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 2010

Office of the Comptroller of the Currency
Office of Thrift Supervision
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Executive Summary

This *OCC and OTS Mortgage Metrics Report* for the second quarter of 2010 provides performance data on first-lien residential mortgages serviced by national banks and federally regulated thrifts. The mortgages in this portfolio comprise 65 percent of all mortgages outstanding in the United States—nearly 34 million loans totaling almost $6 trillion in principal balances. The report provides information on their performance through June 30, 2010.

After several quarters of declining performance, the overall credit quality of the portfolio of loans serviced by the largest national banks and thrifts remained steady during the second quarter of 2010 after showing some improvement last quarter. Mortgage delinquency levels remained elevated, and quarterly data show no discernible pattern of improvement in overall mortgage asset quality.

Key Findings from This Report

- The percentage of mortgages that were current and performing remained unchanged from the previous quarter at 87.3 percent of the total servicing portfolio. Decreases in the percentages of mortgages that were 90 or more days delinquent and in the process of foreclosure offset the increase in mortgages that were 30 to59 days delinquent.
- Seriously delinquent mortgages—mortgages that were 60 or more days delinquent or delinquent loans to bankrupt borrowers—declined across prime, Alt-A, and subprime loans for the first time in more than a year, but they remained higher than a year ago. Early stage delinquencies—mortgages that were 30 to 59 days delinquent—increased across all risk categories during the quarter, but were down for prime, Alt-A, and subprime loans from a year ago.
- The number of newly initiated foreclosures and the number of foreclosures in process decreased during the second quarter, while the number of completed home forfeiture actions—foreclosures, short sales, and deeds-in-lieu-of-foreclosure—increased.
- Servicers implemented 504,292 home retention actions—modifications, trial period plans, and payment plans—during the second quarter of 2010, more than twice the 221,474 home forfeiture actions. Since the beginning of 2008, servicers have implemented more than 1.5 million loan modifications.
- Servicers implemented 273,419 permanent modifications during the second quarter, an 18.1 percent increase from the previous quarter, but the number of new trial period plans decreased significantly.
- The percentage of modifications that decreased monthly principal and interest payments exceeded 90 percent of all modifications implemented during the quarter. More than 56 percent of those modifications reduced payments by 20 percent or more. On average, modifications during the second quarter reduced borrowers’ monthly principal and interest payments by $427.
- More recent modifications that emphasized sustainability and affordability continued to outperform modifications implemented earlier.

Mortgage Performance

- The percentage of current and performing mortgages—87.3 percent of the total portfolio—remained unchanged from the previous quarter, but it was lower than the 88.6 percent reported a year ago (see Table 9).
- The percentage of mortgages that were seriously delinquent at 6.2 percent decreased by 5.3 percent from the previous quarter (see Table 12). The increase in permanent modifications and the number of seriously delinquent loans progressing to foreclosure contributed to the decline.
- Loans 30 to 59 days delinquent increased by 11.0 percent from the previous quarter to 3.1 percent of the total portfolio. Historically, early stage delinquencies tend to increase in the second quarter and throughout the remainder of the year before declining again in the first quarter of each year (see Table 13).[1]
- Government-guaranteed mortgages performed worse than the overall portfolio. Of those mortgages, 85.3 percent were current and performing at the end of the second quarter (see Table 10). Increased origination of these loans continued in the second quarter, with government-guaranteed mortgages composing 18 percent of the total portfolio.
- Mortgages serviced for Fannie Mae and Freddie Mac (GSEs) performed better than the overall portfolio because of their higher concentration of prime mortgages. Ninety-two percent of those mortgages were current and performing at the end of the second quarter (see Table 11).

Home Retention Actions: Loan Modifications, Trial Period Plans, and Payment Plans

- Servicers implemented 504,292 new home retention actions—loan modifications, trial period plans, and payment plans—during the quarter. Permanent loan modifications, including the Home Affordable Modification Program (HAMP) and other modifications, increased 18.1 percent during the quarter. The decrease in new trial period plans and payment plans offset the increase in permanent loan modifications, resulting in an overall decrease of 21.5 percent in home retention actions from the previous quarter (see Table 1).

***Table 1.* Number of New Home Retention Actions**

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y % Change
Other Modifications	142,362	130,464	103,617	131,207	164,473	25.4%	15.5%
HAMP Modifications	--	783	20,679	100,269	108,946	8.7%	--
Other Trial Period Plans	64,201	127,902	96,048	101,764	73,673	-27.6%	14.8%
HAMP Trial Period Plans	79,994	272,709	259,015	188,503	64,666	-65.7%	-19.2%
Payment Plans	131,974	163,551	121,722	120,587	92,534	-23.3%	-29.9%
Total	418,531	695,409	601,081	642,330	504,292	-21.5%	20.5%

[1] Data published by the Mortgage Bankers Association show a second-quarter increase in 30–59 day delinquencies in each of the past 10 years.

- Following the prescribed sequence of actions established by HAMP, a sequence that is generally followed for other modifications as well, servicers capitalized missed payments and fees in 94.1 percent of all modifications made during the second quarter and reduced interest rates in 87.0 percent of modifications. Term extensions were used in 51.4 percent of all modifications, principal deferrals in 11.0 percent, and principal reductions in 2.1 percent (see Table 18). Principal deferral was used in 20.4 percent of HAMP modifications, while principal reduction was used in 1.2 percent of the HAMP modifications (see Table 19).
- Overall, servicers reduced principal and interest payments in 90.1 percent of all loan modifications made during the quarter, and they reduced payments by 20 percent or more in 21.6 percent of those modifications (see Table 23). Nearly all HAMP modifications reduced borrower principal and interest payments, and 78.9 percent reduced monthly payments by 20 percent or more (see Table 24).
- Modifications made during the second quarter reduced monthly principal and interest payments by an average of $427. HAMP modifications made during the quarter reduced payments by an average of $608, compared with other modifications that reduced average monthly payments by $307. The average monthly payment reduction has increased 61.8 percent from a year ago (see Table 25).

Modified Loan Performance

- Servicers modified 1,239,896 loans from the beginning of 2008 through the first quarter of 2010. At the end of the second quarter of 2010, 46.1 percent of these modifications remained current or were paid off and another 10.0 percent were 30 to 59 days delinquent. More than 26 percent of the modifications were seriously delinquent, 9.1 percent were in the process of foreclosure, and 4.0 percent had completed the foreclosure process (see Table 2).

***Table 2.* Status of Mortgages Modified in 2008-2010**

	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No Longer in the Portfolio*
2008	421,322	26.8%	7.8%	32.2%	13.6%	8.8%	2.3%	8.4%
2009	587,098	46.8%	10.6%	28.2%	8.9%	2.1%	0.7%	2.7%
First Quarter 2010	231,476	73.7%	12.7%	11.6%	1.4%	0.1%	0.1%	0.5%
Total	1,239,896	45.0%	10.0%	26.5%	9.1%	4.0%	1.1%	4.2%
Modifications that Reduced Payments by 10 Percent or More								
	Total	Current	30-59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No Longer in the Portfolio
Modifications that Reduced Payments by 10% or More	596,796	57.8%	10.3%	19.2%	6.3%	2.0%	0.6%	3.8%
Modifications that Reduced Payments by Less than 10 Percent								
	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No Longer in the Portfolio
Modifications that Reduced Payments by Less than 10%	643,100	33.3%	9.8%	33.2%	11.6%	5.9%	1.6%	4.6%

*Processing constraints at some servicers prevented them from reporting the reason for removal from the portfolio.

- Modifications that reduced payments by 10 percent or more performed better than modifications that reduced payments by less than 10 percent. At the end of the second quarter, 57.8 percent of modifications that reduced payments by 10 percent or more were current and performing, compared with the 33.3 percent of modifications that reduced payments by less than 10 percent (see Table 2).

- More recent modifications have performed better than earlier modifications every quarter since the end of the first quarter of 2009. At 6 months after modification, 20.7 percent of the modifications made in the fourth quarter of 2009 were seriously delinquent compared with 42.8 percent of the modifications made during the first quarter of 2009 (see Table 3). This trend of lower delinquency rates following modification corresponds with the increasing emphasis on repayment sustainability through reduction of the borrower's monthly payment.

***Table 3.* Modified Loans 60 or More Days Delinquent**

Modification Date	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification*
First Quarter 2009	30.8%	42.8%	51.5%	55.0%
Second Quarter 2009	18.7%	33.5%	40.9%	43.2%
Third Quarter 2009	14.7%	27.7%	32.7%	--
Fourth Quarter 2009	11.4%	20.7%	--	--
First Quarter 2010	11.1%	--	--	--

*All re-default data are based on modified loans that remain in effect at the specified amount of time after the modification. All loans that have been repaid in full, refinanced, sold, or completed the foreclosure process are removed from the calculation. Data include only modifications that have had time to age the indicated number of months.

- HAMP modifications implemented through the first quarter of 2010 had fewer re-defaults than other modifications implemented during the same period. At 6 months after modification, 10.8 percent of HAMP modifications made in the fourth quarter of 2009 were 60 or more days delinquent compared with 22.4 percent of other modifications made during that quarter. Similarly, 10.5 percent of HAMP modifications made in the first quarter of 2010 were 60 or more days delinquent 3 months after modification compared with 11.6 percent of other modifications made in that quarter (see Table 32).

- Modified mortgages held in the servicers' portfolios performed better than modified mortgages serviced for others. This variance may result from differences in modification programs and servicers' additional flexibility to modify mortgage terms. Modified government-guaranteed mortgages had the highest delinquency rates at 6, 9, and 12 months following modification, consistent with their higher overall delinquency rates (see Table 4).

Table 4. Re-Default Rates for Portfolio Loans and Loans Serviced for Others (60 or More Days Delinquent)				
Investor Loan Type	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Fannie Mae	18.3%	35.5%	49.0%	54.8%
Freddie Mac	20.0%	38.2%	52.0%	57.4%
Government-Guaranteed	23.7%	46.2%	58.8%	64.8%
Private	30.1%	45.1%	53.9%	59.7%
Portfolio Loans	9.4%	18.8%	26.3%	33.8%
Overall	17.4%	32.3%	42.7%	49.7%

*Data include all modifications implemented since January 1, 2009 that have had time to age the indicated number of months.

Modified Loan Performance, by Change in Monthly Payments

- Modifications that decreased monthly payments consistently had lower re-default rates than modifications that left payments unchanged or increased payments. After 6 months, 20.2 percent of modifications implemented since the first quarter of 2009 that decreased monthly payments by 20 percent or more were seriously delinquent. In contrast, 53.8 percent of modifications that left payments unchanged and 47.2 percent of modifications that increased payments were seriously delinquent (see Table 5). While lower payments reduce monthly cash flows to investors, the payments may result in longer-term sustainability of the payments.

Table 5. 60+ Delinquency at 6 Months after Modification by Change to Monthly Payments						
	Decreased by 20% or More	Decreased by 10% to Less than 20%	Decreased by Less than 10%	Unchanged	Increased	Overall
First Quarter 2009	27.7%	32.2%	38.3%	59.8%	51.0%	42.7%
Second Quarter 2009	20.9%	35.0%	39.9%	34.9%	52.9%	33.6%
Third Quarter 2009	17.9%	29.9%	31.8%	30.8%	40.2%	27.7%
Fourth Quarter 2009	11.6%	21.4%	27.2%	14.3%	37.7%	20.6%
Overall	20.2%	29.9%	34.5%	53.8%	47.2%	33.7%

*Data include all modifications that have had time to age the indicated number of months.

Foreclosures and Other Home Forfeiture Actions

- Newly initiated foreclosures decreased 21.2 percent from the previous quarter and 20.9 percent from a year ago, reflecting the rising number of modifications and moratoria on initiating a foreclosure action prior to determining eligibility for a HAMP modification. Foreclosures in process also decreased slightly from the previous quarter, but they are up 15.8 percent from a year ago. The reduction in foreclosures in process was a result of increased permanent modifications, fewer new foreclosure proceedings, and a higher number of completed foreclosures (see Table 6).

Table 6. New Foreclosures and Foreclosures in Process							
	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Newly Initiated Foreclosures	369,226	369,209	312,520	370,536	292,072	-21.2%	-20.9%
Foreclosures in Process	992,554	1,091,620	1,079,386	1,170,785	1,149,770	-1.8%	15.8%

- Completed foreclosures increased during the quarter as the large inventory of foreclosures in process worked through the system and servicers exhausted home retention options for many of the seriously delinquent mortgages (see Table 7).
- The number of short sales and deed-in-lieu-of-foreclosure actions also continued to increase during the second quarter as servicers and homeowners sought alternatives to foreclosure (see Table 7).

Table 7. Completed Foreclosures and Other Home Forfeiture Actions							
	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Completed Foreclosures	106,004	118,606	128,859	152,654	162,812	6.7%	53.6%
New Short Sales	25,128	30,766	37,583	40,043	56,926	42.2%	126.5%
New Deed-in-Lieu-of-Foreclosure Actions	1,120	1,233	1,054	1,185	1,736	46.5%	55.0%
Total	132,252	150,605	167,496	193,882	221,474	14.2%	67.5%

Second-Lien Residential Real Estate Loans

The OCC and OTS Mortgage Metrics Report for the fourth quarter of 2009 included a discussion of second-lien mortgages[2] that described supervisory direction to banks to work with borrowers and hold appropriate loan loss reserves against the elevated risks facing these mortgages. This report updates that issue and responds to current interest in the subject. At the end of the second quarter of 2010, OCC analysis shows that the overall performance of second mortgages improved slightly during the quarter, with the unpaid balance of second mortgages held by national banks that were 30 or more days past due at about $21.7 billion, or 3.7 percent. Thrifts reported $1.6 billion in unpaid balances that were 30 or more days past due, or 2.7 percent of total holdings, also an improvement over the prior quarter.

Lenders routinely reserve for, and recognize loss on, delinquent and nonperforming second mortgages. Over the last two years, national banks have recognized $43.5 billion in losses from nonperforming second mortgages according to the federal financial call report, more than five times the losses recognized over the previous five years**;** thrifts have recognized more than $3.7 billion in losses over the last two years.

[2] In this discussion, second-lien mortgages include both all closed-end junior mortgages and home equity lines of credit.

Lenders must also reserve against the elevated risk of default and loss associated with current and performing second liens that stand behind delinquent or modified first liens. The volume of current and performing second liens held by national banks behind delinquent or modified first liens remains relatively small. The OCC analyzed second liens held by national banks and matched more than 60 percent of them ($293 billion) to first-lien mortgages. Of these 5,000,000 matched second mortgages, about 6 percent, or 235,000, were current and performing but behind delinquent or modified first liens. The balance of those current and performing second liens behind delinquent or modified first mortgages totaled less than $18 billion.

Banks and thrifts that hold such performing second liens have been directed by the OCC and the OTS to properly reflect the associated credit impairment for those second liens through an increase in the allowance for loan losses, or in many cases, a charge-off of the loan where appropriate. The agencies continue to encourage servicers to work with borrowers facing difficulties in making payments on any of their residential real estate loans, and to provide appropriate home retention solutions whenever possible to increase the likelihood of loan repayment. The presence of second liens does not impede servicers' ability to modify first-lien mortgages because modifications do not adversely affect the first lien position of lenders or investors.

