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

Fourth Quarter 2009

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

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Contents

Executive Summary

This *OCC and OTS Mortgage Metrics Report* for the fourth quarter of 2009 provides performance data on first-lien residential mortgages serviced by national banks and federally regulated thrifts. The report covers all types of first-lien mortgages serviced by most of the industry's largest mortgage servicers. The mortgages in this portfolio comprise more than 64 percent of all mortgages outstanding in the United States. The report covers nearly 34 million loans totaling almost $6 trillion in principal balances and provides information on their performance through the end of the fourth quarter of 2009 (December 31, 2009).

Overall mortgage performance declined for the seventh consecutive quarter, with the percentage of current and performing mortgages falling to 86.4 percent at the end of the fourth quarter of 2009. This decline is attributable to the 21.1 percent increase in mortgages 90 or more days past due to 4.7 percent of all mortgages in the portfolio at the end of 2009. The increase in seriously delinquent mortgages was most pronounced among prime borrowers, where the number of seriously delinquent mortgages increased by 16.5 percent during the fourth quarter. While the overall percentage of mortgages 30-59 days delinquent was stable in the fourth quarter, early stage delinquencies among prime mortgages increased slightly. The continued decline in performance of prime mortgages is a significant trend given that those mortgages accounted for 68 percent of all mortgages within the portfolio.

The increase in mortgages that were 90 or more days past due resulted from the progression of early stage delinquent mortgages combined with more mortgages being held in a delinquent status for longer periods before entering the foreclosure process. As a result, newly initiated foreclosures declined in the fourth quarter, and foreclosures in process were stable, as national banks and thrift servicers evaluated borrowers for loss mitigation and home assistance programs to prevent avoidable foreclosures.

While servicers reported that HAMP and proprietary foreclosure prevention programs will help a significant number of distressed homeowners, they indicated these programs are not expected to help all delinquent borrowers. In this regard, servicers reported that they expect new foreclosure actions to increase in the upcoming quarters as many of the mortgages that are seriously delinquent may eventually result in foreclosure as alternatives that prevent foreclosure are exhausted.

Large national bank and thrift servicers continued to work with troubled borrowers through the Administration's "Home Affordable Modification Program" (HAMP) as well as proprietary programs. Servicers initiated 259,410 new HAMP trial plans and converted 21,316 existing trial plans to permanent HAMP modifications during the fourth quarter of 2009. In addition, servicers implemented 102,102 loan modifications and initiated 116,600 payment plans through proprietary programs during the quarter for borrowers who did not qualify under HAMP.

Overall, servicers implemented more than 594,000 new home retention actions in the fourth quarter of 2009, exceeding the 261,346 increase in total delinquent mortgages. While the number of new home retention actions was more than twice the number of new modifications implemented during the same quarter a year ago, it decreased 12.4 percent from the third quarter. Servicers reported that the fourth quarter decline reflected a reduction from the second and third quarter surge in new home retention actions that resulted from introduction of HAMP. The introduction of HAMP and other new programs resulted in the significant increases in new trial period plans for eligible borrowers that occurred in the second and third quarters of 2009. Many of these borrowers remained in the trial payment period at the end of 2009 and have not yet received a permanent modification. Servicers reported that they continued to evaluate additional borrowers who may be eligible for the various homeowner assistance programs that are currently available. Some servicers also reported that they began requiring and verifying income information before initiating new proprietary trial payment plans and modifications during the fourth quarter, further contributing to the reduced number of new home retention actions.

More than 82 percent of all loan modifications implemented in the fourth quarter reduced monthly principal and interest payments for the borrower. Consistent with program objectives, all HAMP modifications reduced monthly payments, and more than 82 percent of HAMP modifications reduced payments by more than 20 percent. Interest rate reduction and term extension after capitalization of missed payments and fees continued to be the predominant features of modifications. Principal deferral was included in nearly 6 percent of all modification, and in nearly 25 percent of HAMP modifications in the fourth quarter of 2009. Principal reduction was included in about 7 percent of all fourth quarter modifications, and was concentrated in loans held in the servicers' own portfolios.

Recent vintages of modifications that emphasized sustainability through lower monthly payments performed better at 3 and 6 months after modification than older vintages of modifications. However, overall re-default rates remained high with more than half of all modifications falling 60 or more days past due by 9 months after modification,[1] and more than half of all modification were 90 or more days past due by 12 months after modification. Nearly 40 percent of modifications that had reduced monthly principal and interest payments by more than 20 percent were 60 or more days past due 12 months after modification.

Second Lien Mortgages

Borrowers who receive a modification or trial period plan on their first mortgage may also have a second mortgage or home equity line of credit against the same property. In some cases, the borrower may be current on the payments of the second-lien loan yet seriously delinquent on the first-lien mortgage loan. Servicers have been encouraged 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. While it is often difficult to obtain the information needed to effectively restructure and modify multiple residential real estate loans to the same borrower, particularly when one of the loans is current or the loans are held or serviced by different entities, various initiatives are underway to make this information more readily available.

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

[1] The Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS) have clarified that examiners should review loan modification programs and the related accounting for troubled debt restructurings (TDR) to ensure that banks are following generally accepted accounting principles and maintaining adequate allowance for loan and lease losses regardless of whether a loan is modified. This includes recognition of loan modifications as TDRs with appropriate reserves and/or charge-off recognition when necessary.

Mortgage Performance

- The percentage of current and performing mortgages in the portfolio fell to 86.4 percent—a decrease of 0.9 percent from the previous quarter—reflecting the seventh consecutive quarterly decline.
- The percentage of mortgages 90 or more days past due increased 21.1 percent from the previous quarter, resulting in seriously delinquent mortgages increasing to 7.1 percent of the servicing portfolio, an increase of 13.8 percent from the previous quarter. Serious delinquencies increased in all risk categories, with the greatest percentage increase in the prime category. The seriously delinquent rate for prime mortgages, the largest risk category of mortgages, increased by 75.1 percent from a year ago as economic conditions increasingly affected this category of borrowers.

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

- During the quarter, servicers implemented 594,095 new home retention actions—loan modifications, trial period plans, and payment plans. New home retention actions, including actions taken under HAMP, decreased 12.4 percent from the previous quarter.[2] New home retention actions relative to the number of loans that were either seriously delinquent or in process of foreclosure also declined.

Table 1. Number of New Home Retention Actions

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y % Change
Loan Modifications	116,345	189,193	142,362	131,427	102,102	-22.3%	-12.2%
HAMP Trial Period Plans	0	0	80,411	269,436	259,410	-3.7%	
HAMP Modifications	--	--	--	781	21,316	--	--
Other Trial Period Plans	0	52,015	63,622	123,558	94,667	-23.4%	
Payment Plans	174,993	119,862	119,713	153,499	116,600	-24.0%	-33.4%
Total	291,338	361,070	406,108	677,920	594,095	-12.4%	103.9%
Home Retention Actions Relative to Serious Delinquency and Foreclosures In Process	12.71%	14.52%	14.55%	21.2%	17.1%	-19.1%	34.8%

- Servicers continued to emphasize home retention efforts over foreclosures. Servicers initiated almost twice as many modifications and payment plans as new foreclosure proceedings (see Table 16). For every two forfeited homes, servicers started more than seven new home retention actions during the fourth quarter (see Table 37).
- More than 84 percent of all modifications changed more than one loan term. Interest rate reductions were used in 84.2 percent of all mortgages modifications implemented in the

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

fourth quarter of 2009. Term extensions were used in 44.1 percent of all modifications, principal reductions were used in 6.8 percent, and principal deferral was used in 6.1 percent of the modifications implemented during the fourth quarter.[3]

- For HAMP modifications, interest rate reduction and term extension following capitalization of missed payments and fees were the prevailing actions. Principal deferral was used in 26.8 percent of HAMP modifications, a higher rate than in other modification programs.
- Overall, modifications made during the fourth quarter lowered monthly principal and interest payments in 82.2 percent of all loan modifications, up nearly 56 percent from a year ago, as servicers emphasized payment sustainability.[4] All HAMP modifications reduced borrower principal and interest payments.

Modified Loan Performance

- Modifications made in the second and third quarters of 2009 performed better at 3 months and 6 months after modifications than older vintages, corresponding to the increasing prevalence of modifications that reduce borrower monthly principal and interest payments. These lower re-default rates provide an early indication of potentially better performance over time. However, re-default rates remained high with more than half of all modifications falling more than 60 days past due by 9 months after modification (see Table 2).

Table 2. **Modified Loans 60 or More Days Delinquent**
(60+ Re-Default Rate for 2008-2009 Modifications)

Modification Date	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification*
Third Quarter 2008	35.1%	48.1%	54.6%	60.7%
Fourth Quarter 2008	29.9%	42.0%	51.8%	57.9%
First Quarter 2009	30.8%	42.7%	51.5%	--
Second Quarter 2009	18.7%	33.5%	--	--
Third Quarter 2009	14.7%	--	--	--

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

- Modifications on mortgages held in the servicers' own portfolios continued to perform better than modified mortgages serviced for others. This difference may be attributable to differences in modification programs and the servicers' additional flexibility to modify loan terms to achieve greater sustainability. Modified government-guaranteed mortgages showed the highest delinquency rates at 6, 9, and 12 months following modification relative to other investor types (see Table 3).

