total	**592**	**1,021**	**1,558**	**2,103**	**1,828**	**2,261**	**2,064**

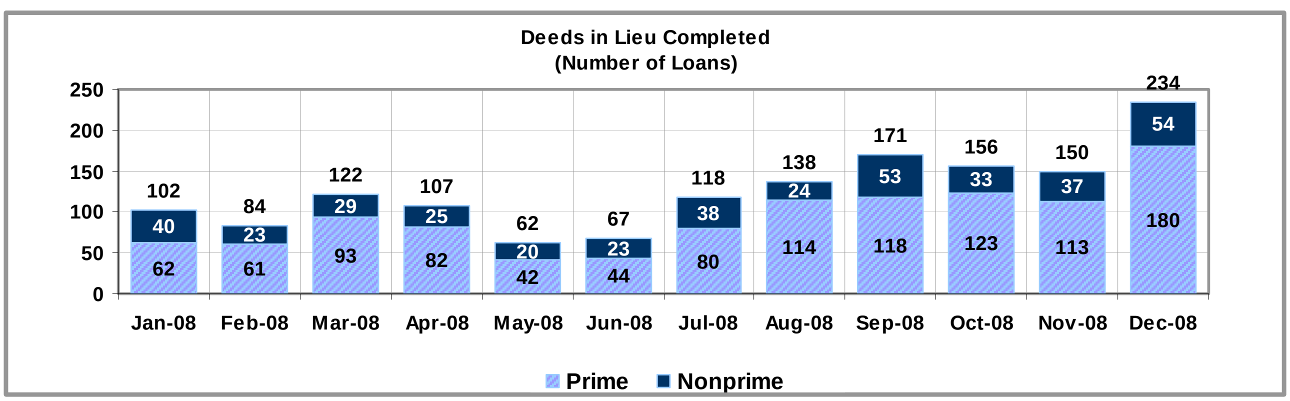


Deeds in Lieu

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

Table 16. Deeds in Lieu (Number of Loans)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime	72	56	104	123	113	180	139
Nonprime	31	23	38	33	37	54	41
Total	**103**	**79**	**142**	**156**	**150**	**234**	**180**



During the fourth quarter of 2008, completed deeds in lieu increased 26.5 percent over the third quarter. Completed deeds in lieu for prime mortgages increased by 33.3 percent over the third quarter. Completed deeds in lieu for nonprime mortgages increased by 7.8 percent over the third quarter. The increase in deeds in lieu can be attributed to the concerted efforts by HOPE NOW and servicers to reach out to borrowers who are at risk of losing their homes. When neither a modification nor a short sale is an option, the next best option is a deed in lieu, provided the borrower has marketed the property for sale and has delivered clear title.

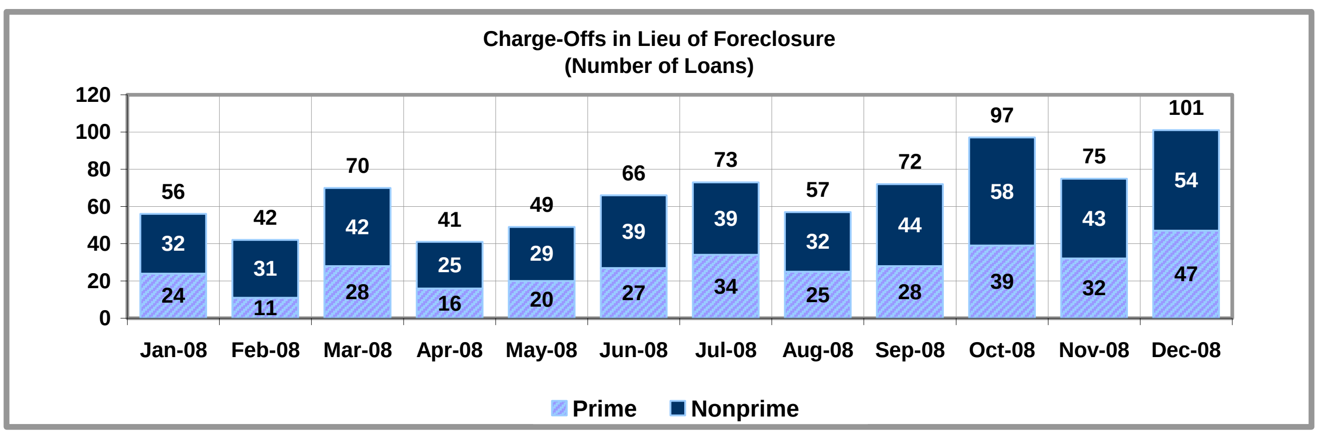
Charge-Offs in Lieu of Foreclosure

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

Completed charge-offs in lieu of foreclosure increased 35.1 percent in the fourth quarter of 2008. Completed charge-offs in lieu of foreclosure for prime mortgages increased 35.6 percent over the third quarter monthly. Completed charge-offs in lieu of foreclosure for nonprime mortgages increased 34.8 percent over the third quarter.