About Mortgage Metrics

The *OCC and OTS Mortgage Metrics Report* presents data on first-lien residential mortgages serviced by national banks and thrifts, focusing on credit performance, loss mitigation efforts, and foreclosures. The OCC and the OTS collect these data from the eight national banks and one thrift[3] with the largest mortgage-servicing portfolios among national banks and thrifts. The data represent 65 percent of all first-lien residential mortgages outstanding in the country. More than 90 percent of the mortgages in the portfolio were serviced for third parties because of loan sales and securitization. At the end of June 2010, the reporting institutions serviced almost 34 million first-lien mortgage loans, totaling nearly $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 differ 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. Examiners use the data to help assess emerging trends, identify anomalies, compare servicers with peers, evaluate asset quality and necessary loan-loss reserves, and evaluate loss mitigation actions.

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[3] The eight banks are Bank of America, JPMorgan Chase, Citibank, HSBC, MetLife, PNC, U.S. Bank, and Wells Fargo. The thrift is OneWest Bank (formerly IndyMac). Merrill Lynch FSB was merged into Bank of America in November 2009. MetLife Bank replaced First Tennessee as a reporting institution in January 2010. Wachovia Bank was merged into Wells Fargo National Bank in March 2010.

The report promotes the use of 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, the OTS, and the participating institutions devote significant resources to ensuring 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, with internal quality reviews conducted by the banks and thrifts, and with data supplied by participating banks and aggregated by an external vendor to support this report. 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 the OTS require previous data submissions to be adjusted when 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

Added to this report are data and analysis on the average change in monthly principal and interest payments resulting from modification (see Table 25). Data show the average change in payment by quarter for modifications overall as well as for HAMP modifications and other non-HAMP modifications

Definitions and Method

The report uses standard 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 mortgages in the portfolio were not accompanied by credit scores and are classified as "other." This group includes a mix of prime, Alt-A, and subprime mortgages. In large part, the lack of credit scores results from acquisitions of portfolios from third parties for which borrower credit scores at origination were not available.

Additional definitions include:

- **Completed foreclosures—**Ownership of properties transferred to servicers or investors. The ultimate result is the loss of borrowers' homes because of nonpayment.
- **Deed-in-lieu-of-foreclosure actions—**Actions in which 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—**All mortgages with an explicit guaranty from the U.S. government, including the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), and certain other departments. These loans may be held in pools backing Government National Mortgage Association (Ginnie Mae) securities or owned by and/or securitized through different investors.
- **Home retention actions—**Loan modifications, trial period plans, 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 option adjustable rate mortgages (ARMs)—**Mortgages that allow borrowers to choose a monthly payment that may reduce principal, pay interest only, or result in negative amortization, in which some amount of unpaid interest is added to the principal balance of the loan and results in an increased amount owed.
- **Principal deferral modifications—**Modifications that remove a portion of the principal from the amount used to calculate monthly principal and interest payments for a set period. The deferred amount becomes due at the end of the loan term.
- **Principal reduction modifications—**Modifications that permanently forgive a portion of the principal amount owed on a mortgage.
- **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. All re-default data presented in this report are based on modified loans that remain in effect at the specified amount of time after the modification. All loans that have been repaid in full, refinanced, sold, or completed the foreclosure process are removed from the calculation. Data

include only modifications that have had time to age the indicated number of months following the modification.[4]

- **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, or forgiveness for any remaining deficiency on the debt. Short sales typically have less adverse impact than foreclosure on borrowers' credit records.
- **Trial period plans—**Home retention actions that allow borrowers to demonstrate capability and willingness to pay their modified mortgages for a set period of time. The action becomes a permanent loan modification following the successful completion of the trial period.

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 are based on the number of loans rather than on the dollar amount outstanding.

Percentages are rounded to one decimal unless the result is less than 0.1 percent, which is rounded to two decimal places. The report uses whole numbers when approximating.

In tables throughout this report, the quarters are indicated by the last day of the quarter (e.g., 6/30/10), 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 rounded values shown in the table may yield materially different values.

Mortgage Metrics Report data may not agree with other published data because of timing delays in updating servicer-processing systems.

[4] Some servicers have offered 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.

PART I: Mortgage Performance

Part I describes the performance of the overall mortgage portfolio and, separately, the performance of government-guaranteed mortgages, mortgages serviced for the government-sponsored enterprises (GSEs), option ARMs, and for each loan risk category.

Overall Mortgage Portfolio

At the end of the second quarter of 2010, the size and composition of the servicing portfolio remained steady at nearly 34 million loans totaling almost $6 trillion in unpaid principal balances. The portfolio included 68 percent prime, 11 percent Alt-A, 8 percent subprime, and 13 percent other loans.

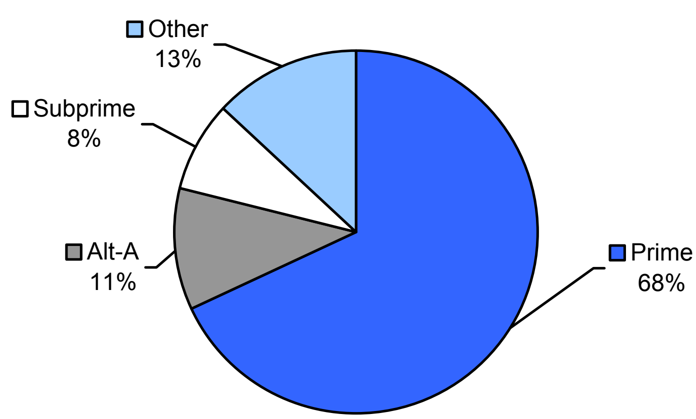
Table 8. Overall Mortgage Portfolio

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10
Total Servicing (Millions)	$5,969,246	$5,998,986	$5,952,423	$5,947,542	$5,909,072
Total Servicing (Number of Loans)	33,832,014	34,024,601	33,824,889	33,895,441	33,754,791
Composition (Percentage of All Mortgages in the Portfolio)					
Prime	68%	68%	68%	68%	68%
Alt-A	10%	10%	11%	10%	11%
Subprime	8%	8%	8%	8%	8%
Other	13%	14%	13%	14%	13%
Composition (Number of Loans in Each Risk Category of the Portfolio)					
Prime	22,929,113	23,064,371	23,136,115	23,034,328	23,156,470
Alt-A	3,528,840	3,524,305	3,560,656	3,567,605	3,615,875
Subprime	2,847,412	2,774,027	2,758,613	2,667,524	2,619,141
Other	4,526,649	4,661,898	4,369,505	4,625,984	4,363,305

*Percentages may not total 100 percent due to rounding.

Figure 1. Portfolio Composition

Percentage of All Mortgage Loans in the Portfolio
Second Quarter 2010



Overall Mortgage Performance

The percentage of current and performing mortgages remained unchanged from the previous quarter at 87.3 percent. The percentage of mortgages 30 to 59 days delinquent increased to 3.1 percent at the end of the second quarter of 2010, compared with 2.8 percent at the end of the previous quarter and 3.2 percent a year ago. The percentage of seriously delinquent mortgages was 6.2 percent, a decrease of 5.3 percent from the previous quarter but up 16.1 percent from a year ago. Foreclosures in process were 3.4 percent of the total portfolio, a 1.4 percent decrease from the previous quarter but a 16.1 percent increase from a year ago.

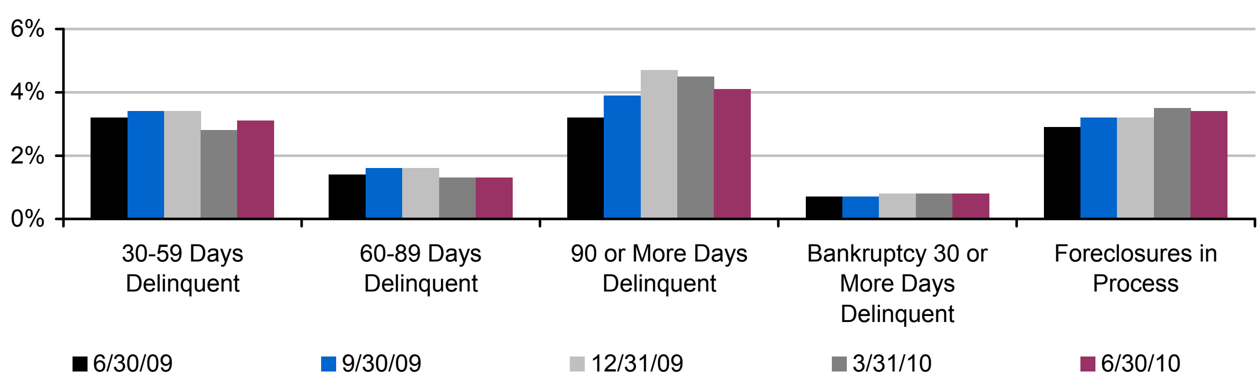
***Table 9.* Overall Portfolio Performance**

(Percentage of All Mortgages in the Portfolio)

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Current and Performing	88.6%	87.2%	86.4%	87.3%	87.3%	0.1%*	-1.4%
30–59 Days Delinquent	3.2%	3.4%	3.4%	2.8%	3.1%	11.0%	-3.5%
The Following Three Categories Are Classified as Seriously Delinquent:							
60–89 Days Delinquent	1.4%	1.6%	1.6%	1.3%	1.3%	2.5%	-8.8%
90 or More Days Delinquent	3.2%	3.9%	4.7%	4.5%	4.1%	-9.5%	26.0%
Bankruptcy 30 or More Days Delinquent	0.7%	0.7%	0.8%	0.8%	0.8%	6.3%	20.8%
Subtotal for Seriously Delinquent	**5.3%**	**6.2%**	**7.1%**	**6.5%**	**6.2%**	**-5.3%**	**16.1%**
Foreclosures in Process	2.9%	3.2%	3.2%	3.5%	3.4%	-1.4%	16.1%
Overall Portfolio Performance (Number of Mortgages in the Portfolio)							
Current and Performing	29,962,265	29,666,568	29,217,743	29,574,957	29,483,014	-0.3%	-1.6%
30–59 Days Delinquent	1,078,663	1,154,825	1,138,822	939,306	1,038,422	10.6%	-3.7%
The Following Three Categories Are Classified as Seriously Delinquent:							
60–89 Days Delinquent	476,179	529,845	525,071	424,534	433,201	2.0%	-9.0%
90 or More Days Delinquent	1,093,791	1,332,228	1,604,014	1,525,563	1,374,816	-9.9%	25.7%
Bankruptcy 30 or More Days Delinquent	228,562	249,515	259,853	260,296	275,568	5.9%	20.6%
Subtotal for Seriously Delinquent	**1,798,532**	**2,111,588**	**2,388,938**	**2,210,393**	**2,083,585**	**-5.7%**	**15.8%**
Foreclosures in Process	992,554	1,091,620	1,079,386	1,170,785	1,149,770	-1.8%	15.8%

*Unrounded numbers yield a 0.1% difference from the previous quarter.

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



Performance of Government-Guaranteed Mortgages

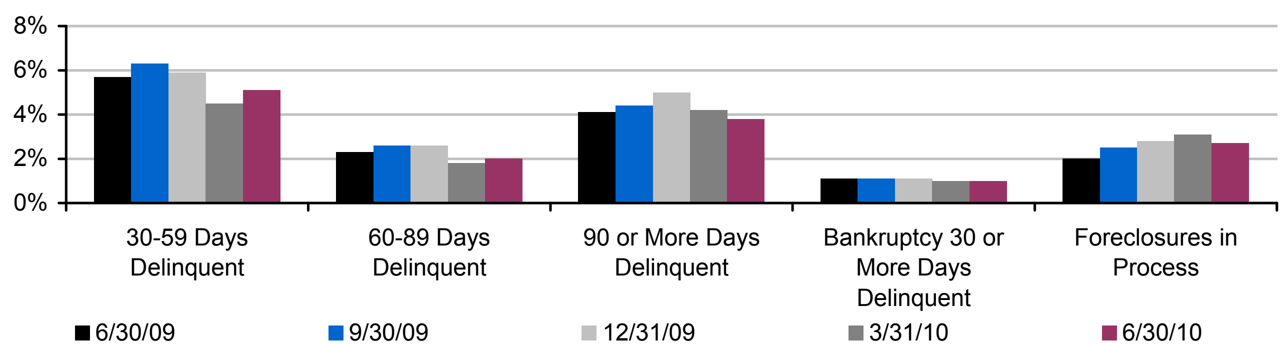
Government-guaranteed mortgages have more delinquencies but fewer foreclosures in process than the overall portfolio. The percentage of current and performing government-guaranteed mortgages decreased during the quarter to 85.3 percent because of the 14.5 percent increase in loans 30 to59 days delinquent. Serious delinquencies decreased by 2.6 percent to 6.9 percent of all government-guaranteed mortgages. Foreclosures in process were 2.7 percent, an 11.6 percent decrease from the previous quarter. Increased origination of government-guaranteed mortgages continued during the second quarter, with guaranteed loans now composing more than 18 percent of the portfolio. Of these loans, about 78 percent were FHA loans, 17 percent were VA loans, and 5 percent were other government-guaranteed mortgages. More than 82 percent of these mortgages were held in pools of loans backing Ginnie Mae securities.

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

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Current and Performing	84.9%	83.0%	82.7%	85.4%	85.3%	-0.1%	0.5%
30–59 Days Delinquent	5.7%	6.3%	5.9%	4.5%	5.1%	14.5%	-9.7%
The Following Three Categories Are Classified as Seriously Delinquent:							
60–89 Days Delinquent	2.3%	2.6%	2.6%	1.8%	2.0%	10.2%	-14.3%
90 or More Days Delinquent	4.1%	4.4%	5.0%	4.2%	3.8%	-9.1%	-5.8%
Bankruptcy 30 or More Days Delinquent	1.1%	1.1%	1.1%	1.0%	1.0%	2.1%	-3.8%
Subtotal for Seriously Delinquent	**7.5%**	**8.2%**	**8.6%**	**7.0%**	**6.9%**	**-2.6%**	**-8.2%**
Foreclosures in Process	2.0%	2.5% 2.8%		3.1%	2.7%	-11.6%	39.4%
Performance of Government-Guaranteed Mortgages (Number)							
Current and Performing	4,056,662	4,376,413	4,602,510	4,991,326	5,228,022	4.7%	28.9%
30–59 Days Delinquent	271,651	333,614	331,188	261,986	314,702	20.1%	15.8%
The Following Three Categories Are Classified as Seriously Delinquent:							
60–89 Days Delinquent	110,407	139,019	142,114	105,019	121,380	15.6%	9.9%
90 or More Days Delinquent	194,934	233,914	277,617	247,105	235,466	-4.7%	20.8%
Bankruptcy 30 or More Days Delinquent	51,277	56,848	59,499	59,084	63,297	7.1%	23.4%
Subtotal for Seriously Delinquent	**356,618**	**429,781**	**479,230**	**411,208**	**420,143**	**2.2%**	**17.8%**
Foreclosures in Process	93,231	132,713	153,637	179,948	166,745	-7.3%	78.9%

*Percentages may not total 100 due to rounding.