[3] Because most modifications changed more than one term, these percentages exceed 100 percent.

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

Table 3. **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	26.0%	41.8%	53.8%	59.5%
Freddie Mac	31.9%	45.9%	55.5%	57.3%
Government-Guaranteed	29.2%	52.4%	63.6%	67.8%
Private	34.0%	48.1%	57.4%	61.6%
Portfolio Loans	10.3%	22.7%	31.9%	40.0%
Total	26.7%	42.4%	52.8%	58.4%

* Data include all modifications implemented since January 1, 2008 that have had time to age the indicated number of months.

Modified Loan Performance, by Change in Monthly Payments

- Modifications that decreased monthly payments continued to show significantly lower re-default rates than modifications that left payments unchanged or increased payments (see Table 4). While lower payments reduce monthly cash flows to investors, the payments may also result in longer-term sustainability of the payments. After 12 months, 39.8 percent of modifications that decreased monthly payments by 20 percent or more were seriously delinquent. In contrast, 67.0 percent of modifications that left payments unchanged and 68.5 percent of modifications that increased payments were 60 or more days delinquent after same period.

Table 4. **Re-Default Rates of Loans Modified in 2008-2009 by Changes 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	13.7%	24.9%	34.6%	39.8%
Decreased by 10% to Less than 20%	19.0%	33.6%	42.0%	48.5%
Decreased by Less than 10%	20.9%	39.8%	49.7%	55.5%
Unchanged	49.1%	57.7%	64.1%	67.0%
Increased	32.0%	53.5%	63.3%	68.5%
Total**	26.6%	42.3%	52.7%	58.4%

* Data include all modifications implemented since January 1, 2008 that have had time to age the indicated number of months.
** Data exclude loans for which the payment change was unknown.

Foreclosures and Other Home Forfeiture Actions

- Servicers implemented almost twice as many new home retention actions as new foreclosures and more than three-and-a-half times more new home retention actions than completed home forfeiture actions (see Table 5).[5] New home retention actions relative to newly initiated

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

foreclosures increased during the fourth quarter as the decline in new foreclosures exceeded the drop in home retention actions. Conversely, new home retention actions relative to completed foreclosures and other home forfeiture actions declined because of the combined effects of reduced retention actions and increased forfeiture actions.

Table 5. Newly Initiated Home Retention Actions Compared with Foreclosure Actions							
	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Newly Initiated Home Retention Actions	291,338	361,070	406,108	677,920	594,095	-12.4%	103.9%
Newly Initiated Foreclosures	262,691	370,567	369,226	369,209	312,529	-15.4%	19.0%
Completed Foreclosures and Other Home Forfeiture Actions	112,937	110,603	132,243	150,281	163,224	8.6%	44.5%
Newly Initiated Home Retention Actions/Newly Initiated Foreclosures	110.9%	97.4%	110.0%	183.6%	190.1%	3.5%	71.4%
Newly Initiated Home Retention Actions/ Completed Foreclosures and Other Home Forfeiture Actions	258.0%	326.5%	307.1%	451.1%	364.0%	-19.3%	41.1%

- Short sales continued to grow as an alternative to foreclosure, increasing 22.2 percent to 37,584—more than doubling from the same quarter a year ago (see Table 6). Completed foreclosures increased 8.6 percent from the prior quarter and 35.7 percent from a year ago reflecting the continued increase in seriously delinquent mortgages and the large inventory of foreclosures in process.

Table 6. Completed Foreclosures and Other Home Forfeiture Actions							
	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
New Short Sales	16,809	18,619	25,128	30,766	37,584	22.2%	123.6%
New Deed-in-Lieu-of-Foreclosure Actions	1,186	1,298	1,120	1,233	1,054	-14.5%	-11.1%
Completed Foreclosures	94,942	90,686	105,995	118,606	128,859	8.6%	35.7%
Total	112,937	110,603	132,243	150,281	163,224	8.6%	44.5%

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 OTS collect these data from the nine national banks and three thrifts[6] with the largest mortgage-servicing portfolios among national banks and thrifts. These 12 depository institutions are owned by nine holding companies.[7] The data represent more than 64 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 December 2009, 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 loan-loss-reserve needs, and evaluate loss mitigation actions.

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, 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 and internal quality reviews conducted by the banks and thrifts, as well as 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 OTS require prior data submissions to be adjusted as errors and omissions are detected. In some cases, data presented in this report reflect resubmissions from institutions that restate and correct earlier information.

New in This Report

This report includes new data on the volume of permanent HAMP modifications that were implemented in the fourth quarter of 2009 and the breakdown of those modifications by investor and risk category (see Tables 15 and 16). The data include details on the actions used in those modifications (see Tables 19, 24, and 25), and show the effect HAMP modifications had on borrowers' monthly principal and interest payments (see Table 29).

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[6] The nine banks are Bank of America, JPMorgan Chase, Citibank, First Tennessee (formerly referred to as First Horizon), HSBC, National City, USBank, Wachovia, and Wells Fargo. The thrifts are OneWestBank (formerly IndyMac), Merrill Lynch, and Wachovia FSB. Wachovia FSB was merged into Wells Fargo National Bank in November 2009.

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

Definitions and Methods

The report uses standardized definitions for three categories of mortgage creditworthiness based on the following ranges of borrowers' credit scores at the time of origination:

- **Prime—**660 and above.
- **Alt-A—**620 to 659.
- **Subprime—**below 620.

Approximately 13 percent of loans in the data were not accompanied by credit scores and are classified as "other." This group includes a mix of prime, Alt-A, and subprime loans. In large part, the lack of credit scores results from acquisitions of loan portfolios from third parties for which borrower credit scores at the origination of the loans were not available.

Additional definitions include:

- **Completed foreclosures—**Ownership of properties is transferred to servicers or investors. The ultimate result is the loss of borrowers' homes because of nonpayment.
- **Deed-in-lieu-of-foreclosure actions—**Borrowers transfer ownership of the properties (deeds) to servicers in full satisfaction of the outstanding mortgage debt to lessen the adverse impact of the debt on borrowers' credit records. Deed-in-lieu-of-foreclosure actions typically have less adverse impact than foreclosure on borrowers' credit records.
- **Foreclosures in process—**Number of mortgages for which servicers have begun formal foreclosure proceedings but have not yet completed the process resulting in the loss of borrowers' homes. The foreclosure process varies by state and can take 15 months or more to complete. Many foreclosures in process never result in the loss of borrowers' homes because servicers simultaneously pursue other loss mitigation actions and borrowers may act to return their mortgages to current and performing status.
- **Government-guaranteed mortgages—**Government-guaranteed mortgages include all 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—**Home retention actions are 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 (Option ARMs)—**Mortgages that allow borrowers to choose a monthly payment that may either 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.
- **Re-default rates—**Percentage of modified loans that subsequently become delinquent or enter the foreclosure process. As alternative measures of delinquency, this report presents re-default rates using 30, 60, and 90 or more days delinquent and in process of foreclosure but focuses most often on the 60-day-delinquent measure.[8]
- **Seriously delinquent loans—**Mortgages that are 60 or more days past due and all mortgages held by bankrupt borrowers whose payments are 30 or more days past due.
- **Short sales—**Sales of the mortgaged properties at prices that net less than the total amount due on the mortgages. Servicers and borrowers negotiate repayment programs, forbearance, and/or forgiveness for any remaining deficiency on the debt. Short sales 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 in this report are based on the number of loans rather than on the dollar amount outstanding.

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

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

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

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

[8] 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 overall performance of mortgages in the portfolio, for government-guaranteed mortgages, for mortgages serviced for the government-sponsored enterprises (GSE), for Option ARMs, and by loan risk category.

Overall Mortgage Portfolio

The size and composition of the servicing portfolio remained relatively 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.

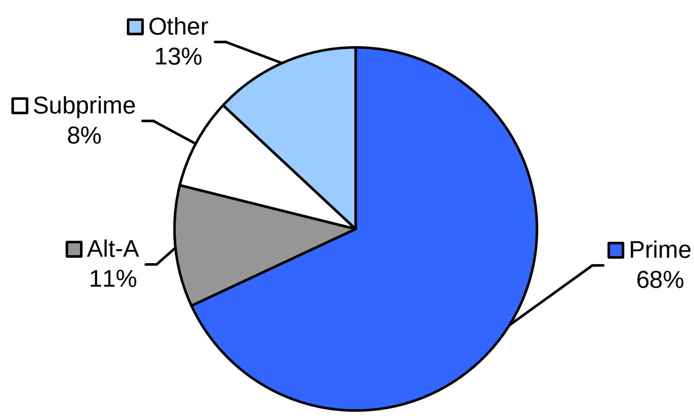
Table 7. Overall Mortgage Portfolio

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09
Total Servicing (Millions)	$6,106,764	$6,014,455	$5,969,246	$5,998,986	$5,952,423
Total Servicing (Number of Loans)	34,551,061	34,096,603	33,832,014	34,024,602	33,824,889
Composition (Percent of All Mortgages in the Portfolio)					
Prime	66%	67%	68%	68%	68%
Alt-A	10%	10%	10%	10%	11%
Subprime	9%	8%	8%	8%	8%
Other	14%	14%	13%	14%	13%
Composition (Number of Loans in Each Risk Category of the Portfolio)					
Prime	22,963,965	22,867,059	22,929,113	23,064,371	23,136,115
Alt-A	3,567,323	3,519,821	3,528,840	3,524,305	3,560,656
Subprime	3,034,620	2,888,029	2,847,412	2,774,028	2,758,613
Other	4,985,153	4,821,694	4,526,649	4,661,898	4,369,505

*Percentages may not total 100 percent due to rounding.

