

## Press Releases

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June 30, 2009

### OTS 09-036 - OCC and OTS Release Mortgage Metrics Report for First Quarter 2009

Joint Release

Office of the Comptroller of the Currency  
Office of Thrift Supervision

For Immediate Release  
June 30, 2009

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**WASHINGTON** — Delinquencies and foreclosures on first-lien mortgages continued to increase during the first quarter of this year, but loan modifications also increased and the trend continued toward more sustainable modifications with lower monthly payments, according to a report issued today by the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS).

The report, based on data from loan servicing companies that manage 64 percent of all first-lien U.S. mortgages, shows:

- The number of loan modifications significantly increased. During the quarter, servicers implemented 185,156 new loan modifications, up 55 percent from the previous quarter and 172 percent from the first quarter of 2008.
- The proportion of payment-reducing modifications also increased. More than half of the modifications in the first quarter of 2009 resulted in lower monthly principal and interest payments, as servicers focused on achieving more sustainable mortgage payments. Modifications that reduced monthly payments by 20 percent or more jumped 19 percent from the previous quarter, to 29 percent of all modifications. By contrast, actions that resulted in increased payments constituted only 19 percent of modifications, a drop of 25 percent from the previous quarter.
- Modifications that reduce payments have lower delinquency rates over time. Although delinquencies on modified loans increased each month following modification, delinquency rates were considerably lower for mortgages in which monthly payments were reduced. Six months after modification, only 24 percent of the mortgages that had monthly payments reduced by 20 percent or more were 60 or more days past due, compared with 54 percent of mortgages with monthly payments left unchanged, and 50 percent with higher monthly payments.
- Seriously delinquent mortgages increased. Seriously delinquent mortgages (60 or more days past due or involving delinquent bankrupt borrowers) increased as economic pressures continued to weigh on homeowners. Prime mortgages, which represented two-thirds of all mortgages in the portfolio, had the highest percentage increase in serious delinquencies, climbing by more than 20 percent from the prior quarter to 2.9 percent of all prime mortgages.
- Foreclosures in process increased. Foreclosures in process also increased during the quarter to 844,389, or about 2.5 percent of all serviced loans, as moratoriums on foreclosures expired during the first quarter. This increase represented a 22

percent jump from the previous quarter and a 73 percent rise from the first quarter of 2008.

The OCC and OTS continue to refine the Mortgage Metrics report each quarter. In previous quarters, the agencies added data on the performance of modified loans, and information on sustainability and changes in payments that result from modifications. This report adds information on the types of actions taken to modify loans. It shows that servicers most often change multiple terms when modifying mortgages to achieve sustainable modifications. Capitalization of delinquent interest, fees, and advances, combined with interest rate reductions and extended maturities, were the predominant combinations during the first quarter. Interest rate and payment freezes, principal reductions, and principal deferrals were less prevalent.

Data also showed a continuing emphasis on preventing avoidable foreclosures to keep families in homes and mitigate losses, as servicers continued to implement more home retention actions (loan modifications and payment plans) than home forfeiture actions (foreclosures, short sales, and deed-in-lieu-of-foreclosure actions). Prime borrowers received about twice as many home retention actions as home forfeiture actions, while subprime borrowers received more than seven times as many.

"While I'm very concerned about the rise in delinquent mortgages and foreclosure actions, the shift in emphasis by servicers to more sustainable, payment-reducing modifications is a positive step that should show significant benefits in the coming months," Comptroller of the Currency John C. Dugan said. "In addition, as the Administration's Making Home Affordable program gains traction and helps offset the impact of this very difficult economic cycle, we should continue to see progress in future reports."

"We continue to drill deeper into the mechanics of foreclosure prevention actions, thereby gaining more insight into what works," said OTS Acting Director John E. Bowman. "This report provides a valuable roadmap for how financial institutions can best ensure that more Americans will stay in their homes."

The report covers the performance of 34 million loans totaling more than \$6 trillion in principal balances from the beginning of 2008 through the end of the first quarter of 2009. The impact of the increase in modifications, particularly those with reduced monthly payments, will be seen only in future data. Likewise, data presented in this report do not reflect modifications made under the Administration's Making Home Affordable program, which was announced in March and began to be implemented after the reporting period, and changes to the Hope for Homeowners program.

#### Attachments:

- OCC and OTS Mortgage Metrics Report, First Quarter 2009
- OCC/OTS Mortgage Metrics – Loan Level Data Collection: Field Definitions

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#### MEDIA CONTACTS:

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## Related Files

- **OCC and OTS Mortgage Metrics Report 1Q 2009** - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2009-36a.pdf>
  - **OCC and OTS Mortgage Metrics Data Dictionary** - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2009-36b.pdf>
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