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



Performance of GSE Mortgages

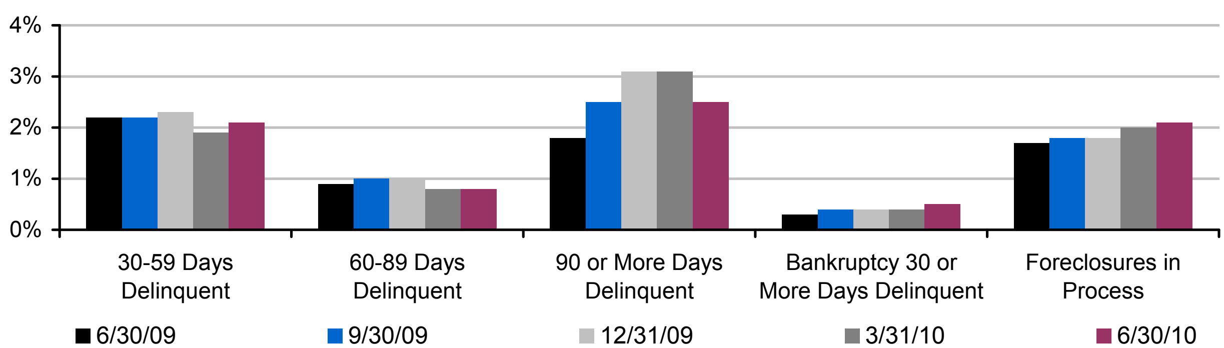
Mortgages serviced for the GSEs include more prime mortgages than mortgages serviced for other investors. As a result, GSE mortgages performed better. Current and performing GSE loans increased to 92.0 percent, compared with 87.3 percent for the overall portfolio and 85.3 percent for government-guaranteed mortgages. While loans 30 to 59 days delinquent increased 10.1 percent from the previous quarter to 2.1 percent, seriously delinquent GSE loans declined to 3.8 percent, a 13.0 percent decrease from the previous quarter. Foreclosures in process increased to 2.1 percent compared with 2.0 percent at the end of the previous quarter. GSE mortgages made up 62 percent of the overall servicing portfolio. Of the GSE mortgages, about 58 percent were serviced for Fannie Mae, and 42 percent were serviced for Freddie Mac.

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

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Current and Performing	93.1%	92.1%	91.3%	91.8%	92.0%	0.2%	-1.2%
30–59 Days Delinquent	2.2%	2.2%	2.3%	1.9%	2.1%	10.1%	-2.9%
The Following Three Categories Are Classified as Seriously Delinquent:							
60–89 Days Delinquent	0.9%	1.0%	1.0%	0.8%	0.8%	-2.1%*	-6.9%
90 or More Days Delinquent	1.8%	2.5%	3.1%	3.1%	2.5%	-18.9%	37.8%
Bankruptcy 30 or More Days Delinquent	0.3%	0.4%	0.4%	0.4%	0.5%	7.5%	36.7%
Subtotal for Seriously Delinquent	**3.0%**	**3.9%**	**4.6%**	**4.3%**	**3.8%**	**-13.0%**	**24.6%**
Foreclosures in Process	1.7%	1.8%	1.8%	2.0%	2.1%	8.4%	25.2%
Performance of GSE Mortgages (Number)							
Current and Performing	20,000,848	19,775,288	19,361,573	19,471,020	19,279,961	-1.0%	-3.6%
30–59 Days Delinquent	464,532	480,320	490,139	404,565	440,198	8.8%	-5.2%
The Following Three Categories Are Classified as Seriously Delinquent:							
60–89 Days Delinquent	191,608	210,156	212,754	179,974	174,117	-3.3%	-9.1%
90 or More Days Delinquent	386,351	538,299	667,075	648,649	519,588	-19.9%	34.5%
Bankruptcy 30 or More Days Delinquent	72,845	84,192	89,985	91,482	97,166	6.2%	33.4%
Subtotal for Seriously Delinquent	**650,804**	**832,647**	**969,814**	**920,105**	**790,871**	**-14.0%**	**21.5%**
Foreclosures in Process	368,336	390,664	391,042	420,049	449,823	7.1%	22.1%

*Unrounded numbers yield a 2.1% difference from the previous quarter.

***Figure 4.* Performance of GSE Mortgages**



Seriously Delinquent Mortgages, by Risk Category

Serious delinquencies declined to 6.2 percent of the overall servicing portfolio, down 5.3 percent from the previous quarter. The number of seriously delinquent loans declined across all risk categories during the quarter. The percentage of prime mortgages that were seriously delinquent was 3.8 percent, a decrease of 7.6 percent from the previous quarter, but an increase of 23.5 percent from a year ago. Subprime serious delinquencies at 19.4 percent also declined during the second quarter, but they were 9.2 percent higher that a year ago. Overall, about 130,000 fewer loans were seriously delinquent than at the end of the previous quarter.

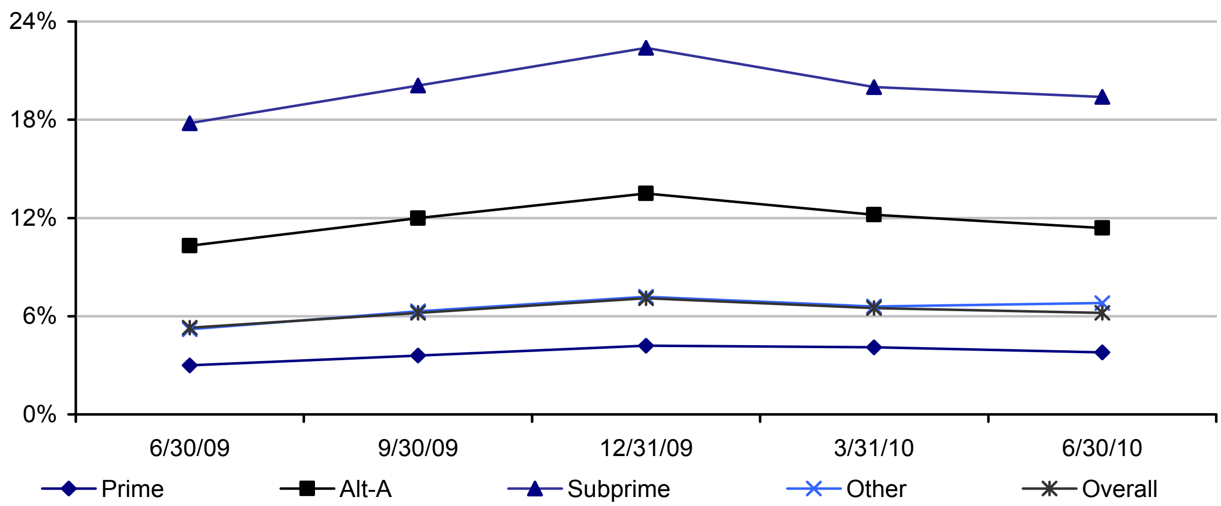
***Table 12.* Seriously Delinquent Mortgages**

(Percentage of Mortgages in Each Category)

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Prime	3.0%	3.6%	4.2%	4.1%	3.8%	-7.6%	23.5%
Alt-A	10.3%	12.0%	13.5%	12.2%	11.4%	-7.1%	10.8%
Subprime	17.8%	20.1%	22.4%	20.0%	19.4%	-2.8%	9.2%
Other	5.2%	6.3%	7.2%	6.6%	6.8%	2.4%	31.1%
Overall	5.3%	6.2%	7.1%	6.5%	6.2%	-5.3%	16.1%
Seriously Delinquent Mortgages (Number of Mortgages)							
Prime	696,699	838,083	976,183	935,125	869,094	-7.1%	24.7%
Alt-A	361,839	422,277	479,506	436,652	410,941	-5.9%	13.6%
Subprime	506,692	558,419	617,601	533,275	508,728	-4.6%	0.4%
Other	233,302	292,809	315,648	305,341	294,822	-3.4%	26.4%
Total	1,798,532	2,111,588	2,388,938	2,210,393	2,083,585	-5.7%	15.8%

***Figure 5.* Seriously Delinquent Mortgages**

Percentage of Mortgages in Each Category



Mortgages 30–59 Days Delinquent, by Risk Category

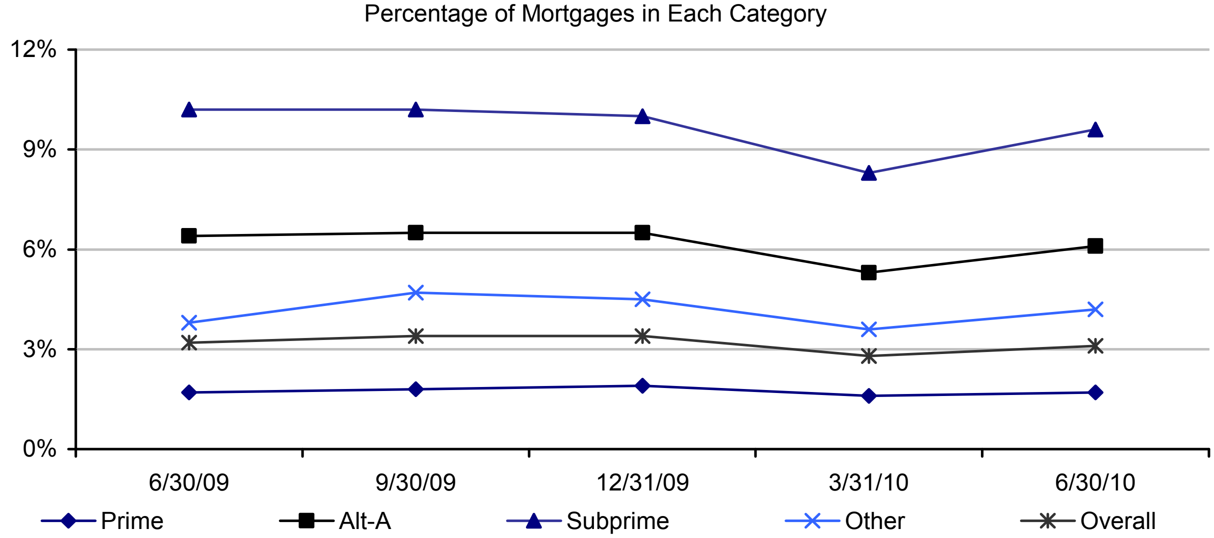
Early stage delinquencies—mortgages 30 to 59 days delinquent—increased across all risk categories during the second quarter. Overall, 3.1 percent of the total portfolio was 30 to 59 days delinquent at the end of the quarter, 11.0 percent higher than the prior quarter but 3.5 percent less than a year ago. Historically, early stage delinquencies tend to increase in the second quarter of each year.

Table 13. **Mortgages 30–59 Days Delinquent**

(Percentage of Mortgages in Each Category)							
	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Prime	1.7%	1.8%	1.9%	1.6%	1.7%	6.5%	-2.6%
Alt-A	6.4%	6.5%	6.5%	5.3%	6.1%	13.2%	-5.0%
Subprime	10.2%	10.2%	10.0%	8.3%	9.6%	15.6%	-6.3%
Other	3.8%	4.7%	4.5%	3.6%	4.2%	16.0%	11.5%
Overall	3.2%	3.4%	3.4%	2.8%	3.1%	11.0%	-3.5%
(Number of Mortgages)							
Prime	392,412	420,000	432,188	360,385	385,900	7.1%	-1.7%
Alt-A	224,971	230,077	232,609	190,767	218,912	14.8%	-2.7%
Subprime	291,285	284,251	275,235	221,157	250,921	13.5%	-13.9%
Other	169,995	220,497	198,790	166,997	182,689	9.4%	7.5%
Total	1,078,663	1,154,825	1,138,822	939,306	1,038,422	10.6%	-3.7%

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 contract terms; trial period plans, in which the loans will be converted to modifications upon successful underwriting and completion of the trial periods; and payment plans, in which no terms are contractually modified, but borrowers are given time to catch up on missed payments. All of these actions are intended to enable the borrower to attain payment sustainability and retain the home.

A. Loan Modifications, Trial Period Plans, and Payment Plans

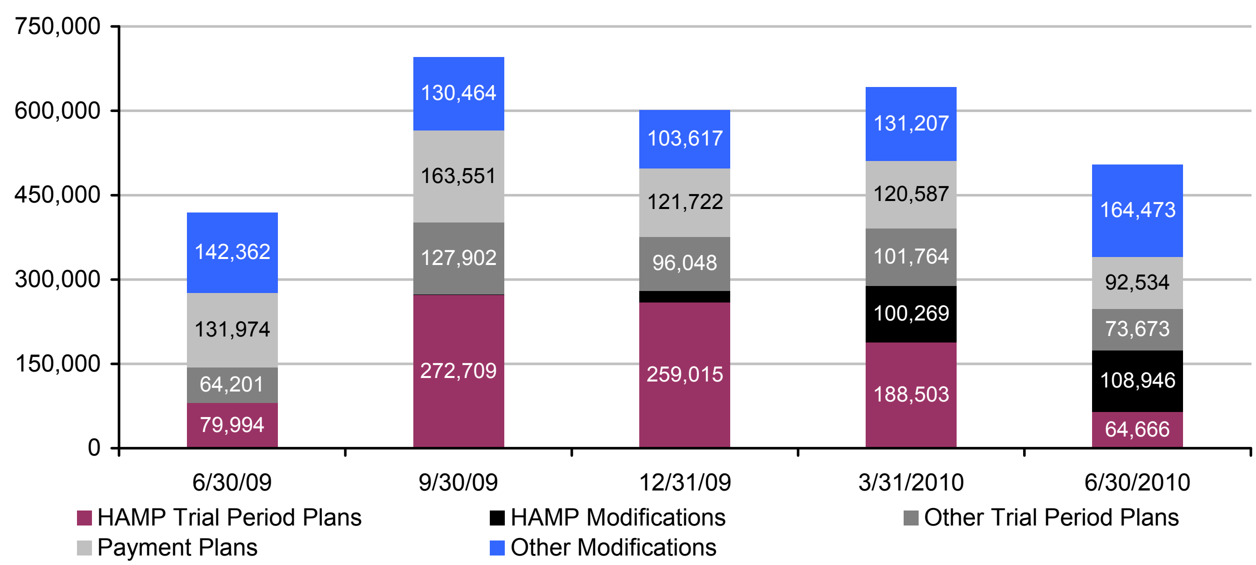
Newly Initiated Home Retention Actions

During the second quarter of 2010, servicers implemented 504,292 new home retention actions—loan modifications, trial period plans, and payment plans. Servicers implemented 273,419 modifications during the second quarter, an 18.1 percent increase from the prior quarter. However, total home retention actions declined 21.5 percent from the prior quarter, driven by the significant decrease in new trial period plans and new payment plans. These decreases can be attributed to servicers requiring borrowers to complete documentation before beginning a trial period plan as well as the reduced number of eligible borrowers who have not already been considered for existing homeowner assistance programs. In total, servicers initiated 2,861,643 home retention actions—902,800 modifications, 1,328,475 trial period plans, and 630,368 payment plans—during the last five quarters.

***Table 14.* Number of New Home Retention Actions**

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y % Change
Other Modifications	142,362	130,464	103,617	131,207	164,473	25.4%	15.5%
HAMP Modifications	--	783	20,679	100,269	108,946	8.7%	--
Other Trial Period Plans	64,201	127,902	96,048	101,764	73,673	-27.6%	14.8%
HAMP Trial Period Plans	79,994	272,709	259,015	188,503	64,666	-65.7%	-19.2%
Payment Plans	131,974	163,551	121,722	120,587	92,534	-23.3%	-29.9%
Total	418,531	695,409	601,081	642,330	504,292	-21.5%	20.5%

***Figure 7.* Number of New Home Retention Actions**



HAMP Modifications and Trial Period Plans, by Investor and Risk Category

Servicers implemented 108,946 HAMP modifications during the second quarter of 2010, up more than 8.7 percent from the 100,269 implemented during the previous quarter. Nearly two-thirds of HAMP modifications made in the second quarter of 2010 went to mortgages serviced for Fannie Mae and Freddie Mac mortgages. Prime loans received about half of all HAMP modifications, while subprime loans received less than a quarter of these modification actions.