Figure 1. **Portfolio Composition**

Percentage of All Mortgage Loans in the Portfolio
Fourth Quarter 2009



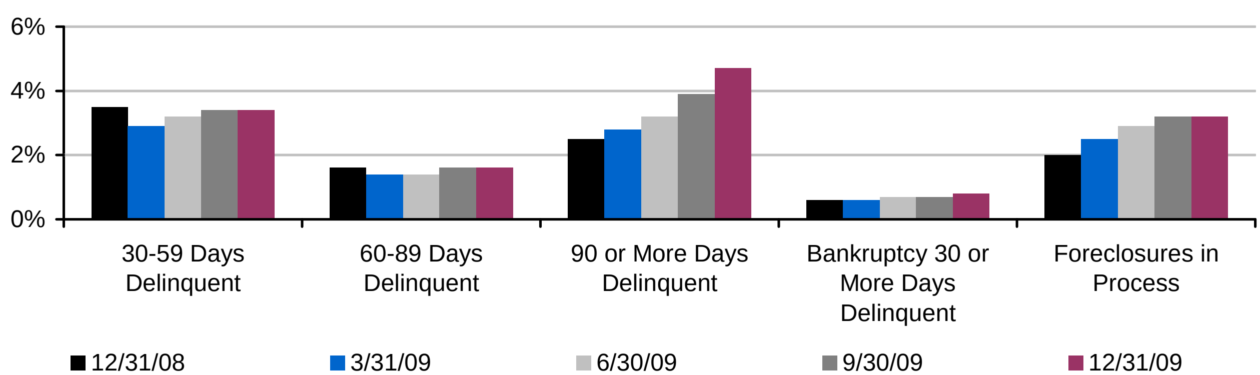
Overall Mortgage Performance

Overall, the percentage of current and performing mortgages fell for the seventh consecutive quarter to 86.4 percent at the end of 2009. The percentages of mortgages 30-59 days delinquent and 60-89 days delinquent were stable during the fourth quarter at 3.4 percent and 1.6 percent, respectively. However, the percentage of mortgages 90 or more days delinquent increased by more than 21 percent from the previous quarter to 4.7 percent, with more loans being held in a delinquent status for longer periods prior to entering the foreclosure process. Foreclosures in process were stable during the quarter after steadily increasing in the previous three quarters.

***Table 8.* Overall Portfolio Performance** (Percent of All Mortgages in the Portfolio)

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Current and Performing	89.9%	89.8%	88.6%	87.2%	86.4%	-0.9%	-3.9%
30-59 Days Delinquent	3.5%	2.9%	3.2%	3.4%	3.4%	-0.8%	-2.5%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	1.6%	1.4%	1.4%	1.6%	1.6%	-0.3%	-0.7%
90 or More Days Delinquent	2.5%	2.8%	3.2%	3.9%	4.7%	21.1%	92.7%
Bankruptcy 30 or More Days Delinquent	0.6%	0.6%	0.7%	0.7%	0.8%	4.8%	28.3%
Subtotal for Seriously Delinquent	**4.6%**	**4.8%**	**5.3%**	**6.2%**	**7.1%**	**13.8%**	**52.8%**
Foreclosures in Process	2.0%	2.5%	2.9%	3.2%	3.2%	-0.5%	58.6%
Overall Portfolio Performance (Number of Mortgages in the Portfolio)							
Current and Performing	31,065,219	30,629,971	29,962,265	29,666,568	29,217,743	-1.5%	-5.9%
30-59 Days Delinquent	1,193,481	980,517	1,078,663	1,154,826	1,138,822	-1.4%	-4.6%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	539,976	460,683	476,179	529,845	525,071	-0.9%	-2.8%
90 or More Days Delinquent	850,203	957,135	1,093,791	1,332,228	1,604,014	20.4%	88.7%
Bankruptcy 30 or More Days Delinquent	206,943	207,268	228,562	249,515	259,853	4.1%	25.6%
Subtotal for Seriously Delinquent	**1,597,122**	**1,625,086**	**1,798,532**	**2,111,588**	**2,388,938**	**13.1%**	**49.6%**
Foreclosures in Process	695,239	861,029	992,554	1,091,620	1,079,386	-1.1%	55.3%

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



Performance of Government-Guaranteed Mortgages

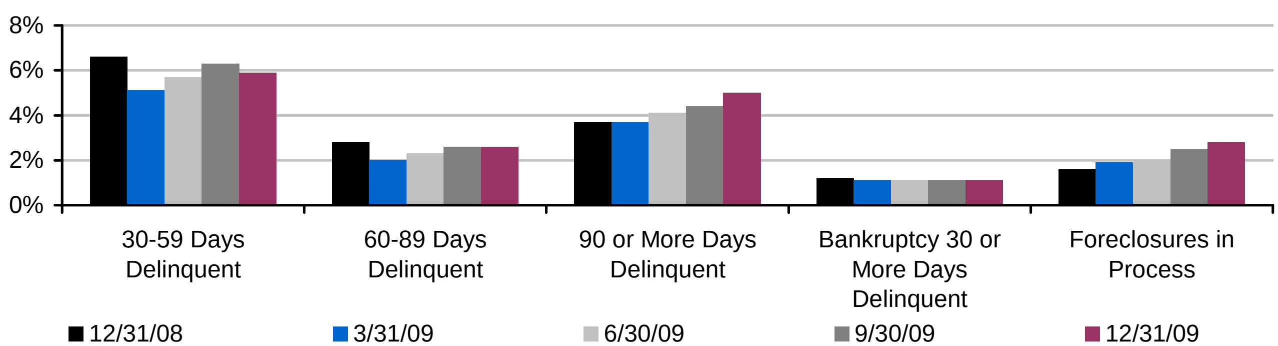
Government-guaranteed mortgages performed worse than the overall servicing portfolio. The percentage of current and performing guaranteed mortgages fell for the third consecutive quarter to 82.7 percent of government-guaranteed mortgages. Serious delinquencies increased to 8.6 percent and foreclosures in process rose to 2.8 percent. Reflecting the increased origination of government-guaranteed mortgages in 2009, these loans made up 16.4 percent of all mortgages in the portfolio, or almost 5.6 million loans, an increase of more than 28 percent from a year ago. Of these loans, about 78 percent were FHA loans, 18 percent were VA loans, and 4 percent were other government-guaranteed mortgages. More than 82 percent of these mortgages were held in pools of loans backing Ginnie Mae securities.

***Table 9.* Performance of Government-Guaranteed* Loans** (Percent)

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Current and Performing	84.2%	86.2%	84.9%	83.0%	82.7%	-0.4%	-1.8%
30-59 Days Delinquent	6.6%	5.1%	5.7%	6.3%	5.9%	-6.0%	-9.3%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	2.8%	2.0%	2.3%	2.6%	2.6%	-3.2%	-7.9%
90 or More Days Delinquent	3.7%	3.7%	4.1%	4.4%	5.0%	12.4%	34.6%
Bankruptcy 30 or More Days Delinquent	1.2%	1.1%	1.1%	1.1%	1.1%	-0.9%	-7.2%
Subtotal for Seriously Delinquent	**7.6%**	**6.8%**	**7.5%**	**8.2%**	**8.6%**	**5.6%**	**12.8%**
Foreclosures in Process	1.6%	1.9%	2.0%	2.5%	2.8%	9.7%	74.0%
Performance of Government-Guaranteed Loans (Number)							
Current and Performing	3,644,777	3,897,209	4,056,662	4,376,413	4,602,510	5.2%	26.3%
30-59 Days Delinquent	283,779	229,575	271,651	333,614	331,188	-0.7%	16.7%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	119,997	91,936	110,407	139,019	142,114	2.2%	18.4%
90 or More Days Delinquent	160,354	167,555	194,934	233,914	277,617	18.7%	73.1%
Bankruptcy 30 or More Days Delinquent	49,826	48,878	51,277	56,848	59,499	4.7%	19.4%
Subtotal for Seriously Delinquent	**330,177**	**308,369**	**356,618**	**429,781**	**479,230**	**11.5%**	**45.1%**
Foreclosures in Process	68,660	83,937	93,231	132,713	153,637	15.8%	123.8%

*Percentages may not total 100 due to rounding.

