

Press Releases

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OTS 10-012 - OCC and OTS Release Mortgage Metrics Report for Fourth Quarter of 2009

Joint Release

**Office of the Comptroller of the Currency
Office of Thrift Supervision**

For Immediate Release
March 25, 2010

Washington — Performance on home mortgages serviced by the largest national banks and federally regulated thrifts declined for the seventh consecutive quarter in the fourth quarter of 2009, though home foreclosures slowed and new home retention actions continued strong, according to a report released today by the Office of the Comptroller of the Currency and the Office of Thrift Supervision.

The OCC and OTS Mortgage Metrics Report for the Fourth Quarter 2009 showed the overall percentage of current and performing mortgages fell to 86.4 percent at the end of 2009, driven by an increase in mortgages that were 90 or more days past due. Prime mortgages, which make up two-thirds of the mortgages in the portfolio, continued to have the greatest increases in delinquency.

Overall, servicers implemented more than 594,000 new home retention actions during the quarter. That included 259,410 new trial plans initiated under the “Home Affordable Modification Program” (HAMP) and 21,316 existing trial plans converted to permanent HAMP modifications. The actions also included 102,102 loan modifications, 94,667 trial plans, and 116,600 payment plans for borrowers who did not qualify for HAMP.

Although the number of new home retention actions was more than twice the number of new modifications during the same quarter a year ago, it dropped 12.4 percent from the third quarter. Servicers reported that the fourth quarter decline followed a surge in new home retention actions in the second and third quarters of 2009 after the introduction of HAMP.

More than 82 percent of all modifications implemented during the quarter reduced principal and interest payments, and all HAMP modifications reduced monthly payments. Most of HAMP modifications decreased borrowers’ monthly payments by 20 percent or more.

Recent vintages of modifications that emphasized sustainability through lower monthly payments performed better at three and six months after modification than older vintages. However, re-default rates remained high overall, with more than half of all modifications falling 60 or more days past due by nine months after modification.

Newly initiated foreclosures fell by more than 15 percent in the fourth quarter and foreclosures in process were stable, as mortgages remained delinquent for longer periods before entering

the foreclosure process and the servicers evaluated more borrowers for loss mitigation and foreclosure prevention programs.

However, servicers report that they expect new foreclosure actions to increase in upcoming quarters as alternatives to prevent foreclosure are exhausted and a larger number of seriously delinquent mortgages slip into foreclosure.

The report noted that the OCC and the OTS have encouraged servicers to work with borrowers facing difficulties in making payments on any of their residential real estate loans, including second mortgages or home equity lines of credit, and to provide appropriate home retention solutions when possible. Although it is often difficult to obtain information needed to effectively restructure and modify multiple residential real estate loans to the same borrower, particularly when one of the loans is current, or the loans are held or serviced by different entities, initiatives are under way to make this information more available.

Current second liens that stand behind delinquent or modified first liens have an elevated risk of default and loss. The OCC and OTS have instructed banks and thrifts that hold such second liens, which are a minority of all second liens, to hold appropriate loan loss reserves to reflect the elevated risk.

The complete report can be downloaded from the OCC and OTS Web sites, www.occ.gov and www.ots.gov.

Attachment

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Related Files

- **OCC and OTS Mortgage Metrics Report 4Q 2009** - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2010-12a.pdf>