Table 15. HAMP Modifications, by Investor and Risk Category
(Modifications implemented in the second quarter of 2010)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Total
Prime	24,198	17,178	11	5,621	7,151	54,159
Alt-A	8,712	5,827	20	2,979	5,137	22,675
Subprime	5,807	3,040	94	4,328	9,651	22,920
Other	4,847	2,069	29	657	1,590	9,192
Total	43,564	28,114	154	13,585	23,529	108,946

Servicers implemented 64,666 new HAMP trial period plans during the quarter, a decrease of nearly 65.7 percent from the 188,503 trial plans initiated in the prior quarter. Servicers report that the decrease in HAMP trial plans reflected both the decrease in eligible homeowners who have not already been considered for a trial modification and the requirement for homeowners to complete necessary documentation before starting a new trial plan. Prime mortgages, which represent 68 percent of the total portfolio and the risk category with the largest number of past due loans, received more than half of the HAMP trial period plans implemented in the second quarter of 2010. Alt-A and subprime mortgages received less than a quarter of the HAMP trial plans implemented during the quarter. Nearly half of HAMP trial period plans initiated during the second quarter were for Fannie Mae or Freddie Mac mortgages.

Table 16. HAMP Trial Period Plans, by Investor and Risk Category
(Trial plans implemented in the second quarter of 2010)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Total
Prime	11,640	7,497	1	6,735	6,800	32,673
Alt-A	3,874	2,290	2	3,769	3,536	13,471
Subprime	2,289	1,044	11	4,574	5,310	13,228
Other	2,202	791	11	901	1,389	5,294
Total	20,005	11,622	25	15,979	17,035	64,666

Newly Initiated Home Retention Actions Relative to Newly Initiated Foreclosures

Newly initiated home retention actions relative to newly initiated foreclosure actions declined slightly during the second quarter as home retention actions decreased at about the same pace as new foreclosures. Servicers implemented more than 1.7 times more new home retention actions—loan modifications, trial period plans, and payment plans—than new foreclosures during the second quarter. Borrowers in all risk categories received more home retention actions than new foreclosures, with subprime mortgages receiving more than 2.5 times as many new home retention actions as new foreclosures during the second quarter.

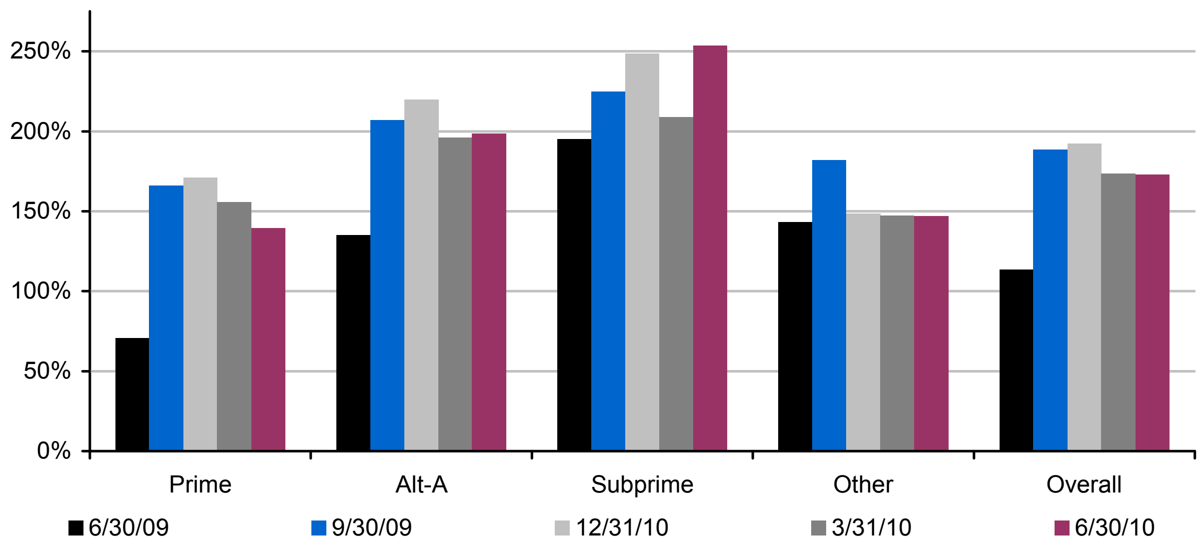
Table 17. **Newly Initiated Home Retention Actions by Risk Category**

(Percentage of Newly Initiated Foreclosures)

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Prime	70.8%	165.9%	171.0%	155.5%	139.5%	-10.3%	97.0%
Alt-A	135.1%	207.1%	219.9%	195.9%	198.5%	1.3%	46.9%
Subprime	195.0%	224.8%	248.7%	209.0%	253.7%	21.4%	30.1%
Other	143.0%	181.8%	148.5%	147.3%	147.1%	-0.1%	2.9%
Overall	113.4%	188.4%	192.3%	173.3%	172.7%	-0.4%	52.3%
Newly Initiated Home Retention Actions	418,531	695,409	601,081	642,330	504,292	-21.5%	20.5%
Newly Initiated Foreclosures	369,226	369,209	312,520	370,536	292,072	-21.2%	-20.9%

Figure 8. **Newly Initiated Home Retention Actions by Risk Category**

Percentage of Newly Initiated Foreclosures



Types of Modification Actions

The types of modification actions or combinations of actions have different effects on the borrowers' mortgage structures and monthly principal and interest payments. Different actions may, over time, have different effects on the long-term sustainability of mortgages. Servicers generally use a combination of actions when modifying mortgages, with nearly 93 percent of modifications implemented during the second quarter changing more than one of the original loan terms. Servicers capitalized missed fees and payments in 94.1 percent of all modifications made during the second quarter of 2010, reduced interest rates in 87.0 percent of the modified mortgages, and extended the loan maturity in 51.4 percent of all modifications. Servicers deferred repayment of some portion of the principal balance in 11.0 percent of all modifications, while principal reduction was used in 2.1 percent of modifications made in the second quarter. Because most modifications changed more than one term, the total of the individual actions exceeds 100 percent of total modifications. Appendix D presents additional detail on combination modifications.

Table 18. **Changes in Loan Terms for Modifications Made Through the Second Quarter of 2010**

(Percentage of Total Modifications)

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Capitalization	65.8%	68.2%	82.8%	91.4%	94.1%	2.9%	42.9%
Rate Reduction	72.2%	81.1%	84.5%	82.6%	87.0%	5.2%	20.4%
Rate Freeze	8.0%	2.7%	1.9%	1.3%	4.2%	237.2%	-47.0%
Term Extension	45.8%	47.4%	45.3%	45.8%	51.4%	12.3%	12.2%
Principal Reduction	10.0%	13.0%	6.8%	1.9%	2.1%	11.2%	-78.5%
Principal Deferral	2.5%	3.1%	5.8%	10.2%	11.0%	8.1%	347.2%
Unknown*	5.8%	1.9%	1.2%	1.0%	0.5%	-53.0%	-91.6%
Total Number of Changes in Each Category							
Capitalization	93,677	89,553	102,885	211,630	257,183	21.5%	174.5%
Rate Reduction	102,811	106,443	105,060	191,281	237,801	24.3%	131.3%
Rate Freeze	11,341	3,512	2,407	2,901	11,554	298.3%	1.9%
Term Extension	65,218	62,156	56,321	105,957	140,568	32.7%	115.5%
Principal Reduction	14,194	17,090	8,435	4,464	5,865	31.4%	-58.7%
Principal Deferral	3,496	4,040	7,205	23,518	30,027	27.7%	758.9%
Unknown*	8,326	2,447	1,516	2,413	1,339	-44.5%	-83.9%

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

Types of HAMP Modification Actions

Modifications under HAMP are required to follow a prescribed series of actions to attain a targeted monthly mortgage payment. Consistent with modification actions overall and the prescribed order of actions required by HAMP, capitalization of missed payments and fees, interest rate reductions, and term extensions were the prevailing actions on HAMP modifications. Principal deferral, another prescribed action in the HAMP hierarchy, was used in 20.4 percent of HAMP modifications during the second quarter of 2010 compared with 19.3 percent in the previous quarter. Principal reduction was used in 1.2 percent of all HAMP modifications implemented during the second quarter.

***Table 19.* Changes in Loan Terms for HAMP Modifications Made Permanent Through the Second Quarter of 2010**

	Total Number of Changes in Each Category			Percentage of Modifications		
	12/31/09	3/31/10	6/30/10	12/31/09 (of 20,679)	3/31/10 (of 100,269)	6/30/10 (of 108,946)
Capitalization	20,340	97,699	107,890	98.4%	97.4%	99.0%
Rate Reduction	20,122	91,835	101,674	97.3%	91.6%	93.3%
Rate Freeze	35	147	1,148	0.2%	0.1%	1.1%
Term Extension	10,485	47,083	51,808	50.7%	47.0%	47.6%
Principal Reduction	22	162	1,257	0.1%	0.2%	1.2%
Principal Deferral	5,636	19,328	22,171	27.3%	19.3%	20.4%
Unknown*	154	123	75	0.7%	0.1%	0.1%

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

Types of Modification Actions, by Risk Category

Servicers use a combination of actions when modifying mortgages, and no single action can be identified as the primary component of a successful modification. Modifications across all risk categories predominantly featured interest rate reduction and term extension in addition to the capitalization of past-due interest and fees. Because most modifications changed more than one term, the number of individual features changed exceeds the total number of modified loans in each risk category. The mix of capitalization, rate reduction and term extension in modified mortgages did not differ significantly among prime, Alt-A, and subprime mortgages. Principal deferral was used more extensively in modifications of prime mortgages than other risk categories to attain sustainable monthly payments relative to the borrowers' income level in accordance with HAMP and other modification program guidelines.

***Table 20.* Changes in Loan Terms for Modification, by Risk Category in Second Quarter 2010**

	Prime	Alt-A	Subprime	Other	Overall
(Percentage of Total Modifications)					
Capitalization	92.4%	94.6%	94.9%	97.3%	94.1%
Rate Reduction	87.6%	86.1%	87.6%	84.5%	87.0%
Rate Freeze	2.6%	4.2%	5.3%	7.6%	4.2%
Term Extension	52.1%	49.6%	47.9%	61.3%	51.4%
Principal Reduction	2.4%	2.6%	2.0%	0.5%	2.1%
Principal Deferral	15.8%	9.6%	5.3%	9.7%	11.0%
Unknown*	0.7%	0.5%	0.2%	0.3%	0.5%
(Total Number of Changes in Each Category)					
Total Mortgages Modified	112,717	56,995	74,722	28,985	273,419
Capitalization	104,145	53,924	70,923	28,191	257,183
Rate Reduction	98,750	49,083	65,477	24,491	237,801
Rate Freeze	2,961	2,420	3,975	2,198	11,554
Term Extension	58,750	28,247	35,809	17,762	140,568
Principal Reduction	2,745	1,498	1,464	158	5,865
Principal Deferral	17,802	5,450	3,957	2,818	30,027
Unknown*	828	273	161	77	1,339

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

Types of Modification Actions, by Investor and Product Type

Modifications of mortgages serviced for the GSEs—Fannie Mae and Freddie Mac—accounted for 44.4 percent of second quarter modifications. Mortgages serviced for private investors received 24.9 percent of all modifications, while government-guaranteed loans received 17.3 percent. Mortgages held in servicer portfolios received 13.4 percent of second quarter modifications. Table 21 shows the distribution of the types of modification actions by investor. Because modifications often change more than one term, the number exceeds the total number of modified loans for each investor.

Interest rate reduction, on loans that may also include the capitalization of missed payments and fees, remained the primary type of modification for all investors and product types, with term extension used in a majority of Freddie Mac, government-guaranteed, and portfolio modifications. Principal deferral, one of the actions prescribed by HAMP and other modification programs, was increasingly used in GSE, private investor, and portfolio modifications to attain sustainable monthly payments relative to the borrowers' income level. Principal reduction was used almost exclusively for loans held in portfolio or serviced for private investors.

***Table 21.* Type of Modification Action, by Investor, in Second Quarter 2010**

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
(Percentage of Total Modifications)						
Capitalization	99.0%	98.7%	99.6%	88.1%	81.8%	94.1%
Rate Reduction	91.3%	78.3%	91.2%	86.1%	82.1%	87.0%
Rate Freeze	2.2%	3.5%	4.1%	6.1%	6.1%	4.2%
Term Extension	48.8%	63.2%	82.4%	26.4%	51.7%	51.4%
Principal Reduction	0.0%	0.0%	0.0%	0.3%	15.5%	2.1%
Principal Deferral	11.0%	18.5%	0.0%	12.6%	14.5%	11.0%
Unknown*	0.1%	0.1%	0.0%	0.3%	2.7%	0.5%
(Total Number of Changes in Each Category)						
Total Mortgages Modified	83,980	37,502	47,301	68,044	36,592	273,419
Capitalization	83,172	37,025	47,099	59,956	29,931	257,183
Rate Reduction	76,711	29,350	43,120	58,569	30,051	237,801
Rate Freeze	1,879	1,322	1,953	4,181	2,219	11,554
Term Extension	41,021	23,701	38,956	17,982	18,908	140,568
Principal Reduction	9	1	0	182	5,673	5,865
Principal Deferral	9,219	6,954	4	8,550	5,300	30,027
Unknown*	67	46	15	232	979	1,339

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

Types of HAMP Modification Actions, by Investor and Product Type

HAMP modifications in the second quarter were concentrated in Fannie Mae and Freddie Mac mortgages, which received 65.8 percent of all HAMP modifications. Mortgages serviced for private investors received 21.6 percent of these modifications, while mortgages held in portfolio received nearly 12.5 percent of the HAMP modifications. Consistent with overall modification actions, interest rate reduction on modifications that included capitalization of past-due interest and fees and often term extension were the prevailing actions among HAMP modifications. Principal deferral was also used in a significant number of HAMP modifications for all investors other than government-guaranteed loans. Principal reduction was used almost exclusively for loans held in portfolio or serviced for private investors.

***Table 22.* Type of HAMP Modification Action by Investor in Second Quarter 2010**

(Percentage of Total Modifications)

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
Capitalization	99.1%	98.8%	90.9%	99.9%	98.0%	99.0%
Rate Reduction	98.8%	89.7%	94.8%	87.0%	94.5%	93.3%
Rate Freeze	0.2%	0.9%	1.9%	2.7%	1.1%	1.1%
Term Extension	55.8%	56.9%	18.2%	18.1%	53.1%	47.6%
Principal Reduction	0.0%	0.0%	0.0%	0.4%	8.5%	1.2%
Principal Deferral	16.8%	24.0%	1.9%	19.8%	25.1%	20.4%
Unknown*	0.1%	0.1%	0.6%	0.0%	0.0%	0.1%
(Total Number of Changes in Each Category)						
Total Mortgages Modified	43,564	28,114	154	23,529	13,585	108,946
Capitalization	43,167	27,771	140	23,494	13,318	107,890
Rate Reduction	43,023	25,209	146	20,461	12,835	101,674
Rate Freeze	104	261	3	631	149	1,148
Term Extension	24,312	16,005	28	4,253	7,210	51,808
Principal Reduction	6	1	0	90	1,160	1,257
Principal Deferral	7,340	6,749	3	4,670	3,409	22,171
Unknown*	28	38	1	3	5	75

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

Changes to Monthly Payments Resulting from Modification

The previous sections of this report describe the types of modification actions across risk categories, investors, and product types. This section describes the effect of those changes on borrowers' monthly principal and interest payments.