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



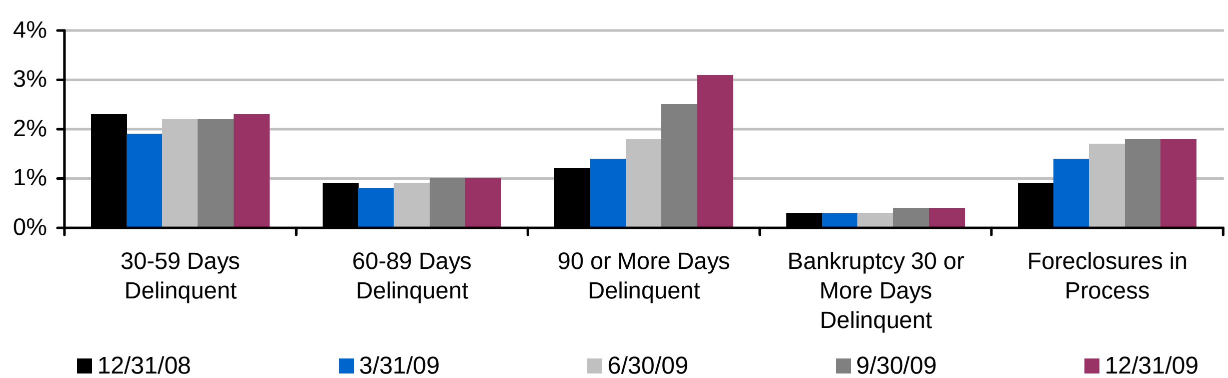
Performance of GSE Mortgages

Mortgages serviced for Fannie Mae and Freddie Mac (GSEs) have a higher concentration of prime mortgages than those serviced for private investors or held on the servicers' balance sheets. As a result, these mortgages performed better. In the fourth quarter of 2009, 91.3 percent of these loans were current and performing, compared with 86.4 percent for the overall portfolio and 82.7 percent for government-guaranteed mortgages. Seriously delinquent loans increased to 4.6 percent—rising 17.9 percent from the previous quarter and 95.9 percent from a year ago. The percentage of GSE loans in the process of foreclosure remained steady at 1.8 percent, compared to 3.2 percent overall. Mortgages serviced for these agencies made up about 63 percent of the servicing portfolio, or about 21.2 million loans. Of the GSE mortgages, 58 percent were serviced for Fannie Mae, and 42 percent were serviced for Freddie Mac.

***Table 10.* Performance of GSE Mortgages** (Percent)

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Current and Performing	94.5%	94.1%	93.1%	92.1%	91.3%	-0.9%	-3.4%
30-59 Days Delinquent	2.3%	1.9%	2.2%	2.2%	2.3%	3.3%	2.6%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	0.9%	0.8%	0.9%	1.0%	1.0%	2.5%	12.2%
90 or More Days Delinquent	1.2%	1.4%	1.8%	2.5%	3.1%	25.5%	166.0%
Bankruptcy 30 or More Days Delinquent	0.3%	0.3%	0.3%	0.4%	0.4%	8.2%	64.4%
Subtotal for Seriously Delinquent	**2.3%**	**2.5%**	**3.0%**	**3.9%**	**4.6%**	**17.9%**	**95.9%**
Foreclosures in Process	0.9%	1.4%	1.7%	1.8%	1.8%	1.4%	107.4%
Performance of GSE Mortgages (Number)							
Current and Performing	20,840,780	20,492,967	20,000,848	19,775,288	19,361,573	-2.1%	-7.1%
30-59 Days Delinquent	496,586	423,874	464,532	480,320	490,139	2.0%	-1.3%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	197,067	183,036	191,608	210,156	212,754	1.2%	8.0%
90 or More Days Delinquent	260,698	307,978	386,351	538,299	667,075	23.9%	155.9%
Bankruptcy 30 or More Days Delinquent	56,894	62,757	72,845	84,192	89,985	6.9%	58.2%
Subtotal for Seriously Delinquent	**514,659**	**553,771**	**650,804**	**832,647**	**969,814**	**16.5%**	**88.4%**
Foreclosures in Process	196,005	299,755	368,336	390,664	391,042	0.1%	99.5%

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



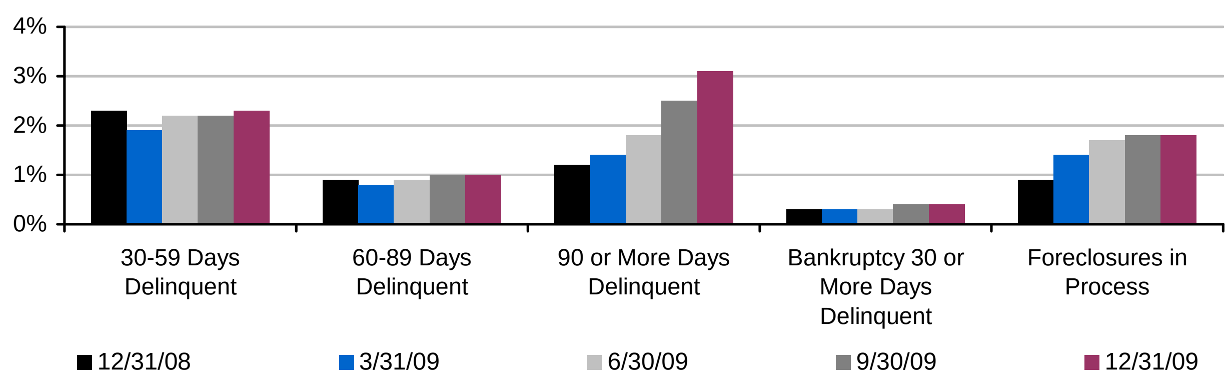
Performance of Option ARMs

Option ARMs continued to perform worse than the overall servicing portfolio because of their added risk characteristics and concentration in distressed housing markets. The percentage of those loans that were current and performing fell to 66.2 percent at the end of the fourth quarter, compared with 86.4 percent for the overall portfolio. While the percentage of Option ARMs 30-59 days delinquent declined to 4.0 percent during the quarter, seriously delinquent Option ARMs increased to 17.8 percent, compared to 7.1 percent overall. Foreclosures in process among this type of mortgage remained steady at 11.9 percent, compared to 3.2 percent overall. At the end of the fourth quarter 2009, there were slightly more than 810,000 Option ARMs, representing 2.4 percent of the total servicing portfolio.

Table 11. **Performance of Option ARMs** (Percent)

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Current and Performing	76.6%	72.9%	70.3%	67.7%	66.2%	-2.1%	-13.5%
30-59 Days Delinquent	5.3%	4.5%	4.5%	4.4%	4.0%	-9.1%	-23.6%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	3.1%	3.0%	2.6%	2.7%	2.4%	-9.4%	-23.1%
90 or More Days Delinquent	7.0%	9.5%	10.9%	11.4%	13.4%	17.9%	91.3%
Bankruptcy 30 or More Days Delinquent	1.1%	1.3%	1.7%	1.9%	2.0%	3.8%	75.6%
Subtotal for Seriously Delinquent	**11.3%**	**13.9%**	**15.2%**	**16.0%**	**17.8%**	**11.6%**	**58.1%**
Foreclosures in Process	6.8%	8.7%	10.0%	11.9%	11.9%	-0.1%	74.4%
Performance of Option ARMs Loans (Number)							
Current and Performing	784,394	714,018	647,480	580,512	536,633	-7.6%	-31.6%
30-59 Days Delinquent	54,113	44,527	41,366	38,103	32,713	-14.1%	-39.5%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	31,961	29,719	24,074	22,745	19,461	-14.4%	-39.1%
90 or More Days Delinquent	71,911	93,284	100,068	97,789	108,853	11.3%	51.4%
Bankruptcy 30 or More Days Delinquent	11,565	12,912	15,746	16,392	16,073	-1.9%	39.0%
Subtotal for Seriously Delinquent	**115,437**	**135,915**	**139,888**	**136,926**	**144,387**	**5.4%**	**25.1%**
Foreclosures in Process	69,829	84,782	92,523	102,182	96,389	-5.7%	38.0%