Table 17. Charge-offs in Lieu of Foreclosure (Number of Loans)

	1Q Avg	2Q Avg	3Q Avg	Oct-08	Nov-08	Dec-08	4Q Avg
Prime	21	21	29	39	32	47	39
Nonprime	35	31	38	58	43	54	52
Total	**56**	**52**	**67**	**97**	**75**	**101**	**91**



Loss Mitigation Performance

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

Table 18. Loss Mitigation Performance — Actions Completed (Number of Loans)

	FY 2007	1Q08	2Q08	3Q08	4Q08	FY 2008
Payment Plans	54,368	18,148	16,393	14,710	13,309	62,560
Delinquency Advance	0	1,244	16,658	27,277	25,788	70,967
Modifications	34,603	15,655	15,387	13,488	23,777	68,307
Short Sales	4,016	1,776	3,062	4,674	6,192	15,704
Deeds in Lieu	828	308	236	427	540	1,511
Assumptions		0	0	0	0	0
Charge-offs in-Lieu	484	168	156	202	273	799
Total	94,300	37,299	51,892	60,778	69,879	219,848
Loss Mitigation Performance Ratio	52.6%	52.7%	56.3%	55.0%	65.7%	57.9%

Table 19. Loss Mitigation Performance — Percent of Actions Completed

	FY 2007	1Q08	2Q08	3Q08	4Q08	FY 2008
Payment Plans	57.7%	48.7%	31.6%	24.2%	19.0%	28.5%
Delinquency Advance	0.0%	3.3%	32.1%	44.9%	36.9%	32.3%
Modifications	36.7%	42.0%	29.7%	22.2%	34.0%	31.1%
Short Sales	4.3%	4.8%	5.9%	7.7%	8.9%	7.1%
Deeds in Lieu	0.9%	0.8%	0.5%	0.7%	0.8%	0.7%
Assumptions		0.0%	0.0%	0.0%	0.0%	0.0%
Charge-offs in-Lieu	0.5%	0.5%	0.3%	0.3%	0.4%	0.4%
Total	100%	100%	100%	100%	100%	100%

FHFA's loss mitigation overall performance ratio increased from 55.0 percent during the third quarter of 2008 to 65.7 percent in the fourth quarter. The suspension on foreclosure sales had a significant effect on the December performance ratio. When adjusted for that difference, the December ratio would have been 58.9 percent and the FY 2008 performance ratio would have been 56.1 percent.

Table 20. Loss Mitigation Actions — Property Retained versus Disposed (Percent of Actions)

	FY 2007	1Q08	2Q08	3Q08	4Q08	FY 2008
Retained Property	94.9%	94.4%	93.6%	91.6%	90.4%	92.2%
Disposed of Property	5.1%	5.6%	6.4%	8.4%	9.6%	7.8%
Total	100%	100%	100%	100%	100%	100%

The percent of loss mitigation actions that allowed borrowers to avoid foreclosure and retain the property declined, while the percent of loss mitigation actions that allowed the borrower to avoid foreclosure and protect his or her credit rating while disposing of the property increased. Loss mitigation actions that allow the borrower to avoid foreclosure and retain the property — payment plans, delinquency advances, loan modifications, and charge-offs — represented 91.6 percent of third quarter loss mitigation actions and 90.4 percent of such actions in the fourth quarter. Loss mitigation actions that allowed the borrower to avoid foreclosure and protect his or her credit rating while disposing of the property, such as short sales, deeds in lieu, and assumptions, represented 8.4 percent of third quarter loss mitigation actions and 9.6 percent of those in the fourth quarter of 2008.