Modifications that decrease payments occur when servicers elect to lower interest rates, extend the amortization period, or forgive or defer principal. The reduced payments can make mortgages more affordable and more sustainable over time. However, the lower payments also result in less monthly cash flow and interest income to the mortgage investor.

Mortgage 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 loan balances and re-amortize the new balances over the remaining life of the mortgages. The interest rate or maturity of the loans may be changed on these modifications, but not enough to offset the increase in payment caused by the additional capitalized principal. Modifications may also result in increased monthly payments when interest rates or principal payments on adjustable rate mortgages and option ARMs are reset higher but 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 or have reasonable prospects to make the higher payments to repay the debt over time. However, during periods of prolonged economic stress, this strategy carries additional risk, underscoring the importance of verifying borrowers' income and debt payment ability so that borrowers and servicers have confidence that the modifications will be sustainable.

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

Changes to Monthly Payments Resulting from Modifications, by Quarter

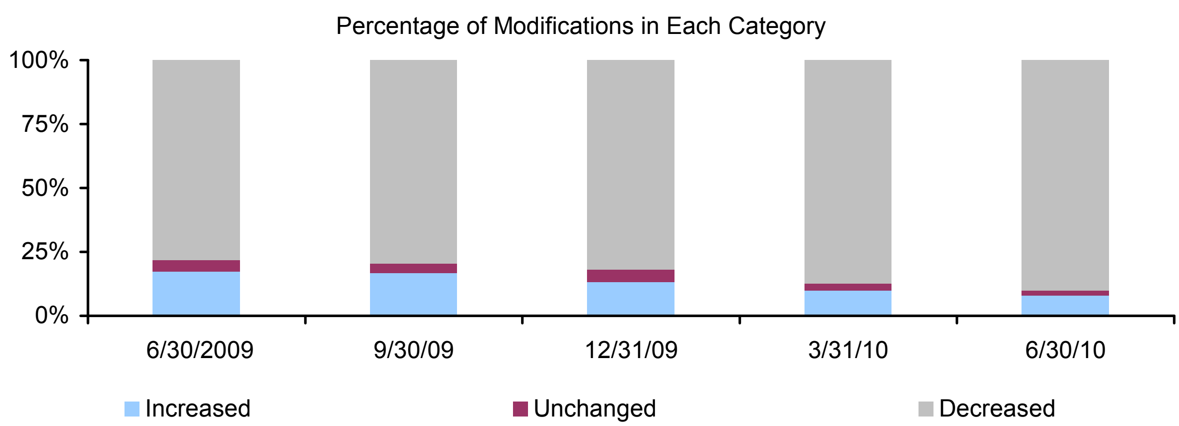
Mortgage modifications that lowered monthly principal and interest payments increased to 90.1 percent of all modifications during the quarter. Modifications that reduced payments by more than 20 percent increased to 56.4 percent, up from 54.9 percent the previous quarter. The increase in modifications that reduced the borrowers' monthly mortgage payments continued the trend noted in previous quarters as servicers focused on more sustainable modifications.

***Table 23.* Changes in Monthly Principal and Interest Payments Resulting from Modifications**

(Percentage of Modifications)*							
	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Decreased by 20% or More	38.8%	37.0%	41.8%	54.9%	56.4%	2.9%	45.5%
Decreased by 10% to Less than 20%	19.6%	18.3%	19.1%	17.7%	17.6%	-0.4%	-10.2%
Decreased Less than 10%	19.9%	24.4%	21.1%	14.9%	16.1%	8.1%	-19.3%
Subtotal for Decreased	**78.3%**	**79.7%**	**82.0%**	**87.4%**	**90.1%**	**3.1%**	**15.1%**
Unchanged	4.3%	3.6%	4.8%	2.7%	1.9%	-30.8%	-55.8%
Increased	17.4%	16.8%	13.2%	9.9%	8.0%	-18.9%	-54.0%
Subtotal for Unchanged and Increased	**21.7%**	**20.3%**	**18.0%**	**12.6%**	**9.9%**	**-21.4%**	**-54.4%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
(Number of Modifications)							
Decreased by 20% or More	54,860	48,151	51,036	126,379	153,730	21.6%	180.2%
Decreased by 10% to Less than 20%	27,691	23,786	23,338	40,663	47,875	17.7%	72.9%
Decreased Less than 10%	28,213	31,707	25,748	34,271	43,827	27.9%	55.3%
Subtotal for Decreased	110,764	**103,644**	100,122	201,313	245,432	21.9%	121.6%
Unchanged	6,038	4,630	5,822	6,273	5,136	-18.1%	-14.9%
Increased	24,665	21,829	16,142	22,750	21,831	-4.0%	-11.5%
Subtotal for Unchanged and Increased	30,703	**26,459**	21,964	29,023	26,967	-7.1%	-12.2%
Total	141,467	130,103	122,086	230,336	272,399	18.3%	92.6%

*Payment change information was not reported on 895 modifications in the second quarter of 2009; 1,144 in the third quarter of 2009; 2,210 in the fourth quarter of 2009; 1,140 in the first quarter of 2010 and 1,020 in the second quarter of 2010.

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



Changes to Monthly Payments Resulting from HAMP Modifications, by Quarter

Consistent with the HAMP emphasis on promoting sustainable payments, nearly all HAMP modifications reduced monthly payments, with 78.9 percent reducing payments by more than 20 percent. In addition to achieving lower payments, HAMP attempts to increase payment sustainability by targeting monthly housing payments at 31 percent of borrowers' income. Performance data on other modifications show that reduced monthly payments result in lower re-default rates over time, and that the greater the decrease in payment, the lower the rate of subsequent re-default.

***Table 24.* Changes in Monthly Principal and Interest Payments Resulting from HAMP Modifications**
(Percentage of HAMP Modifications)*

	12/31/09	3/31/10	6/30/10	1Q %Change
Decreased by 20% or More	81.2%	78.2%	78.9%	0.9%
Decreased by 10% to Less than 20%	11.0%	12.6%	12.4%	-2.0%
Decreased by Less than 10%	6.3%	7.6%	7.8%	2.5%
Subtotal for Decreased	**98.5%**	**98.4%**	**99.1%**	**0.6%**
Unchanged	1.3%	1.5%	0.7%	-50.4%
Increased	0.2%	0.1%	0.2%	176.5%
Subtotal for Unchanged and Increased	**1.5%**	**1.6%**	**0.9%**	**-39.5%**
Total	100.0%	100.0%	100.0%	0.9%

(Number of HAMP Modifications)

	12/31/09	3/31/10	6/30/10	1Q %Change
Decreased by 20% or More	16,360	78,302	85,680	9.4%
Decreased by 10% to Less than 20%	2,224	12,643	13,445	6.3%
Decreased by Less than 10%	1,262	7,586	8,437	11.2%
Subtotal for Decreased	19,846	98,531	107,562	9.2%
Unchanged	269	1,493	804	-46.1%
Increased**	40	75	225	200.0%
Subtotal for Unchanged and Increased	309	1,568	1,029	-34.4%
Total	20,155	100,099	108,591	8.5%

*Payment change information was not reported on 524 HAMP modifications in the fourth quarter of 2009, 170 in the first quarter of 2010, and 355 in the second quarter of 2010.

**A small number of HAMP modifications, like other modifications, may increase the borrowers' monthly principal and interest payment when loans with a previous interest-only or partial payment are modified to amortize the loan over its remaining term. While the principal and interest portion of the payment might increase, the total payment will reflect a housing expense ratio of 31 percent as specified by HAMP.

Average Change to Monthly Payments Resulting from Modifications, by Quarter

Modifications made during the second quarter reduced monthly principal and interest payments by an average of $427. HAMP modifications made during the quarter reduced payments by an average of $608, compared with other modifications that reduced average monthly payments by $307 overall. The emphasis on repayment sustainability through reduced monthly payments has resulted in the average monthly payment reduction increasing 61.8 percent from a year ago.

Table 25. **Average Change in Monthly Payments Resulting from Modifications**							
All Modifications							
	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Decreased by 20% or More	$617	$623	$626	$664	$698	5.0%	13.1%
Decreased by 10% to Less than 20%	$193	$196	$185	$189	$187	1.2%	-2.9%
Decreased Less than 10%	$61	$55	$62	$67	$68	0.8%	11.7%
Unchanged	--	--	--	--	--	--	--
Increased	$145	$146	$153	$163	$132	-19.0%	-8.7%
Overall	$264	$258	$290	$392	$427	8.9%	61.8%
Other Modifications							
Decreased by 20% or More	$617	$621	$575	$588	$659	12.0%	6.8%
Decreased by 10% to Less than 20%	$193	$196	$181	$174	$175	0.6%	-9.1%
Decreased Less than 10%	$61	$55	$61	$63	$65	3.1%	5.9%
Unchanged	--	--	--	--	--	--	--
Increased*	$145	$146	$153	$163	$132	-19.2%	-8.8%
Overall	$264	$252	$224	$239	$307	28.5%	16.4%
HAMP Modifications							
Decreased by 20% or More	$604	$792	$734	$711	$728	2.4%	20.7%
Decreased by 10% to Less than 20%	--	$214	$222	$223	$217	-2.3%	--
Decreased Less than 10%	--	$76	$81	$85	$83	-2.2%	--%
Unchanged	--	--	--	--	--	--	--
Increased*	--	--	$143	$79	$145	84.8%	--
Overall	$604	$714	$625	$591	$608	2.8%	0.7%

*Some modifications may increase the borrowers' monthly principal and interest payment when past-due interest, advances for taxes or insurance and other fees are added to the loan balance, or when loans with a previous interest only or partial payment are modified to amortize the loan over its remaining term.

B. Modified Loan Performance

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

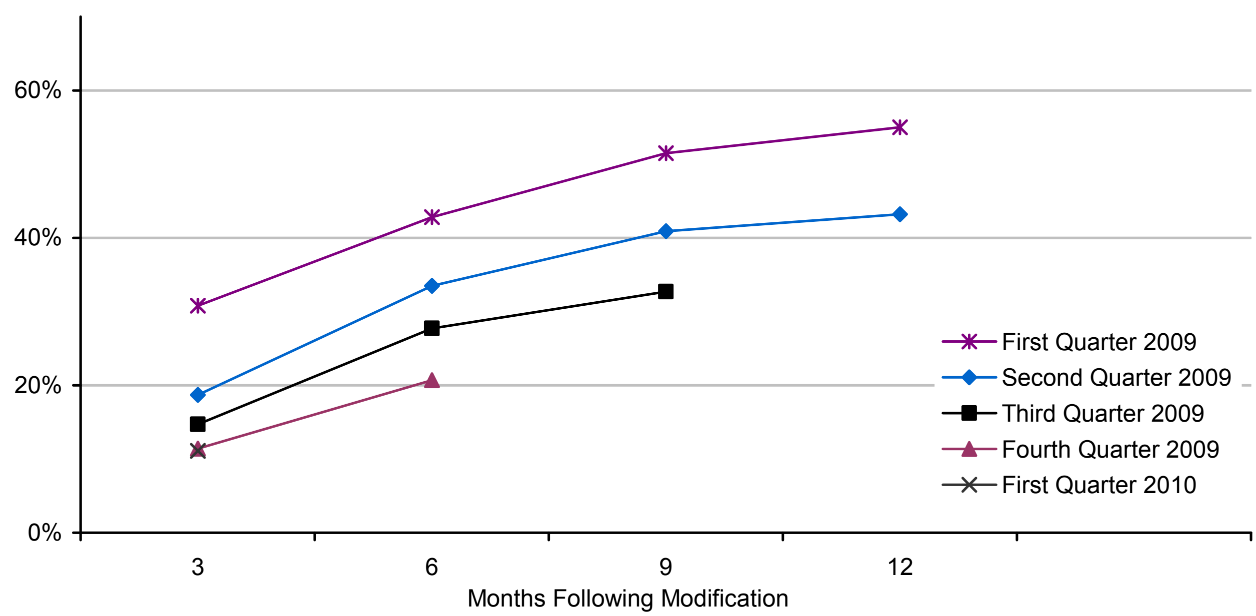
More recent modifications are performing better than earlier modifications, continuing the improving trend noted in previous quarters. The better performance of more recent modifications corresponds with the ongoing emphasis on lowering monthly payments and improving payment sustainability. HAMP, as well as an increasing number of other modification programs, also attempt to increase sustainability by not only reducing payments, but also targeting monthly payments relative to the borrowers' income and ability to repay the loan.

Table 26. **Modified Loans 60 or More Days Delinquent**

Modification Date	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
First Quarter 2009	30.8%	42.8%	51.5%	55.0%
Second Quarter 2009	18.7%	33.5%	40.9%	43.2%
Third Quarter 2009	14.7%	27.7%	32.7%	--
Fourth Quarter 2009	11.4%	20.7%	--	--
First Quarter 2010	11.1%	--	--	--

*All re-default data is based on modified loans that remain in effect at the specified amount of time after the modification. All loans that have been repaid in full, refinanced, sold, or completed the foreclosure process are removed from the calculation. Data include only modifications that have had time to age the indicated number of months.

Figure 10. **Modified Loans 60 or More Days Delinquent**



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

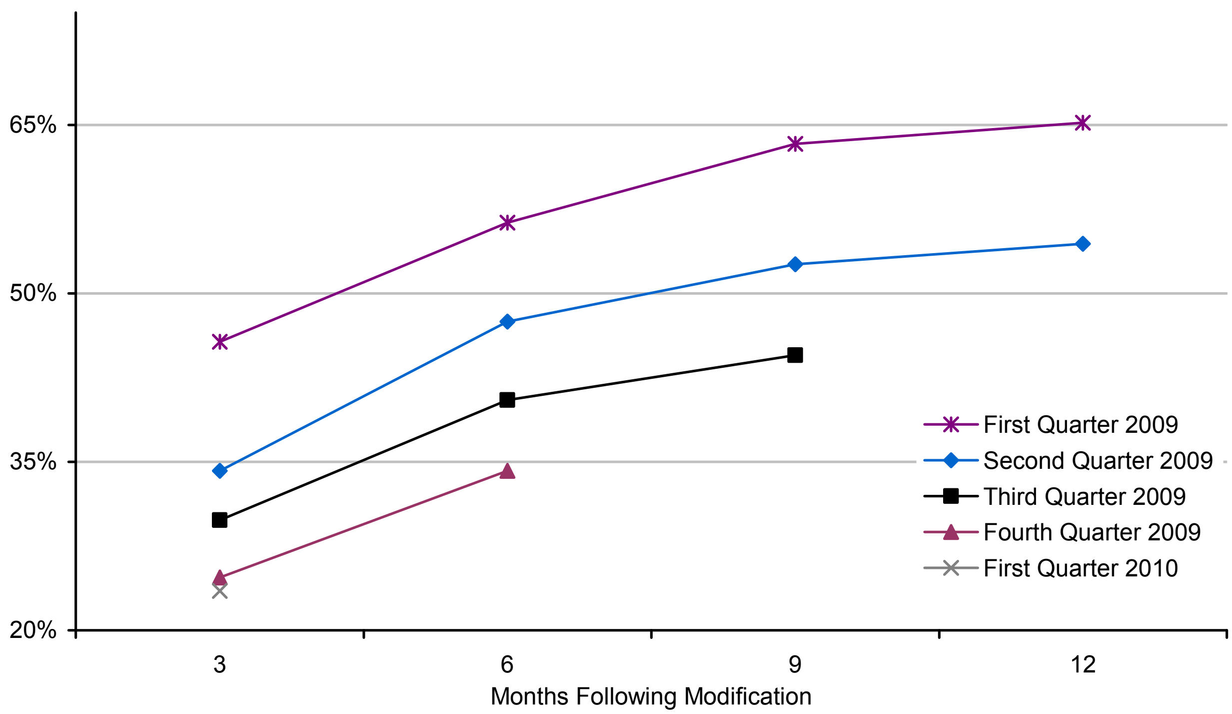
Re-default rates measured at 30 or more days delinquent provide an early indicator of mortgages that may need additional attention to prevent more serious delinquency or foreclosure. More recent modifications show lower 30-day re-default rates than previous modifications, continuing the trend reported in prior quarters.