Figure 5. **Performance of Option ARMs**



Seriously Delinquent Mortgages, by Risk Category

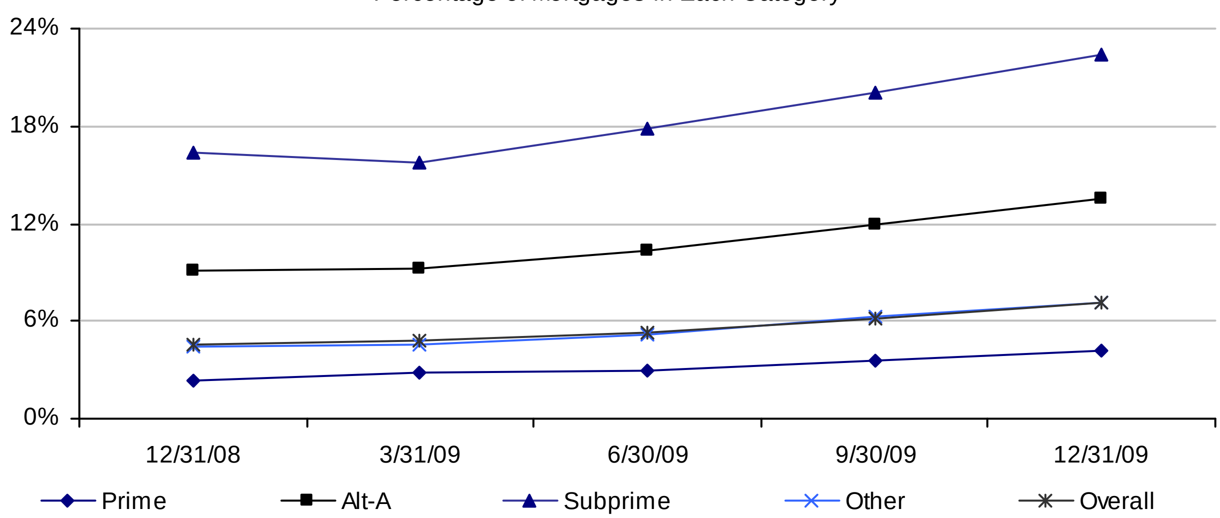
Serious delinquencies increased for all risk categories during the fourth quarter of 2009, continuing the trend reported during the past year. Prime mortgages continued to record the highest relative increase in serious delinquencies. The percentage of prime mortgages that were seriously delinquent increased 16.1 percent during the quarter and 75.1 percent from a year ago. This increase in prime serious delinquencies is significant since prime mortgages represented 68 percent of the total serviced portfolio. Subprime mortgages showed the highest total percentage of serious delinquencies with 22.4 percent, increasing 11.2 percent from the prior quarter. Subprime mortgages represented 8 percent of the total portfolio. Overall, the number of mortgages that were seriously delinquent at the end of the fourth quarter rose by 13.1 percent to 2,388,938.

***Table 12.* Seriously Delinquent Mortgages** (Percent of Mortgages in Each Category)

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Prime	2.4%	2.8%	3.0%	3.6%	4.2%	16.1%	75.1%
Alt-A	9.1%	9.2%	10.3%	12.0%	13.5%	12.4%	47.7%
Subprime	16.4%	15.8%	17.8%	20.1%	22.4%	11.2%	36.4%
Other	4.4%	4.5%	5.2%	6.3%	7.2%	15.0%	63.4%
Overall	4.6%	4.8%	5.3%	6.2%	7.1%	13.8%	52.8%
Seriously Delinquent Mortgages (Number of Mortgages)							
Prime	553,293	628,902	696,699	838,083	976,183	16.5%	76.4%
Alt-A	325,355	324,906	361,839	422,277	479,506	13.6%	47.4%
Subprime	498,118	455,106	506,692	558,419	617,601	10.6%	24.0%
Other	220,356	216,172	233,302	292,809	315,648	7.8%	43.2%
Total	1,597,122	1,625,086	1,798,532	2,111,588	2,388,938	13.1%	49.6%

***Figure 6.* Seriously Delinquent Mortgages**

Percentage of Mortgages in Each Category



Mortgages 30-59 Days Delinquent, by Risk Category

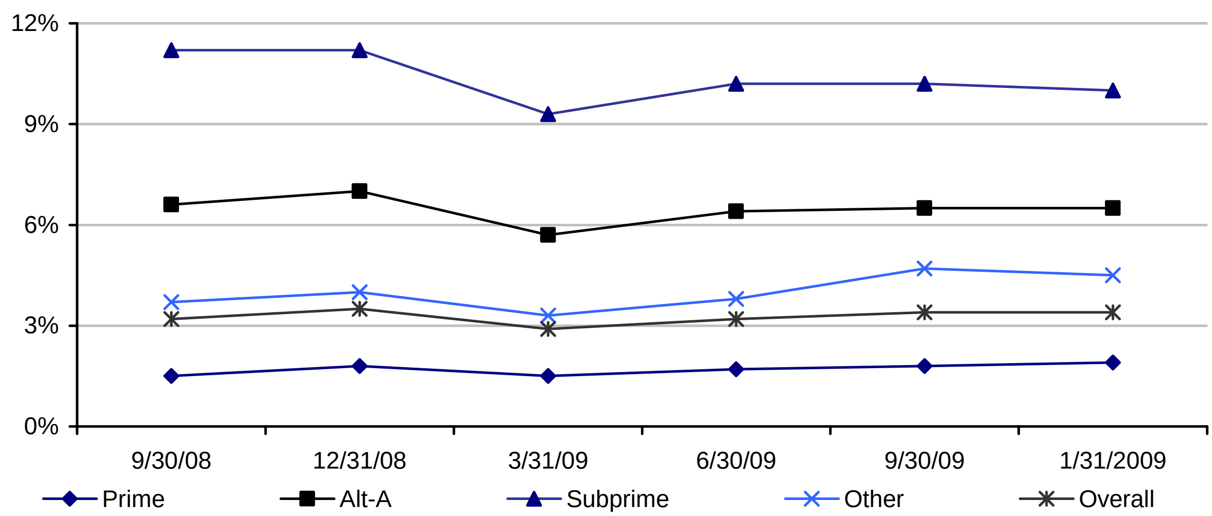
Early stage delinquencies—mortgages 30-59 days delinquent—were stable during the fourth quarter at 3.4 percent for the overall portfolio. Early stage delinquencies were stable or declined for all risk categories except prime mortgages, which increased to 1.9 percent compared to 1.8 percent the prior quarter.

Table 13. **Mortgages 30-59 Days Delinquent** (Percent of Mortgages in Each Category)

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Prime	1.8%	1.5%	1.7%	1.8%	1.9%	2.6%	6.3%
Alt-A	7.0%	5.7%	6.4%	6.5%	6.5%	0.1%	-7.2%
Subprime	11.2%	9.3%	10.2%	10.2%	10.0%	-2.6%	-11.3%
Other	4.0%	3.3%	3.8%	4.7%	4.5%	-3.8%	14.7%
Overall	3.5%	2.9%	3.2%	3.4%	3.4%	-0.8%	-2.5%
Mortgages 30-59 Days Delinquent (Number of Mortgages)							
Prime	403,630	352,586	392,412	420,000	432,188	2.9%	7.1%
Alt-A	251,015	201,787	224,971	230,077	232,609	1.1%	-7.3%
Subprime	341,186	267,251	291,285	284,252	275,235	-3.2%	-19.3%
Other	197,650	158,893	169,995	220,497	198,790	-9.8%	0.6%
Total	1,193,481	980,517	1,078,663	1,154,826	1,138,822	-1.4%	-4.6%

Figure 7. **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

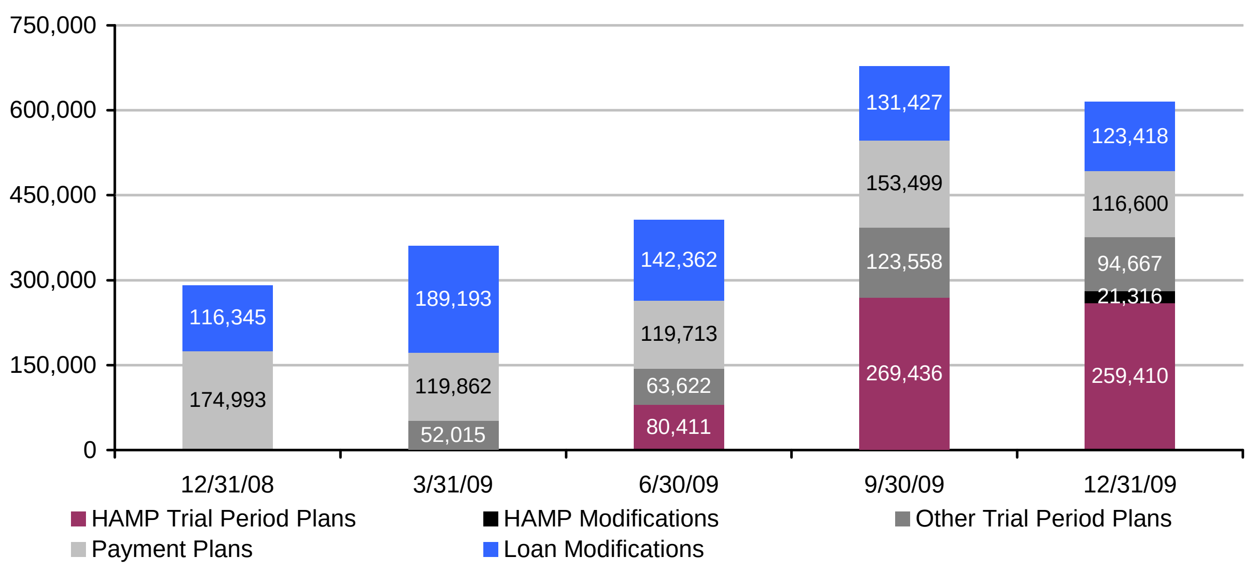
Newly Initiated Home Retention Actions

During the fourth quarter of 2009, servicers implemented 594,095 new home retention actions—loan modifications, trial period plans, and payment plans. While this is more than double the number in the same period a year ago, new home retention actions decreased 12.4 percent from the previous quarter.