Loss Mitigation Performance – Prime Mortgages Only

Table 21. Loss Mitigation Performance — Prime Mortgages Only (Number of Actions Completed)

	FY 2007	1Q08	2Q08	3Q08	4Q08	FY 2008
Payment Plans	20,341	6,764	6,378	5,912	5,269	24,323
Delinquency Advance	0	346	5,860	10,166	8,122	24,494
Modifications	10,915	4,979	4,858	4,785	7,698	22,320
Short Sales	2,061	1,069	1,956	3,233	4,483	10,741
Deeds in Lieu	572	216	168	312	416	1,112
Assumptions	1	0	0	0	0	0
Charge-offs in-Lieu	167	63	63	87	118	331
Total	34,057	13,437	19,283	24,495	26,106	83,321
Loss Mitigation Performance Ratio	44.2%	42.3%	45.5%	45.1%	54.2%	44.5%

Table 22. Loss Mitigation Performance — Prime Mortgages Only (Percent of Actions Completed)

	FY 2007	1Q08	2Q08	3Q08	4Q08	FY 2008
Payment Plans	59.7%	50.3%	33.1%	24.1%	20.2%	29.2%
Delinquency Advance	0.0%	2.6%	30.4%	41.5%	31.1%	29.4%
Modifications	32.0%	37.1%	25.2%	19.5%	29.5%	26.8%
Short Sales	6.1%	8.0%	10.1%	13.2%	17.2%	12.9%
Deeds in lieu	1.7%	1.6%	0.9%	1.3%	1.6%	1.3%
Assumptions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Charge-offs in-Lieu	0.5%	0.5%	0.3%	0.4%	0.5%	0.4%
Total	100%	100%	100%	100%	100%	100%

Table 23. Loss Mitigation Actions — Prime Mortgages Only - Property Retained versus Disposed (Percent of Actions)

	FY 2007	1Q08	2Q08	3Q08	4Q08	FY 2008
Retained Property	92.3%	90.4%	89.0%	85.5%	81.2%	87.8%
Disposed of Property	7.7%	9.6%	11.0%	14.5%	18.8%	12.2%
Total	100%	100%	100%	100%	100%	100%

FHFA's loss mitigation overall performance ratio for prime loans increased from 45 percent during the third quarter of 2008 to 54.2 percent in the fourth quarter.

Loss mitigation actions that allow the borrower to avoid foreclosure and retain the property represented 85.5 percent of third quarter loss mitigation actions and 81.2 percent of such actions in the fourth quarter. Loss mitigation actions that allowed the borrower to avoid foreclosure and protect his or her credit rating while disposing of the property represented 14.5 percent of third quarter loss mitigation actions and 18.8 percent of those in the fourth quarter of 2008.

Loss Mitigation Performance — Nonprime Mortgages Only

Table 24. Loss Mitigation Performance — Nonprime Mortgages Only (Number of Actions Completed)

	FY 2007	1Q08	2Q08	3Q08	4Q08	FY 2008
Payment Plans	34,027	11,384	10,015	8,798	8,040	30,197
Delinquency Advance	0	898	10,798	17,111	17,666	28,807
Modifications	23,688	10,676	10,529	8,703	16,079	29,908
Short Sales	1,955	707	1,106	1,441	1,709	3,254
Deeds in lieu	256	92	68	115	124	275
Assumptions	0	0	0	0	0	0
Charge-offs in-Lieu	317	105	93	115	155	313
Total	60,243	23,862	32,609	36,283	43,773	92,754
Loss Mitigation Performance Ratio	59%	61.2%	65.5%	64.7%	75.3%	64%

Table 25. Loss Mitigation Performance — Nonprime Mortgages Only (Percent of Actions Completed)

	FY 2007	1Q08	2Q08	3Q08	4Q08	FY 2008
Payment Plans	56.5%	47.7%	30.7%	24.2%	18.4%	32.6%
Delinquency Advance	0.0%	3.8%	33.1%	47.2%	40.4%	31.1%
Modifications	39.3%	44.7%	32.3%	24.0%	36.7%	32.2%
Short Sales	3.2%	3.0%	3.4%	4.0%	3.9%	3.5%
Deeds in lieu	0.4%	0.4%	0.2%	0.3%	0.3%	0.3%
Assumptions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Charge-offs in-Lieu	0.5%	0.4%	0.3%	0.3%	0.4%	0.3%
Total	100%	100%	100%	100%	100%	100%

Table 26. Loss Mitigation Actions — Nonprime Mortgages Only - Property Retained versus Disposed (Percent of Actions)

	FY 2007	1Q08	2Q08	3Q08	4Q08	FY 2008
Retained Property	96.3%	96.7%	96.4%	95.7%	95.8%	96.2%
Disposed of Property	3.7%	3.3%	3.6%	4.3%	4.2%	3.8%
Total	100%	100%	100%	100%	100%	100%

FHFA's loss mitigation overall performance ratio for nonprime loans increased from 64.7 percent during the third quarter of 2008 to 75.3 percent in the fourth quarter. The December performance ratio was affected by the suspension on foreclosure sales.