***Table 27.* Modified Loans 30 or More Days Delinquent**

Modification Date	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
First Quarter 2009	45.7%	56.3%	63.3%	65.2%
Second Quarter 2009	34.2%	47.5%	52.6%	54.4%
Third Quarter 2009	29.8%	40.5%	44.5%	--
Fourth Quarter 2009	24.7%	34.2%	--	--
First Quarter 2010	23.5%	--	--	--

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

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



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

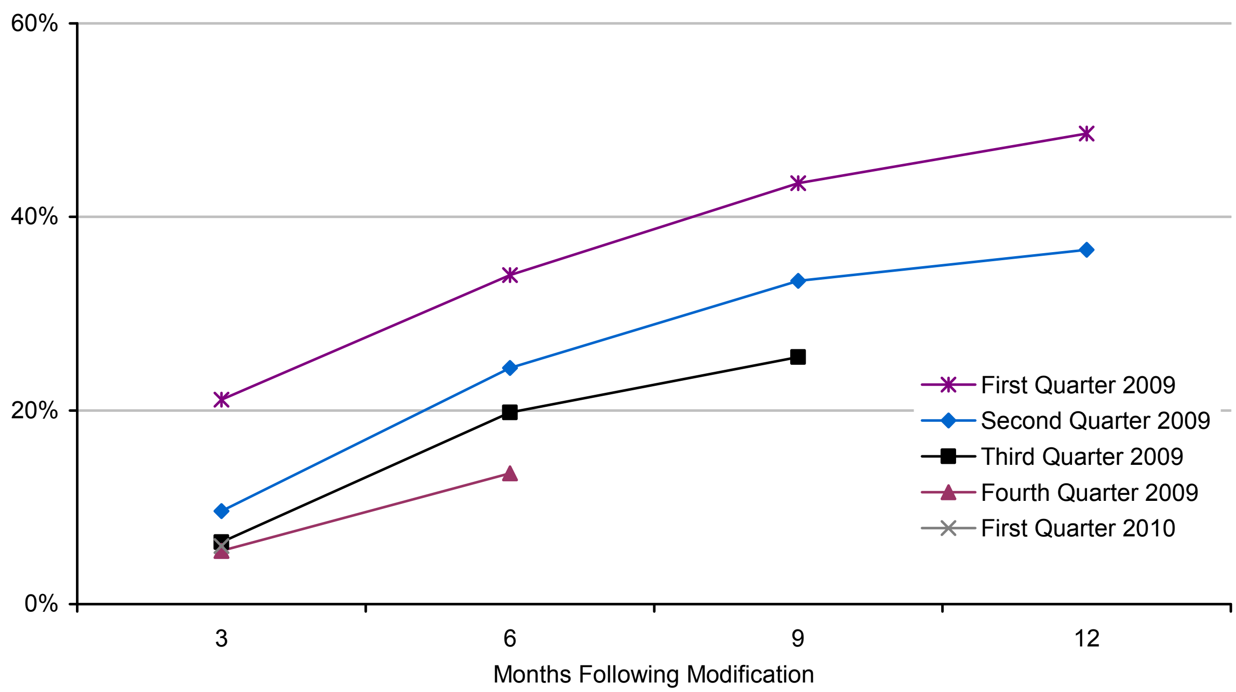
The percentage of modified mortgages that became 90 or more days delinquent after modification was naturally lower than shorter-term delinquency measures, but the mortgages exhibited a similar rise in delinquencies over time. As with other measures of modification sustainability, more recent modifications have outperformed previous vintages of loan modifications.

***Table 28.* Modified Loans 90 or More Days Delinquent**

Modification Date	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
First Quarter 2009	21.1%	34.0%	43.5%	48.6%
Second Quarter 2009	9.6%	24.4%	33.4%	36.6%
Third Quarter 2009	6.4%	19.8%	25.5%	--
Fourth Quarter 2009	5.5%	13.5%	--	--
First Quarter 2010	6.0%	--	--	--

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

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



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

Modifications on mortgages held in the servicers' own portfolios performed better than modifications on mortgages serviced for others. Re-default rates for government-guaranteed mortgages were highest over time, corresponding to the higher delinquency rate for those mortgages. The lower re-default rates for portfolio mortgages may reflect differences in modification programs and additional flexibility to modify terms for greater sustainability. Consistent with trends shown elsewhere, recent vintages of modifications performed better than earlier modifications. This was true for all categories of investors. After 6 months, 32.3 percent of the loans modified during 2009 were 60 or more days delinquent, compared with 45.4 percent of modifications implemented in 2008 (see Tables 29and 30).

***Table 29.* Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2008**
(60 or More Days Delinquent)*

Investor Loan Type	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Fannie Mae	30.2%	44.9%	54.1%	59.5%
Freddie Mac	22.7%	40.0%	51.2%	57.5%
Government-Guaranteed	32.5%	53.6%	63.7%	67.8%
Private	36.8%	49.1%	56.1%	61.2%
Portfolio Loans	16.2%	27.9%	35.0%	40.0%
Overall	31.7%	45.4%	53.2%	58.2%

***Table 30.* Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2009**
(60 or More Days Delinquent)*

Investor Loan Type	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Fannie Mae	18.0%	31.7%	45.7%	49.2%
Freddie Mac	28.6%	37.4%	52.4%	57.3%
Government-Guaranteed	23.5%	42.2%	55.2%	61.4%
Private	28.0%	40.8%	51.3%	57.7%
Portfolio Loans	7.1%	15.3%	22.2%	29.5%
Overall	20.0%	32.3%	42.7%	49.7%

***Table 31.* Re-Default Rates for Portfolio Loans and Loans Serviced for Others Modified in 2010**
(60 or More Days Delinquent)*

Investor Loan Type	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Fannie Mae	13.9%	--	--	--
Freddie Mac	8.0%	--	--	--
Government-Guaranteed	12.2%	--	--	--
Private	10.8%	--	--	--
Portfolio Loans	7.1%	--	--	--
Overall	11.1%	--	--	--

*Data include all modifications implemented during 2010 that have aged the indicated number of months.

Performance of HAMP Modifications Compared with Other Modifications

HAMP modifications implemented during the fourth quarter of 2009 and the first quarter of 2010 are performing better than other modifications implemented during this same period. For fourth quarter 2009 modifications in effect 6 months, HAMP modifications show a 10.8 percent re-default rate compared with 22.4 percent for other modifications. For modifications implemented in the first quarter 2010, 10.5 percent of HAMP modifications were 60 or more days delinquent 3 months after the modification compared with 11.6 percent for other modifications. These lower early post-modification delinquency rates may reflect HAMP's emphasis on the affordability of monthly payments and the requirements to verify income and complete a successful trial period.

Table 32. **Performance of HAMP Modifications Compared with Other Modifications***

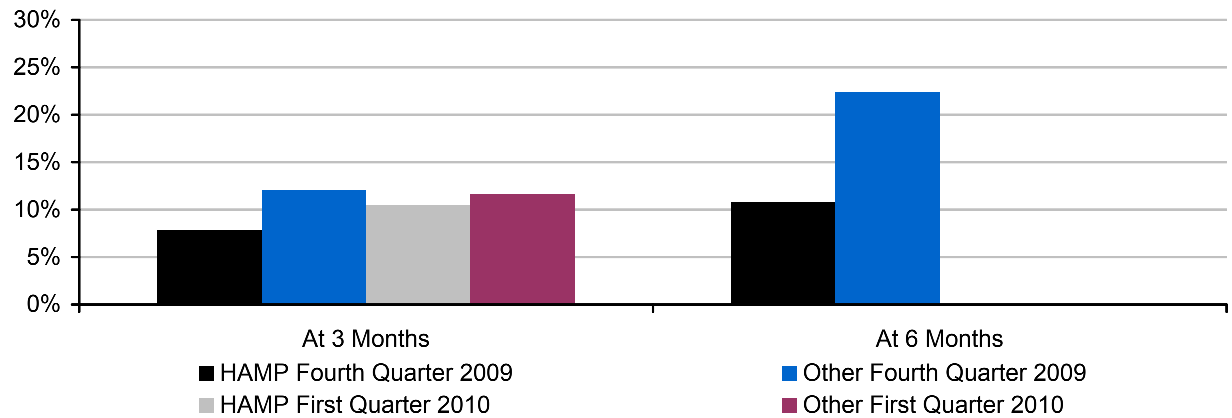
(60 or More Days Delinquent)

	Number of Modifications	3 Months after Modification	6 Months after Modification
HAMP Fourth Quarter 2009	20,679	7.9%	10.8%
Other Fourth Quarter 2009	103,617	12.1%	22.4%
HAMP First Quarter 2010	100,269	10.5%	--
Other First Quarter 2010	131,207	11.6%	--

*Data include all modifications that have had time to age the indicated number of months.

Figure 13. **Performance of HAMP Modifications Compared with Other Modifications**

(60 or More Days Delinquent)



C. Modified Loan Performance, by Change in Monthly Payments

Many factors influence mortgage delinquencies, including employment status, amount of homeowner equity, total homeowner debt, life-changing events, and poor initial underwriting.

Similar factors drive re-default rates of modified mortgages. However, the data in this section consistently show that re-default rates have been lower for modifications that reduce monthly payments. The data also show that the larger the reduction in monthly payment, the lower the subsequent re-default rate. Lower recent re-default rates may also result from the increased emphasis of HAMP and other modification programs to lower monthly payments relative to the borrower's income and ability to repay as well as verification of income and completion of a successful trial period.

For servicers and investors, determining the optimal type of modification often requires weighing the reduction in cash flow from loan terms that reduce monthly principal and interest payments, along with the possible costs of delaying foreclosure, against the potential for longer-term sustainability of the payments and ultimate repayment of the mortgage.

Re-Default Rates Loans by Change in Payment

The following tables present the re-default rates, measured as 60 or more days delinquent, for modifications made since January 1, 2008. Data show re-default rates decreased as reduction in monthly principal and interest payments increased, and that the re-default rates were lower among modifications made in 2009 and 2010, compared with 2008 modifications likely reflecting servicer emphasis on repayment sustainability and the borrower's ability to repay the debt.

Table 33. Re-Default Rates of Loans Modified in 2008 by Change in Payment
(60 or More Days Delinquent)*

	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Decreased by 20% or More	15.8%	26.0%	33.3%	39.4%
Decreased by 10% to Less than 20%	20.7%	33.0%	41.4%	48.1%
Decreased by Less than 10%	23.9%	40.0%	49.4%	55.1%
Unchanged	48.3%	57.9%	63.7%	67.0%
Increased	35.2%	54.3%	63.3%	68.5%
Total	31.6%	45.2%	53.0%	58.1%

Table 34. Re-Default Rates of Loans Modified in 2009 by Change in Payment
(60 or More Days Delinquent)*

	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Decreased by 20% or More	11.1%	19.6%	28.4%	34.7%
Decreased by 10% to Less than 20%	16.1%	29.8%	40.2%	46.0%
Decreased by Less than 10%	17.8%	34.2%	44.6%	51.7%
Unchanged	46.7%	51.5%	60.2%	63.9%
Increased	26.7%	46.7%	57.9%	65.4%
Total	19.9%	32.3%	42.7%	49.7%

Table 35. Re-Default Rates of Loans Modified in 2010 by Change in Payment
(60 or More Days Delinquent)*

	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Decreased by 20% or More	8.2%	--	--	--
Decreased by 10% to Less than 20%	10.2%	--	--	--
Decreased by Less than 10%	13.5%	--	--	--
Unchanged	31.2%	--	--	--
Increased	20.0%	--	--	--
Total	11.1%	--	--	--

*Data include all modifications implemented during 2010 that have aged the indicated number of months. Data do not include modifications for which payment change data was not reported.

60+ Delinquency at 6 Months after Modification by Change to Monthly Payments

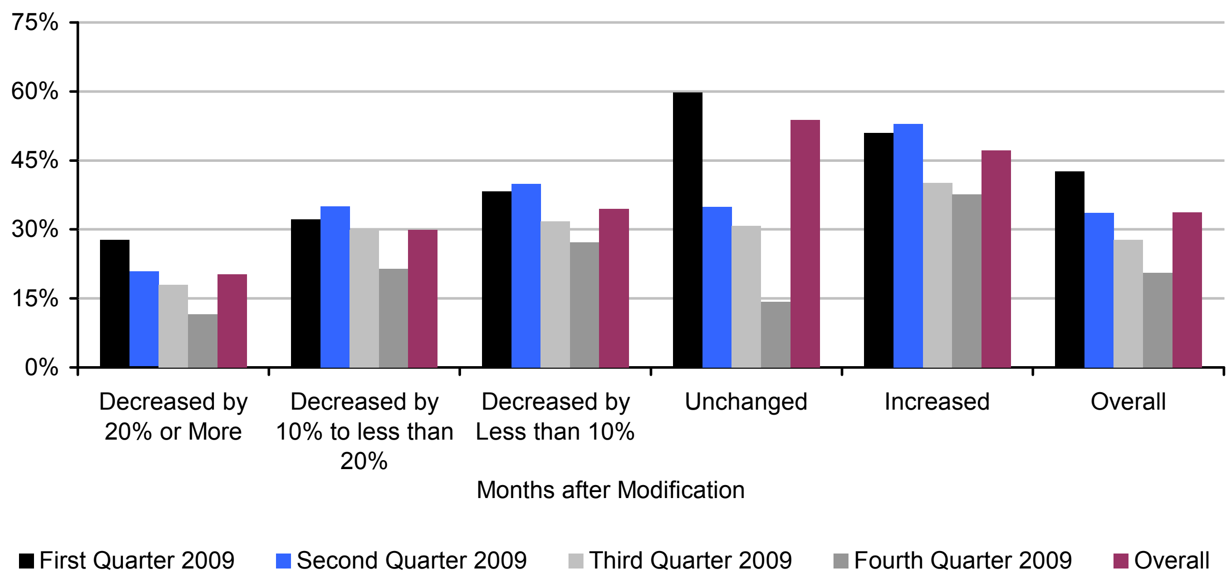
Modifications that reduce monthly principal and interest payments consistently perform better than modifications that increase or leave the monthly payment unchanged. Modifications with the greatest decrease in monthly payment consistently had the lowest re-default rates. More recent modifications have also tended to perform better than earlier modifications as servicers have increasingly emphasized lower monthly payments and payment sustainability when modifying loan terms.