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

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y % Change
Loan Modifications	116,345	189,193	142,362	131,427	102,102	-22.3%	-12.2%
HAMP Trial Period Plans	--	--	80,411	269,436	259,410	-3.7%	--
HAMP Modifications	--	--	--	781	21,316	2,629.3%	--
Other Trial Period Plans	--	52,015	63,622	123,558	94,667	-23.4%	--
Payment Plans	174,993	119,862	119,713	153,499	116,600	-24.0%	-33.4%
Total	291,338	361,070	406,108	677,920	594,095	-12.4%	103.9%
Home Retention Actions Relative to Serious Delinquency and Foreclosures In Process	12.71%	14.52%	14.55%	21.2%	17.1%	-19.1%	34.8%

Figure 8. **Number of New Home Retention Actions**



HAMP Trial Period Plans and Modifications by Investor and Risk Category

Servicers implemented 259,410 new HAMP trial period plans during the quarter, a decrease of 3.7 percent from the 269,436 trial plans initiated in the prior quarter. Prime mortgages received 50.6 percent of the plans implemented in the fourth quarter, while composing 68 percent of the overall portfolio and 41 percent of all seriously delinquent mortgages. Subprime mortgages received 20.9 percent of new HAMP trial plans in the fourth quarter. Subprime mortgages composed 8 percent of the overall serviced portfolio and 26 percent of all seriously delinquent mortgages. Sixty-three percent of HAMP trial period plans initiated during the fourth quarter were for Fannie Mae or Freddie Mac mortgages, matching the GSE loan share of the overall serviced portfolio.

***Table 15.* HAMP Trial Period Plans by Investor and Risk Category**
Trial plans implemented in the fourth quarter of 2009.

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Total
Prime	59,082	37,450	26	10,558	24,084	131,200
Alt-A	19,352	12,377	41	5,882	14,677	52,329
Subprime	13,059	6,469	127	9,126	25,476	54,257
Other	12,061	3,489	134	1,232	4,708	21,624
Total	103,554	59,785	328	26,798	68,945	259,410

New to this report are data on mortgages converted to HAMP modifications. In the fourth quarter of 2009, 21,316 mortgages received permanent modifications under HAMP. Prime mortgages received 52.3 percent of those HAMP modifications, and subprime received 18.3 percent. HAMP modifications processed in the fourth quarter were concentrated in Fannie Mae and Freddie Mac mortgages, which received 74.3 percent of all HAMP modifications.

***Table 16.* HAMP Modifications by Investor and Risk Category**
Modifications implemented in the fourth quarter of 2009.

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Total
Prime	3,954	5,235	1	1,405	547	11,142
Alt-A	1,529	1,570	0	784	412	4,295
Subprime	1,119	765	2	1,147	876	3,909
Other	1,121	543	0	216	90	1,970
Total	7,723	8,113	3	3,552	1,925	21,316

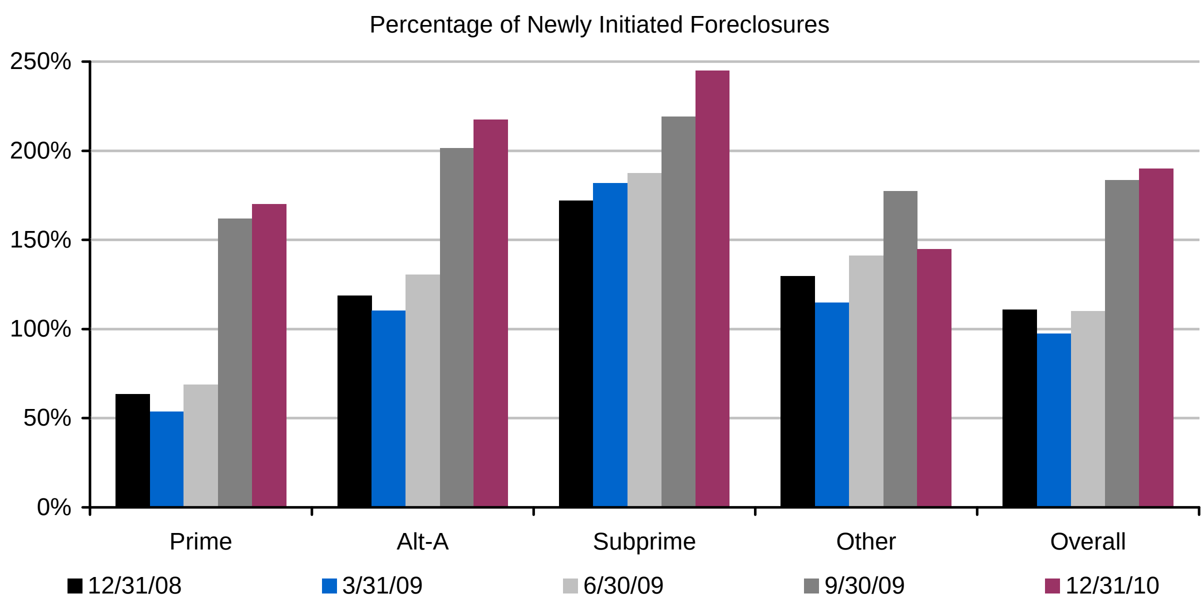
Newly Initiated Home Retention Actions Relative to Newly Initiated Foreclosures

Servicers implemented almost twice as many new home retention actions—loan modifications, trial period plans, and payment plans—as new foreclosures during the fourth quarter. While newly initiated home retention actions declined during the quarter, the number of newly initiated foreclosures declined at a faster pace. Borrowers in all risk categories received more home retention actions than new foreclosures, with subprime mortgages receiving almost 2 1/2 times as many new home retention actions as new foreclosures during the fourth quarter.

Table 17. **Newly Initiated Home Retention Actions**
(Percentage of Newly Initiated Foreclosures)

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Prime	63.6%	53.8%	69.0%	161.9%	169.9%	5.0%	167.3%
Alt-A	118.7%	110.3%	130.6%	201.4%	217.4%	7.9%	83.1%
Subprime	171.9%	182.0%	187.4%	219.1%	245.0%	11.8%	42.5%
Other	129.7%	114.9%	141.3%	177.3%	144.8%	-18.3%	11.7%
Overall	110.9%	97.4%	110.0%	183.6%	190.1%	3.5%	71.4%
Newly Initiated Home Retention Actions	291,338	361,070	406,108	677,920	594,095	-12.4%	103.9%
Newly Initiated Foreclosures	262,691	370,567	369,226	369,209	312,529	-15.4%	19.0%

Figure 9. **Newly Initiated Home Retention Actions**



Types of Modification Actions

The types of modification actions or combination 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 more than 84 percent of modifications implemented during the fourth quarter changing more than one of the original loan terms. Interest rate reductions continued to be the most prevalent action, used in 84.2 percent of all loan modifications implemented in the fourth quarter of 2009. The percentage of modifications that included capitalization of missed payments and fees increased to 82.3 percent, while the percentage of modifications that included the extension of the loan maturity fell to 44.1 percent. Servicers used principal reduction in 6.8 percent of fourth quarter modifications, and used principal deferral in 6.1 percent of modifications. Because most modifications changed more than one term, the total of the individual actions will exceed 100 percent of total modifications. Appendix D presents additional detail on combination modifications.

Table 18. Changes in Loan Terms for Modifications Made During 2009

	Total Number of Changes in Each Category			Percentage of Modifications		
	6/30/09	9/30/09	12/31/09	6/30/09 (of 142,362)	9/30/09 (of 131,427)	12/31/09 (of 123,418)
Capitalization	93,677	89,960	101,534	65.8%	68.4%	82.3%
Rate Reduction	102,819	106,633	103,871	72.2%	81.1%	84.2%
Rate Freeze	10,810	3,274	2,302	7.6%	2.5%	1.9%
Term Extension	66,497	63,127	54,485	46.7%	48.0%	44.1%
Principal Reduction	14,195	17,412	8,431	10.0%	13.2%	6.8%
Principal Deferral	3,496	4,039	7,482	2.5%	3.1%	6.1%
Unknown*	8,326	2,384	1,717	5.8%	1.8%	1.4%

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

Types of HAMP Modification Actions

Consistent with modification actions overall and the prescribed order of actions required by HAMP, interest rate reduction and term extensions following capitalization of missed fees and payments were the prevailing actions on HAMP modifications. Principal deferral, another type of action permitted in HAMP, was used in a higher percentage of HAMP modifications (26.8 percent) than in proprietary modification programs.