Loss mitigation actions that allow the borrower to avoid foreclosure and retain the property represented 95.7 percent of third quarter loss mitigation actions and 95.8 percent of such actions in the fourth quarter. Loss mitigation actions that allowed the borrower to avoid foreclosure and protect his or her credit rating while disposing of the property represented 4.3 percent of third quarter loss mitigation actions and 4.2 percent of those in the fourth quarter of 2008.

Objective, Scope, and Methodology

Objective

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

Prior to passage of that law in early 2008, OFHEO had initiated efforts to analyze the work the Enterprises were doing to prevent foreclosures by using all available techniques to modify loans where feasible. The agency's original objective, which continues under FHFA, was to publish monthly reports and quarterly reports with more detailed information to present a broader picture over time of Enterprise performance in loss mitigation. FHFA's responsibility to oversee and report on Enterprise loan modification efforts was further reinforced in its capacity as conservator for the Enterprises, as detailed in Section 110 of the Emergency Economic Stabilization Act of 2008 (EESA).

Scope

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

Methodology

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

We base our analysis on 42 data elements each Enterprise reports monthly. We used some of the standard industry terms found in recent mortgage metrics reports published by the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS),[3] and the HOPE NOW Alliance.[4] However, in several instances, FHFA definitions vary slightly.

Definitions

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

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

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

The HOPE NOW Alliance in its report used aggregate data on 38.6 million loans submitted by 26 servicers. That data was then extrapolated to an estimated total loan count of 54.1 million for each mortgage metric reported. Consequently HOPE NOW metrics may not reflect the same results as actual loan-level data.

OCC and OTS analyze loan-level data submitted by 14 bank and thrift servicers on 34.7 million loans. Enterprise data is compared to the HOPE NOW report and the OCC and OTS joint report for the fourth quarter of 2008 in the Appendix. In addition, some servicers report mortgages to more than one entity; such as HOPE NOW and the Enterprises, which means data is not mutually exclusive and can overlap.

Delinquency Reporting. FHFA presents delinquency information at two levels—all loans at 60-plus-days delinquent and all loans at 90-plus-

[3] Joint report of Office of the Comptroller of the Currency and Office of Thrift Supervision, *OCC and OTS Mortgage Metrics Report: Disclosure of National Bank and Federal Thrift Mortgage Loan Data, Fourth Quarter 2008*, Washington, DC, December 22, 2008.

[4] HOPE NOW, *Mortgage Loss Mitigation Statistics Industry Extrapolations*, January – October 2008, http://www.hopenow.com/upload/data/files/July%202008%20Industry%20Extrapolations.pdf, last accessed December 18, 2008.

days delinquent. Both levels include mortgages for which a bankruptcy or foreclosure is in process.

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

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

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

While the Enterprises' credit portfolios represent roughly 60 percent of all resident first liens outstanding, they represent only 20 percent of the serious delinquencies in the overall mortgage population. Therefore, the characteristics of all Enterprise outstanding first lien residential mortgages may differ from the overall mortgage population. A comparison of HOPE NOW Alliance and OCC/OTS metrics demonstrate that difference.