Table 36. 60+ Delinquency at 6 Months after Modification by Change to Monthly Payments

	Decreased by 20% or More	Decreased by 10% to Less than 20%	Decreased by Less than 10%	Unchanged	Increased	Overall
First Quarter 2009	27.7%	32.2%	38.3%	59.8%	51.0%	42.7%
Second Quarter 2009	20.9%	35.0%	39.9%	34.9%	52.9%	33.6%
Third Quarter 2009	17.9%	29.9%	31.8%	30.8%	40.2%	27.7%
Fourth Quarter 2009	11.6%	21.4%	27.2%	14.3%	37.7%	20.6%
Overall	20.2%	29.9%	34.5%	53.8%	47.2%	33.7%

*Data include all modifications that have had time to age the indicated number of months. Data do not include modifications for which payment change data was not reported.

Figure 14. 60+ Delinquency 6 Months after Modification by Change to Monthly Payments



Status of Mortgages Modified in 2008-2010

Servicers implemented 421,322 loan modifications in 2008, 587,098 in 2009, and 231,476 in the first quarter of 2010, for a total of 1,239,896 loan modifications during this period. Of these modifications, 45.0 percent were current and performing on their modified terms at the end of the second quarter of 2010. Another 1.1 percent were paid off. More than 50 percent were delinquent, in process of foreclosure or had completed the foreclosure process.

Modifications that reduced borrowers' monthly payments by 10 percent or more performed significantly better than modifications that reduced payments less than 10 percent, increased, or left the payments unchanged. Of the nearly 596,796 modifications that reduced payments by 10 percent or more, 57.8 percent were current and performing at the end of the second quarter compared to 33.3 percent of modifications that reduced payments less than 10 percent.

Modifications on mortgages held in the servicers' own portfolio performed better than modifications of loans serviced for the GSEs and loans held by other investors. At the end of the second quarter 2010, 59.9 percent of modifications of loans held in servicer portfolios were current and performing compared with 55.3 percent of GSE modifications and 35.3 percent of modifications held by other investors.

***Table 37.* Status of Modified Mortgages in 2008-2010**

	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No longer in the Portfolio*
2008	421,322	26.8%	7.8%	32.2%	13.6%	8.8%	2.3%	8.4%
2009	587,098	46.8%	10.6%	28.2%	8.9%	2.1%	0.7%	2.7%
First Quarter 2010	231,476	73.7%	12.7%	11.6%	1.4%	0.1%	0.1%	0.5%
Total	1,239,896	45.0%	10.0%	26.5%	9.1%	4.0%	1.1%	4.2%
Modifications that Reduced Payments by 10 Percent or More								
	Total	Current	30-59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No longer in the Portfolio
Modifications that Reduced Payments by 10% or More	596,796	57.8%	10.3%	19.2%	6.3%	2.0%	0.6%	3.8%
Modifications that Reduced Payments by Less than 10 Percent								
	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No longer in the Portfolio
Modifications that Reduced Payments by Less than 10%	643,100	33.3%	9.8%	33.2%	11.6%	5.9%	1.6%	4.6%
Status of Modifications by Major Investor Categories								
	Total	Current	30–59 Days Delinquent	Seriously Delinquent	Foreclosures in Process	Completed Foreclosures	Paid Off	No longer in the Portfolio
Portfolio	274,423	59.9%	8.2%	16.0%	6.4%	1.9%	1.4%	6.4%
GSE	263,479	55.3%	11.0%	19.3%	8.9%	3.1%	.9%	1.4%
Other**	701,994	35.3%	10.4%	33.2%	10.2%	5.2%	1.1%	4.4%

*Processing constraints at some servicers prevented reporting on some loans they no longer service. These loans may have been refinanced or paid in full, transferred or sold to another entity, or removed from the servicing system through foreclosure, short sale, or a deed-in-lieu of foreclosure action.

**Includes all government-guaranteed and private investor mortgages.

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

Completed Foreclosures and Other Home Forfeiture Actions

Home forfeiture actions—foreclosure sales, short sales, and deed-in-lieu-of-foreclosure actions—totaled 221,474 during the second quarter, an increase of 14.2 percent from the previous quarter. Short sales and deed-in-lieu-of-foreclosure actions increased significantly during the quarter, but they remain at only 26 percent of home forfeiture actions overall. While home forfeiture actions increased in the second quarter, servicers implemented about 2.3 times more home retention actions—loan modifications, trial period plans, and payment plans—than total home forfeiture actions.

Servicers stated that HAMP and proprietary foreclosure prevention programs are designed to help a significant number of distressed homeowners; however, these programs are not expected to help all delinquent borrowers. In this regard, servicers indicated that new foreclosure actions and completed foreclosures are likely to increase as alternatives for seriously delinquent borrowers and loans in process of foreclosure are exhausted.

***Table 38.* Completed Foreclosures and Other Home Forfeiture Actions**

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Completed Foreclosures	106,004	118,606	128,859	152,654	162,812	6.7%	53.6%
New Short Sales	25,128	30,766	37,583	40,043	56,926	42.2%	126.5%
New Deed-in-Lieu-of-Foreclosure Actions	1,120	1,233	1,054	1,185	1,736	46.5%	55.0%
Total	132,252	150,605	167,496	193,882	221,474	14.2%	67.5%
Newly Initiated Home Retention Actions Relative to Completed Foreclosures and Other Home Forfeiture Actions	316.5%	461.7%	358.9%	331.3%	227.7%	-31.3%	-28.1%

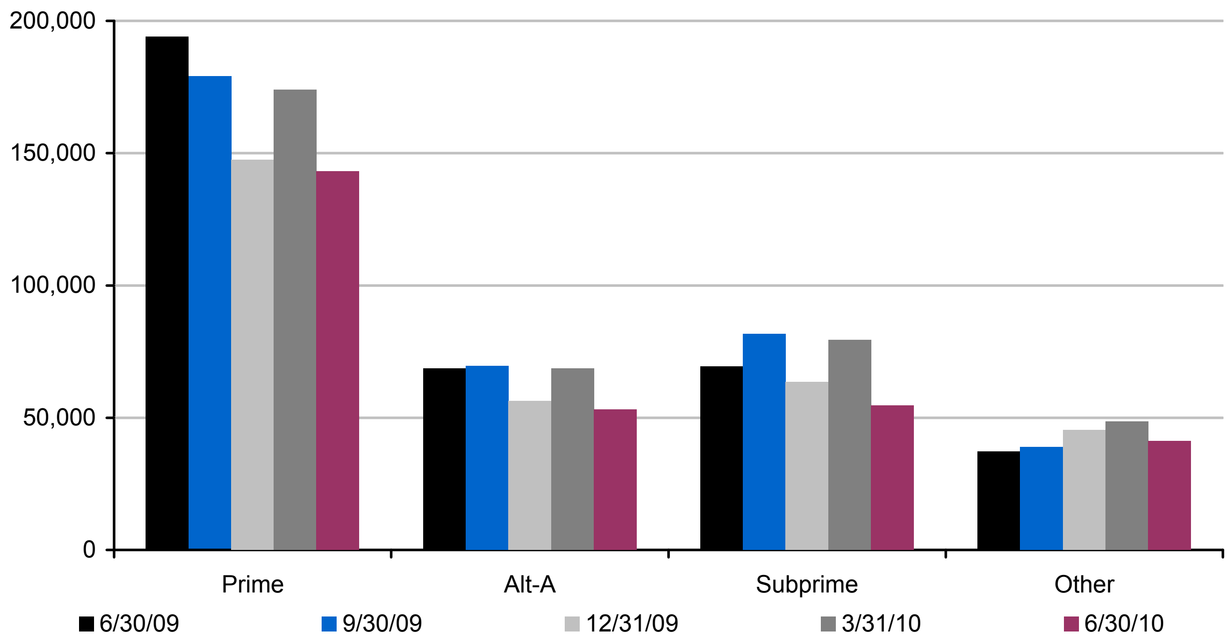
Newly Initiated Foreclosures

Foreclosure actions are initiated when modifications or alternate workout solutions cannot be arranged. The number of newly initiated foreclosures decreased by 21.2 percent, to 292,072, during the second quarter of 2010, the lowest level in more than a year. The lower number is partly attributable to the increase in permanent modifications made during the quarter. In addition, HAMP guidelines now preclude the servicer from initiating a foreclosure action until the borrower has been determined to be ineligible for a HAMP modification.

Table 39. **Number of Newly Initiated Foreclosures**

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Prime	194,071	179,087	147,419	174,080	143,041	-17.8%	-26.3%
Alt-A	68,622	69,566	56,399	68,538	53,193	-22.4%	-22.5%
Subprime	69,383	81,721	63,400	79,308	54,592	-31.2%	-21.3%
Other	37,150	38,835	45,302	48,610	41,246	-15.1%	11.0%
Total	369,226	369,209	312,520	370,536	292,072	-21.2%	-20.9%

Figure 15. **Number of Newly Initiated Foreclosures**



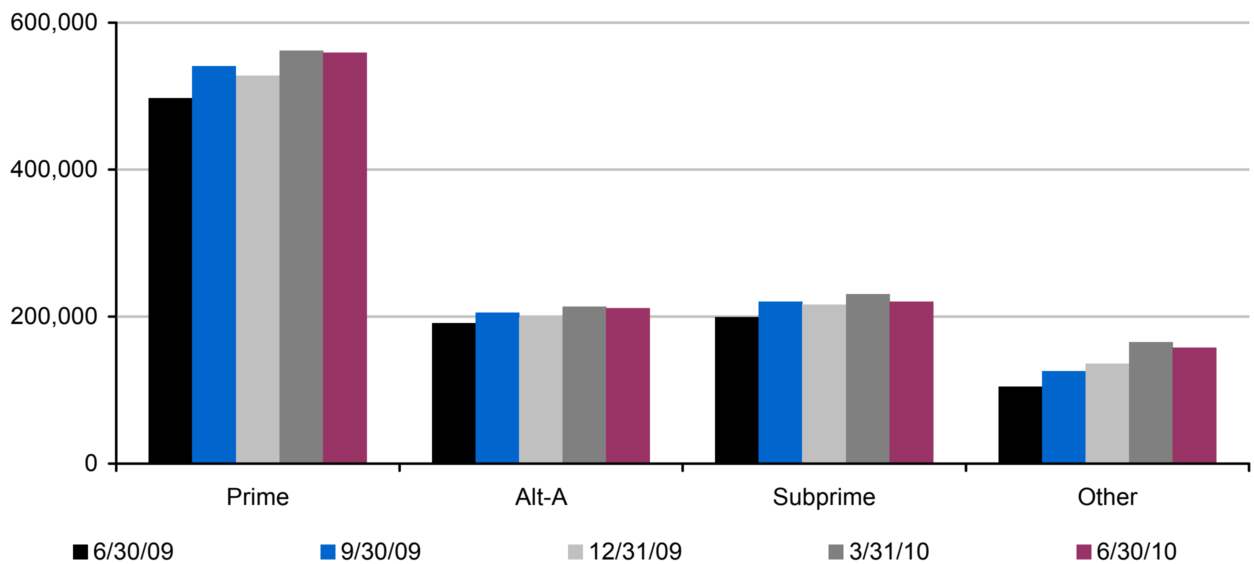
Foreclosures in Process

The number of loans in process of foreclosure decreased by 1.8 percent from the previous quarter to 1,149,770, reflecting the increases in permanent modifications and completed foreclosures during the quarter as well as the drop in newly initiated foreclosure actions. The ratio of foreclosures in process to total serviced mortgages was highest for subprime mortgages at 8.4 percent and lowest for prime mortgages at 2.4 percent. Many mortgages remain in process of foreclosure for longer periods than historical norms, as borrowers and servicers seek other resolutions. In addition, the amount of time required to process foreclosures has increased because of the volume of foreclosures in process. The number of foreclosures in process will remain elevated compared with historical norms, as the large inventory of seriously delinquent loans and existing foreclosures in process work through the system.

Table 40. **Foreclosures in Process**

Percentage of Foreclosures in Process Relative to Mortgages in That Risk Category							
	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Prime	2.2%	2.3%	2.3%	2.4%	2.4%	-0.9%	11.4%
Alt-A	5.4%	5.8%	5.6%	6.0%	5.9%	-2.2%	7.9%
Subprime	7.0%	7.9%	7.8%	8.6%	8.4%	-2.4%	20.4%
Other	2.3%	2.7%	3.1%	3.6%	3.6%	1.4%	56.9%
Total	2.9%	3.2%	3.2%	3.5%	3.4%	-1.4%	16.1%
Number of Foreclosures in Process							
Prime	497,266	540,762	527,792	561,661	559,288	-0.4%	12.5%
Alt-A	191,456	205,343	199,254	213,630	211,744	-0.9%	10.6%
Subprime	199,432	220,106	216,519	230,471	220,855	-4.2%	10.7%
Other	104,400	125,409	135,821	165,023	157,883	-4.3%	51.2%
Total	992,554	1,091,620	1,079,386	1,170,785	1,149,770	-1.8%	15.8%

Figure 16. **Number of Foreclosures in Process**



Completed Foreclosures

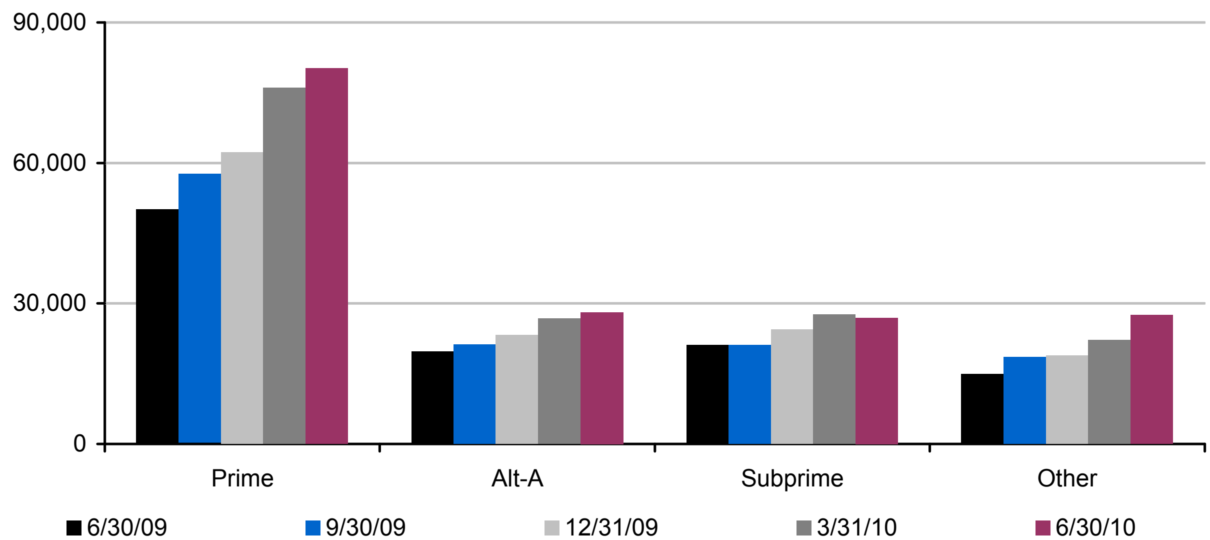
Completed foreclosures increased to 162,812 during the second quarter, up 6.7 percent from the previous quarter. The increase in completed foreclosures resulted from the large number of foreclosures in process that continued to progress toward foreclosure. The foreclosure process varies by state and can take more than 15 months to complete. Many newly initiated foreclosures and foreclosures in process never reach completion, as borrowers and servicers reach other resolutions. Foreclosures are completed when ownership of the properties transfers to the servicers or investors.