Table 19. Changes in Loan Terms for HAMP Modifications Made Permanent During 2009

	Total Number of Changes in Each Category	Percentage of Modifications
	12/31/09	12/31/09 (of 21,316)
Capitalization	20,422	95.8%
Rate Reduction	20,442	95.9%
Rate Freeze	66	0.3%
Term Extension	10,941	51.3%
Principal Reduction	17	0.1%
Principal Deferral	5,711	26.8%
Unknown*	441	0.1%

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

Types of Modification Actions, by Risk Category

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

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

	Prime	Alt-A	Subprime	Other	Total
Total Mortgages Modified	47,243	27,355	39,476	9,344	123,418
Capitalization	37,765	22,547	32,748	8,474	101,534
Rate Reduction	40,127	22,803	33,350	7,591	103,871
Rate Freeze	709	525	774	294	2,302
Term Extension	19,497	11,797	17,692	5,499	54,485
Principal Reduction	3,246	2,223	2,740	222	8,431
Principal Deferral	4,447	1,434	1,013	588	7,482
Unknown*	792	348	455	122	1,717

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

Because servicers use a combination of actions when modifying mortgages, no single action can be identified as the primary component of a successful modification. Most modifications across all risk categories included an interest rate reduction and capitalization of past due interest and fees, while significant numbers included an extension of the loan maturity. Principal reduction, deferral, and interest rate freezes were used to a lesser extent.

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

	Prime	Alt-A	Subprime	Other	Overall
Capitalization	79.9%	82.4%	83.0%	90.7%	82.3%
Rate Reduction	84.9%	83.4%	84.5%	81.2%	84.2%
Rate Freeze	1.5%	1.9%	2.0%	3.1%	1.9%
Term Extension	41.3%	43.1%	44.8%	58.9%	44.1%
Principal Reduction	6.9%	8.1%	6.9%	2.4%	6.8%
Principal Deferral	9.4%	5.2%	2.6%	6.3%	6.1%
Unknown*	1.7%	1.3%	1.2%	1.3%	1.4%

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

Types of Modification Actions, by Investor/Product Type

Servicers continued to modify more mortgages held in their portfolios then they did for either of the GSEs, government-guaranteed mortgages, or private investors, likely because of the increased flexibility when working with their own mortgages. Mortgages held in portfolio received nearly 25 percent of all fourth quarter modifications while composing about 8 percent of the overall servicing portfolio. In contrast, mortgages serviced for the two GSEs accounted for 30.6 percent of all modifications despite making up about 63 percent of the servicing portfolio.

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

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

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Total
Total Mortgages Modified	25,519	12,265	25,911	29,264	30,459	123,418
Capitalization	24,934	11,953	25,535	28,088	11,024	101,534
Rate Reduction	20,590	9,525	24,120	24,019	25,617	103,871
Rate Freeze	91	148	332	558	1,173	2,302
Term Extension	7,976	8,204	16,370	4,025	17,910	54,485
Principal Reduction	0	0	0	5	8,426	8,431
Principal Deferral	2,050	2,386	3	807	2,236	7,482
Unknown*	348	76	56	160	1,077	1,717

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

Interest rate reduction was the primary type of modification action for all investors and product types, with term extension also used in a majority of Freddie Mac, government-guaranteed, and portfolio modifications. Principal reduction was concentrated in portfolio modifications, primarily among Option ARMs as shown in Table 26. Principal deferral was mainly used in GSE and portfolio modifications, and to a lesser extent in private investor modifications.

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

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
Capitalization	97.7%	97.5%	98.5%	96.0%	36.2%	82.3%
Rate Reduction	80.7%	77.7%	93.1%	82.1%	84.1%	84.2%
Rate Freeze	0.4%	1.2%	1.3%	1.9%	3.9%	1.9%
Term Extension	31.3%	66.9%	63.2%	13.8%	58.8%	44.1%
Principal Reduction	0.0%	0.0%	0.0%	0.02%	27.7%	6.8%
Principal Deferral	8.0%	19.5%	0.0%	2.8%	7.3%	6.1%
Unknown*	1.4%	0.6%	0.2%	0.5%	3.5%	1.4%

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

Types of HAMP Modification Actions, by Investor/Product Type

HAMP modifications in the fourth quarter were concentrated in Fannie Mae and Freddie Mac mortgages, which received 74.3 percent of all HAMP modifications. mortgages held in portfolio received nearly 17 percent of all fourth quarter HAMP modifications, while mortgages serviced for private investors received 9 percent of the HAMP modifications.

Table 24. **Numbers of Each Type of HAMP Modifications by Investor in Fourth Quarter 2009**

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Total
Total Mortgages Modified	7,723	8,113	3	1,925	3,552	21,316
Capitalization	7,428	7,924	3	1,744	3,323	20,422
Rate Reduction	7,322	8,010	3	1,880	3,227	20,442
Rate Freeze	5	18	0	10	33	66
Term Extension	4,158	4,992	1	163	1,627	10,941
Principal Reduction	0	0	0	3	14	17
Principal Deferral	1,999	2,374	0	432	906	5,711
Unknown*	216	54	0	32	139	441

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

Consistent with overall modification actions, interest rate reduction and term extension following capitalization of past-due interest and fees were the generally prevailing HAMP modification actions across all investors. Principal deferral was also used in a significant number of HAMP modifications among all investors.

Table 25. **Percentages of Each Type of HAMP Modifications by Investor in Fourth Quarter 2009**

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
Capitalization	96.2%	97.7%	100.0%	90.6%	93.6%	95.8%
Rate Reduction	94.8%	98.7%	100.0%	97.7%	90.9%	95.9%
Rate Freeze	0.1%	0.2%	0.0%	0.5%	0.9%	0.3%
Term Extension	53.8%	61.5%	33.3%	8.5%	45.8%	51.3%
Principal Reduction	0.0%	0.0%	0.0%	0.2%	0.4%	0.1%
Principal Deferral	25.9%	29.3%	0.0%	22.4%	25.5%	26.8%
Unknown*	2.8%	0.7%	0.0%	1.7%	3.9%	0.7%

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

Types of Modifications Actions Taken on Option ARMs

Tables 26 and 27 show the distribution of the types of modification actions on Option ARMs. Option ARMs contain unique, higher-risk features that may make them difficult to modify for payment sustainability while attaining a positive net present value to the investor. Option ARMs received a total of 14,881 modifications in fourth quarter, or 12 percent of all fourth quarter 2009 modifications. Prime Option ARMs received nearly 58 percent of these modifications while constituting 63 percent of all Option ARMs in the servicing portfolio. Conversely, subprime Option ARMs represent 8 percent of the total, but received 18 percent of all Option ARM modifications.

Table 26. Numbers of Each Type of Modification in Fourth Quarter 2009

	Prime	Alt-A	Subprime	Other	Total
Total Mortgages Modified	8,602	3,326	2,693	260	14,881
Capitalization	3,061	959	353	42	4,415
Rate Reduction	7,467	2,913	2,336	221	12,937
Rate Freeze	121	47	21	6	195
Term Extension	3,454	2,172	2,561	178	8,365
Principal Reduction	2,811	1,848	2,249	121	7,029
Principal Deferral	107	43	9	2	161
Unknown*	7	1	0	0	8

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

Consistent with other product types, interest rate reduction and term extensions were the prevalent modification actions for Option ARMs. However, because of the unique features of these products, principal reduction was used in 47.2 percent of all modifications to Option ARMs, a significantly higher percentage than for other asset types.

Table 27. Percentages of Each Type of Modification in Fourth Quarter 2009

	Prime	Alt-A	Subprime	Other	Overall
Capitalization	35.6%	28.8%	13.1%	16.2%	29.7%
Rate Reduction	86.8%	87.6%	86.7%	85.0%	86.9%
Rate Freeze	1.4%	1.4%	0.8%	2.3%	1.3%
Term Extension	40.2%	65.3%	95.1%	68.5%	56.2%
Principal Reduction	32.7%	55.6%	83.5%	46.5%	47.2%
Principal Deferral	1.2%	1.3%	0.3%	0.8%	1.1%
Unknown*	0.1%	0.0%	0.0%	0.0%	0.1%

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

Changes to Monthly Payments Owing to Modification

The previous sections 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.

Mortgages 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, 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 and payments on adjustable rate mortgages 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 and have reasonable prospects to make the higher payments to bring the loan current and repay the debt over time. However, during periods of prolonged economic stress, this strategy carries additional risk, underscoring the importance of verifying borrowers' incomes and debt payment ability so that borrowers and servicers can have confidence that the modifications are likely to be sustainable.