Appendix: *Mortgage Metrics Comparison*

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

COMPARISON TABLE

	1Q2008			2Q2008			3Q2008			4Q2008		
	HN	GSEs	OCC & OTS	HN	GSEs	OCC & OTS	HN	GSEs	OCC & OTS	HN	GSEs	OCC & OTS
OVERALL MORTGAGE PORTFOLIO												
Total Servicers Reporting	22	3000+	14	22	3000+	14	26	3000+	14	26	3000+	13
Total Loans Serviced (#)	53,205,000	30,408,771	34,610,694	53,438,000	30,619,891	34,749,007	53,499,000	30,744,135	34,640,765	53,499,000	30,666,221	34,696,618
Average Loan Balance	NR	$143,923	$175,613	NR	$146,160	$176,220	NR	$147,180	$176,584	NR	$148,609	$176,495
Composition of Total Loans (% of Loans)												
Prime	87.7%	82.9%	65.6%	87.8%	83.3%	66.5%	87.9%	83.6%	66.6%	87.9%	84.0%	66.6%
Nonprime	12.3%	17.1%	34.4%	12.2%	16.7%	33.5%	12.1%	16.4%	33.4%	12.1%	16.0%	33.4%
DELINQUENT MORTGAGE COMPOSITION												
60+ Days Delinquent Including FIPs (# of Loans)	1,695,000	444,902	1,410,256	1,768,000	528,764	1,576,112	2,055,000	678,474	1,842,548	2,583,000	925,836	2,291,739
60+ Days Delinquency Including FIPs as a Percentage of Loans	3.19%	1.46%	4.07%	3.31%	1.73%	4.54%	3.84%	2.21%	5.32%	4.83%	3.02%	6.61%
90+ Days Delinquent Including FIPs (# of Loans)	NR	302,593	952,686	NR	363,035	1,030,736	NR	466,507	1,203,280	NR	655,908	1,544,399
90+ Days Delinquency Including FIPs as a Percentage of Loans	NR	1.00%	2.75%	NR	1.19%	2.97%	NR	1.52%	3.47%	NR	2.14%	4.45%
NEW FORECLOSURES INITIATED												
New Foreclosures Initiated (# of Loans)	528,000	108,520	280,161	575,000	116,843	288,689	564,000	132,909	281,298	557,000	149,981	262,906
New Foreclosures Initiated as a Percentage of Loans	0.33%	0.12%	0.27%	0.36%	0.13%	0.28%	0.35%	0.14%	0.27%	0.35%	0.16%	0.25%
New Foreclosures Initiated as a Percentage of 90+ Days Delinquent Loans Including FIPs	NR	12.3%	9.8%	NR	11.4%	9.3%	NR	12.1%	7.8%	NR	8.6%	5.7%
FORECLOSURES COMPLETED												
Foreclosures Completed (# of Loans)	203,000	31,533	76,548	246,000	38,185	117,337	263,000	47,497	126,280	205,000	34,846	89,634
Foreclosures Completed as a Percentage of Loans	0.13%	0.03%	0.07%	0.15%	0.04%	0.11%	0.16%	0.05%	0.12%	0.13%	0.04%	0.09%
New Foreclosures Completed as a Percentage of 90+ Days Delinquent Loans Including FIPs	NR	3.6%	2.7%	NR	3.7%	3.8%	NR	4.3%	3.5%	NR	2.0%	1.9%
Foreclosures Completed as a Percentage of Foreclosures Initiated	38.4%	29.1%	27.3%	42.8%	32.7%	40.6%	46.6%	35.7%	44.9%	36.8%	23.2%	34.1%
PAYMENT PLANS INITIATED												
Payment Plans Initiated (# of Loans)	314,000	63,756	134,624	303,000	66,443	124,946	335,000	85,771	154,649	350,000	28,292	180,152
Payment Plans Initiated as a Percentage of 60+ Days Delinquent Including FIPs	6.17%	4.87%	3.18%	5.71%	4.44%	2.64%	5.42%	4.60%	2.80%	4.52%	3.41%	2.62%
Payment Plans Initiated as a Percentage of 90+ Days Delinquent Loans Including FIPs	NR	7.23%	4.71%	NR	6.47%	4.04%	NR	7.83%	4.28%	NR	4.87%	3.89%
LOAN MODIFICATIONS COMPLETED												
Loan Modifications Completed (# of Loans)	170,000	15,655	74,208	220,000	15,387	134,478	256,000	13,488	116,483	322,000	23,777	121,496
Loan Modifications Completed as a Percentage of 60+ Days Delinquent Including FIPs	3.34%	1.20%	1.75%	4.15%	1.03%	2.84%	4.14%	0.72%	2.11%	4.16%	0.32%	1.77%
Loan Modifications Completed as a Percentage of 90+ Days Delinquent Loans Including FIPs	NR	1.78%	2.60%	NR	1.50%	4.35%	NR	1.23%	3.23%	NR	0.45%	2.62%
SHORT SALES COMPLETED												
Short Sales Completed (# of Loans)	NR	1,776	5,523	NR	3,062	8,222	NR	4,674	13,052	NR	6,192	15,396
Short Sales Completed as a Percentage of 60+ Days Delinquent Including FIPs	NR	0.14%	0.13%	NR	0.20%	0.17%	NR	0.25%	0.24%	NR	0.25%	0.22%
Short Sales Completed as a Percentage of 90+ Days Delinquent Loans Including FIPs	NR	0.20%	0.19%	NR	0.30%	0.27%	NR	0.43%	0.36%	NR	0.36%	0.33%
DEEDS IN LIEU COMPLETED												
Deeds in Lieu Completed (# of Loans)	NR	308	1,065	NR	236	807	NR	427	836	NR	540	2,182
Deeds in Lieu Completed as a Percentage of 60+ Days Delinquent Including FIPs	NR	0.02%	0.03%	NR	0.02%	0.02%	NR	0.02%	0.02%	NR	0.02%	0.03%
Deeds in Lieu Completed as a Percentage of 90+ Days Delinquent Loans Including FIPs	NR	0.03%	0.04%	NR	0.02%	0.03%	NR	0.04%	0.02%	NR	0.03%	0.05%