***Table 41.* Completed Foreclosures**

Percentage of Completed Foreclosures Relative to Mortgages in That Risk Category

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Prime	0.2%	0.3%	0.3%	0.3%	0.3%	4.9%	58.6%
Alt-A	0.6%	0.6%	0.7%	0.8%	0.8%	3.7%	38.8%
Subprime	0.7%	0.8%	0.9%	1.0%	1.0%	-0.8%	38.6%
Other	0.3%	0.4%	0.4%	0.5%	0.6%	31.8%	90.4%
Total	0.3%	0.3%	0.4%	0.5%	0.5%	7.1%	53.9%
Number of Completed Foreclosures							
Prime	50,088	57,739	62,243	76,073	80,205	5.4%	60.1%
Alt-A	19,779	21,176	23,286	26,765	28,127	5.1%	42.2%
Subprime	21,129	21,162	24,425	27,661	26,933	-2.6%	27.5%
Other	15,008	18,529	18,905	22,155	27,547	24.3%	83.5%
Total	106,004	118,606	128,859	152,654	162,812	6.7%	53.6%

***Figure 17.* Number of Completed Foreclosures**



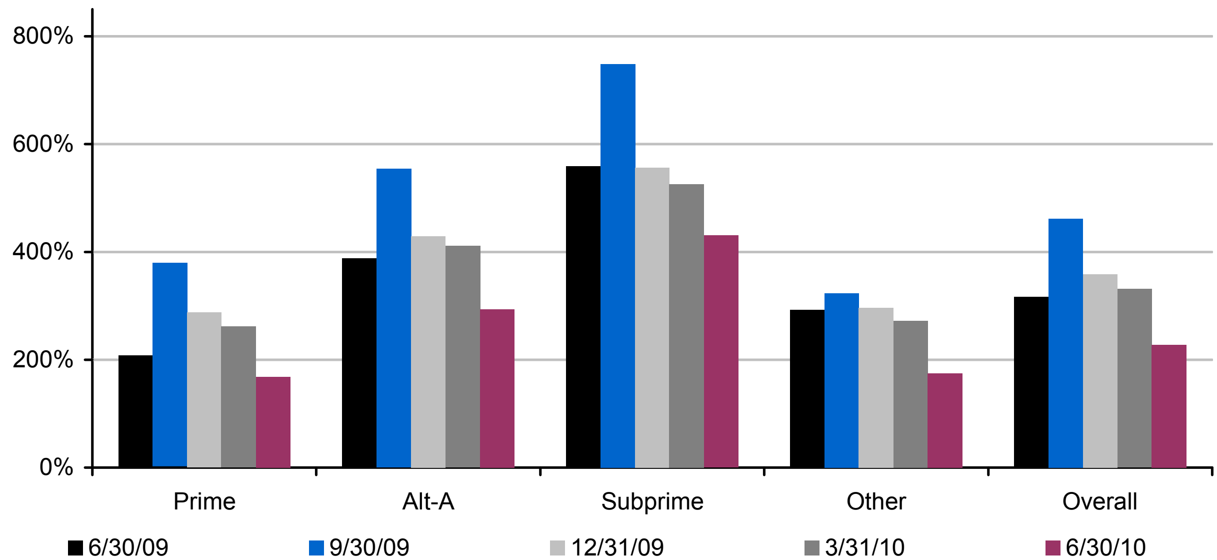
Home Retention Actions Relative to Forfeiture Actions, by Risk Category

Home retention actions relative to home forfeitures declined across all risk categories during the second quarter as increases in home forfeitures outpaced the increase in new home retention actions. Notwithstanding this decline, servicers initiated nearly 2.3 times more home retention actions than home forfeiture actions during the second quarter.

***Table 42.* Newly Initiated Home Retention Actions**
(Percentage of Completed Foreclosures and Other Home Forfeiture Actions)

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Prime	208.1%	379.7%	287.9%	261.6%	168.2%	-35.7%	-19.2%
Alt-A	388.4%	554.4%	428.9%	411.4%	293.5%	-28.7%	-24.4%
Subprime	559.7%	748.0%	556.4%	525.9%	430.6%	-18.1%	-23.1%
Other	292.2%	323.4%	296.7%	272.6%	174.8%	-35.9%	-40.2%
Overall	316.5%	461.7%	358.9%	331.3%	227.7%	-31.3%	-28.1%

***Figure 18.* Newly Initiated Home Retention Actions**
(Percentage of Completed Foreclosures and Other Home Forfeiture Actions)



Appendixes

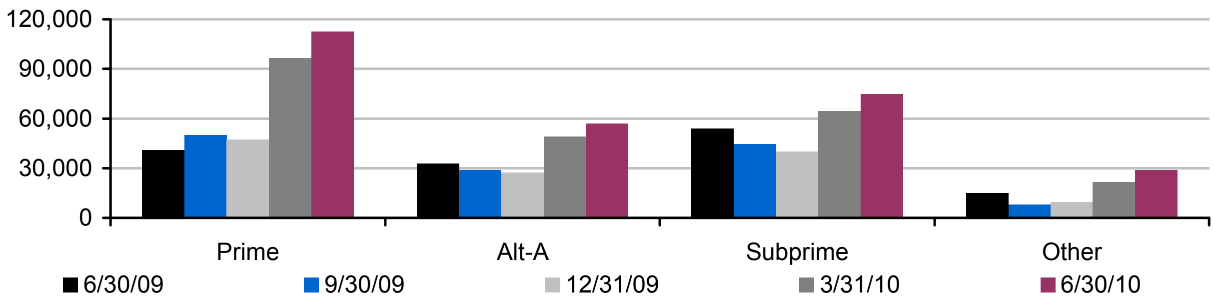
Appendix A—New Loan Modifications

New loan modifications increased by 18.1 percent to 273,419 during the second quarter of 2010. New modifications increased across all risk categories during the quarter.

Table 43. Number of New Loan Modifications

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Prime	40,855	50,002	47,236	96,531	112,717	16.8%	175.9%
Alt-A	32,650	28,780	27,505	49,049	56,995	16.2%	74.6%
Subprime	53,884	44,452	39,908	64,515	74,722	15.8%	38.7%
Other	14,973	8,013	9,647	21,381	28,985	35.6%	93.6%
Total	142,362	131,247	124,296	231,476	273,419	18.1%	92.1%

Figure 19. Number of New Loan Modifications



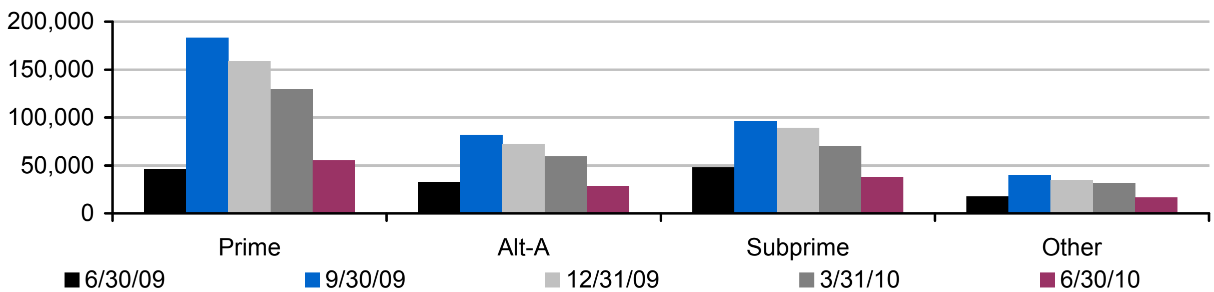
Appendix B—New Trial Period Plans

Trial period plans become permanent modifications following the successful completion of the trial period. Servicers initiated 138,333 trial period plans during the second quarter of 2010, 52.3 percent less than in the first quarter. Declines in new trial period plans were recorded across all risk categories. The decline in new trial period plans is primarily due to the decrease in new HAMP trial plans. Servicers report that the decline in new HAMP trial plans resulted from fewer eligible borrowers who have not already been considered for a trial plan and the requirement to obtain and review borrower financial documentation before starting a new trial plan.

Table 44. **Number of New Trial Period Plans**

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Prime	46,643	183,368	158,973	129,286	55,051	-57.4%	18.0%
Alt-A	32,542	81,693	72,278	59,478	28,467	-52.1%	-12.5%
Subprime	47,697	95,709	88,904	69,799	38,156	-45.3%	-20.0%
Other	17,313	39,841	34,908	31,649	16,659	-47.4%	-3.8%
Total	144,195	400,611	355,063	290,212	138,333	-52.3%	-4.1%

Figure 20. **New Trial Period Plans**



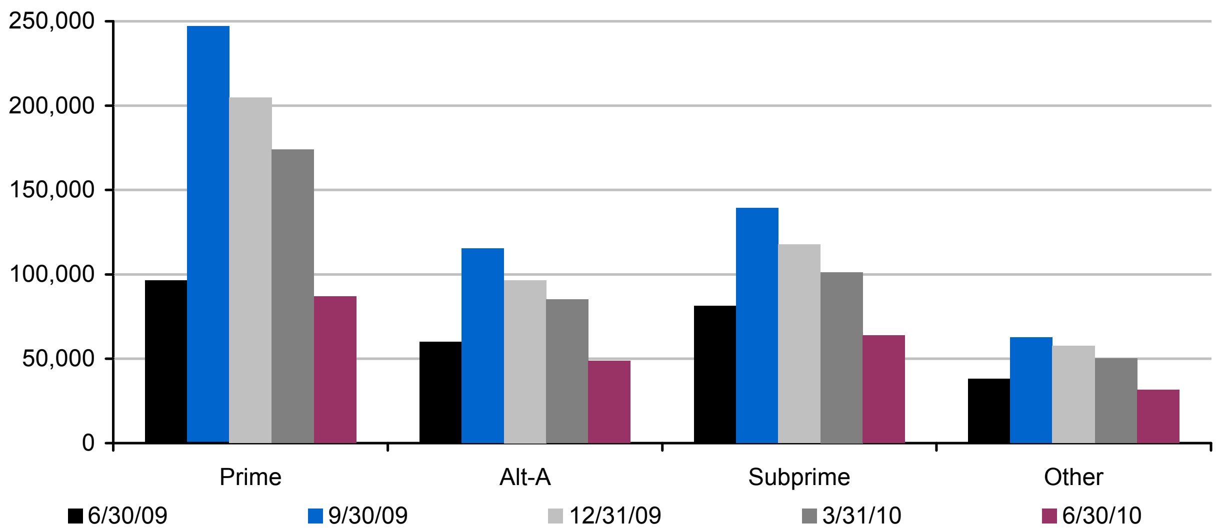
Appendix C—New Payment Plans

New payment plans decreased by 43.8 percent to 230,867 during the second quarter of 2010. Decreases were reported across all risk categories, continuing the trend reported in previous quarters as servicers emphasized HAMP and other trial period plans instead of shorter-term payment plans.

Table 45. **Number of New Payment Plans**

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Prime	96,544	247,050	204,865	174,115	86,803	-50.1%	-10.1%
Alt-A	60,081	115,257	96,542	85,214	48,603	-43.0%	-19.1%
Subprime	81,396	139,276	117,753	101,263	63,781	-37.0%	-21.6%
Other	38,148	62,579	57,625	50,207	31,680	-36.9%	-17.0%
Total	276,169	564,162	476,785	410,799	230,867	-43.8%	-16.4%

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



Appendix D—Breakdown of Individual and Combination Modification Actions

Servicers generally use a combination of actions to achieve payment sustainability when modifying a mortgage. These combination modifications accounted for 92.7 percent of all modifications implemented during the second quarter of 2010.

***Table 46.* Changes in Terms Made for Modifications Made Through the Second Quarter of 2010**

(Percentage of Modifications in Each Category)

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Combination*	76.7%	81.2%	86.7%	86.0%	92.7%	7.8%	20.9%
Capitalization	10.0%	8.5%	8.6% 10.3%		4.5%	-56.3%	-55.2%
Rate Reduction	4.2%	7.3%	2.2%	1.9%	1.2%	-35.3%	-70.7%
Rate Freeze	2.7%	0.3%	0.5%	0.2%	0.4%	53.9%	-85.6%
Term Extension	0.4%	0.8%	0.7%	0.4%	0.5%	46.0%	46.6%
Principal Reduction	0.0%	0.0%	0.0%	0.0%	0.0%	-100.0%	-100.0%
Principal Deferral	0.2%	0.0%	0.0%	0.1%	0.2%	16.5%	-32.1%
Unknown**	5.8%	1.9%	1.2%	1.0%	0.5%	-53.0%	-91.6%
Total Number of Changes in Each Category							
Combination*	109,157	106,607	107,705	199,133	253,496	27.3%	132.2%
Capitalization	14,276	11,166	10,699	23,790	12,275	-48.4%	-14.0%
Rate Reduction	5,953	9,640	2,774	4,384	3,350	-23.6%	-43.7%
Rate Freeze	3,797	366	651	578	1,051	81.8%	-72.3%
Term Extension	528	986	901	862	1,487	72.5%	181.6%
Principal Reduction	2	3	0	10	0	-100.0%	-100.0%
Principal Deferral	323	32	50	306	421	37.6%	30.3%
Unknown**	8,326	2,447	1,516	2,413	1,339	-44.5%	-83.9%
All Modifications	142,362	131,247	124,296	231,476	273,419	18.1%	92.1%

*Combination modifications result in a change to two or more loan terms. All other modification types detailed in this table involve only the individual listed action.
**Processing constraints at some servicers prevented them from reporting specific modified term(s).

The following table reports the specific actions included in the combination modifications presented in the previous table. Nearly 97 percent of the 253,496 combination modifications implemented in the second quarter of 2010 included capitalization of missed fees and payments, more than 92 percent included interest rate reduction, and more than half included an extension of the loan maturity. Principal deferral was included in 11.7 percent of the combination modifications implemented during the second quarter of 2010, and principal was reduced in 2.3 percent of these modifications. Because combination modifications changed more than one term, the total of the individual actions exceeds 100 percent of total combination modifications.

***Table 47.* Changes in Terms for Combination Modifications Made Through the Second Quarter of 2010**

(Percentage of Modifications in Each Category)

	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	1Q %Change	1Y %Change
Capitalization	72.7%	73.5%	85.6%	94.3%	96.6%	2.4%	32.8%
Rate Reduction	88.7%	90.8%	95.0%	93.9%	92.5%	-1.5%	4.2%
Rate Freeze	6.9%	3.0%	1.6%	1.2%	4.1%	255.2%	-40.0%
Term Extension	59.3%	57.4%	51.5%	52.8%	54.9%	4.0%	-7.4%
Principal Reduction	13.0%	16.0%	7.8%	2.2%	2.3%	3.4%	-82.2%
Principal Deferral	2.9%	3.8%	6.6%	11.7%	11.7%	0.2%	301.8%
Total Number of Changes in Each Category							
Capitalization	79,401	78,387	92,186	187,840	244,908	30.4%	208.4%
Rate Reduction	96,858	96,803	102,286	186,897	234,451	25.4%	142.1%
Rate Freeze	7,544	3,146	1,756	2,323	10,503	352.1%	39.2%
Term Extension	64,690	61,170	55,420	105,095	139,081	32.3%	115.0%
Principal Reduction	14,192	17,087	8,435	4,454	5,865	31.7%	-58.7%
Principal Deferral	3,173	4,008	7,155	23,212	29,606	27.5%	833.1%

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