Servicers also modify some 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 Owing to Modifications, by Quarter

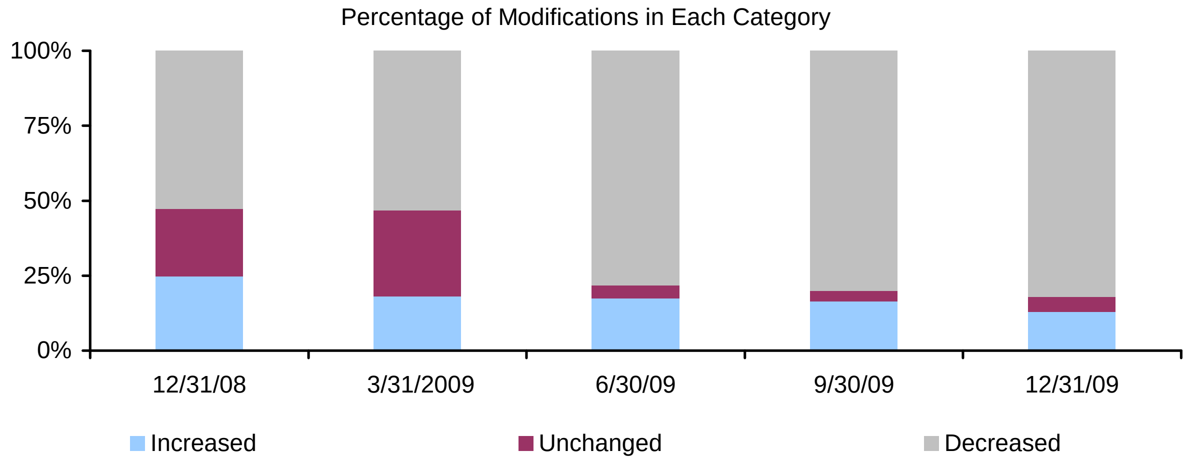
Mortgage modifications that lowered monthly principal and interest payments increased to 82.2 percent of mortgages modified during the quarter, continuing the trend noted in prior quarters as servicers focus on sustainable modifications.[9] Modifications with the most significant declines in monthly payment had the greatest increase as a percentage of modifications overall. Modifications that reduce the borrowers' monthly payment had lower re-default rates than those that increase payments or leave payments unchanged—the greater the decrease in payment, the lower the rate of subsequent re-defaults.

***Table 28.* Change in Monthly Principal and Interest Payments Owing to Modification**
(Number of Modifications)

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Decreased by 20% or More	28,632	52,757	54,871	48,493	51,041	5.3%	78.3%
Decreased by 10% to Less than 20%	14,338	22,322	27,689	23,992	23,271	-3.0%	62.3%
Decreased Less than 10%	14,939	23,271	28,208	31,922	25,561	-19.9%	71.1%
Subtotal for Decreased	**57,909**	**98,350**	**110,768**	**104,407**	**99,873**	**-4.3%**	**72.5%**
Unchanged	24,586	52,807	6,038	4,625	6,011	30.0%	-75.6%
Increased	27,166	33,434	24,661	21,312	15,656	-26.5%	-42.4%
Subtotal for Unchanged and Increased	**51,752**	**86,241**	**30,699**	**25,937**	**21,667**	**-16.5%**	**-58.1%**
Total	109,661	184,591	141,467	130,344	121,540	-6.8%	10.8%
Change in Monthly Principal and Interest Payments Owing to Modification (Percentage of Modifications)							
Decreased by 20% or More	26.1%	28.6%	38.8%	37.2%	42.0%	12.9%	60.8%
Decreased by 10% to Less than 20%	13.1%	12.1%	19.6%	18.4%	19.1%	4.0%	46.4%
Decreased Less than 10%	13.6%	12.6%	19.9%	24.5%	21.0%	-14.1%	54.4%
Subtotal for Decreased	**52.8%**	**53.3%**	**78.3%**	**80.1%**	**82.2%**	**2.6%**	**55.6%**
Unchanged	22.4%	28.6%	4.3%	3.5%	4.9%	39.4%	-77.9%
Increased	24.8%	18.1%	17.4%	16.4%	12.9%	-21.2%	-48.0%
Subtotal for Unchanged and Increased	**47.2%**	**46.7%**	**21.7%**	**19.9%**	**17.8%**	**-10.4%**	**-62.2%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%		

[9] Payment change information was not reported on 2,957 modifications in the first quarter of 2008; 6,625 in the second quarter of 2008; 6,753 in the third quarter of 2008; 6,684 in the fourth quarter of 2008; 4,602 in the first quarter of 2009; 895 in the second quarter of 2009; 1,083 in the third quarter of 2009 and 1,878 in the fourth quarter of 2009.

Figure 10. **Change in Monthly Principal and Interest Payments**



Changes to Monthly Payments Owing to HAMP Modifications, by Quarter

Consistent with the HAMP emphasis on promoting sustainable payments, 100.0 percent of HAMP modifications reduced principal and interest payments, with 82.3 percent reducing payments by more than 20 percent. Performance data on other modifications show that reduced monthly payments results in lower re-default rates over time, and that the greater the decrease in payment, the lower the rate of subsequent re-default.

Table 29. Change in Monthly Principal and Interest Payments Owing to HAMP Modification (Number of HAMP Modifications)

	12/31/09
Decreased by 20% or More	16,804
Decreased by 10% to Less than 20%	2,317
Decreased Less than 10%	1,304
Subtotal for Decreased	20,425
Unchanged	0
Increased	0
Subtotal for Unchanged and Increased	0
Total	20,425*
Change in Monthly Principal and Interest Payments Owing to Modification (Percentage of Modifications)	
Decreased by 20% or More	82.3%
Decreased by 10% to Less than 20%	11.3%
Decreased Less than 10%	6.4%
Subtotal for Decreased	100.0%
Unchanged	0.0%
Increased	0.0%
Subtotal for Unchanged and Increased	0.0%
Total	100.0%

* Processing constraints at some servicers prevented them from aggregating and reporting payment change data on 891 HAMP modifications.

B. Modified Loan Performance

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

Mortgage modifications made in the second and third quarters of 2009 showed better performance at 3 and 6 months following modification than older vintages of modifications, reflecting the ongoing increase in modifications with lower monthly payment and servicer emphasis on payment sustainability. Early-stage lower re-default rates indicate potentially better performance over time. However, overall re-default rates remained high with more than half of all modifications becoming more than 60 days past due by 9 months after modification.

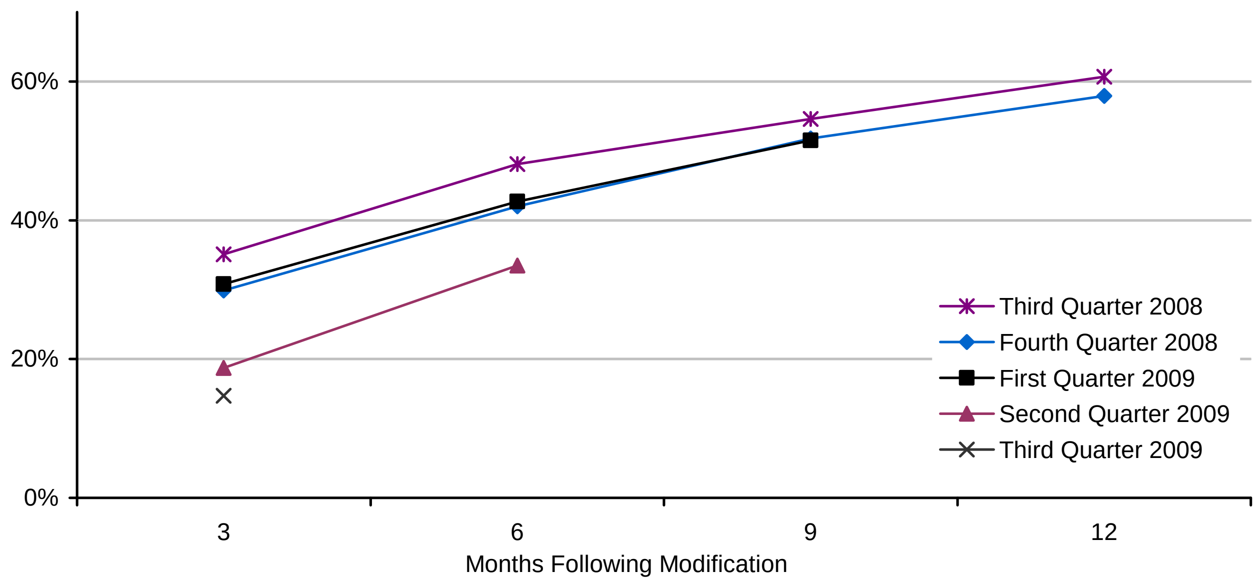
***Table 30.* Modified Loans 60 or More Days Delinquent**
(60+ Re-Default Rate for 2008–2009 Modifications)*

Modification Date	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Third Quarter 2008	35.1%	48.1%	54.6%	60.7%
Fourth Quarter 2008	29.9%	42.0%	51.8%	57.9%
First Quarter 2009	30.8%	42.7%	51.5%	--
Second Quarter 2009	18.7%	33.5%	--	--
Third Quarter 2009	14.7%	--	--	--

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

***Figure 11.* Modified Loans 60 or More Days Delinquent**

60+ Re-Default Rate for 2008-2009 Modifications



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

As with re-default rates measured at 60 or more days delinquent, mortgages modifications made in the second and third quarter of 2009 reflected lower 30-day delinquent re-default rates in the first few months following modification. For modifications in effect at least 9 months, re-default rates measured as 30 or more days delinquent were high at more than 63 percent. Delinquencies exceeding 30 days provide an early indicator of mortgages that may need additional attention to prevent more serious delinquency or foreclosure.

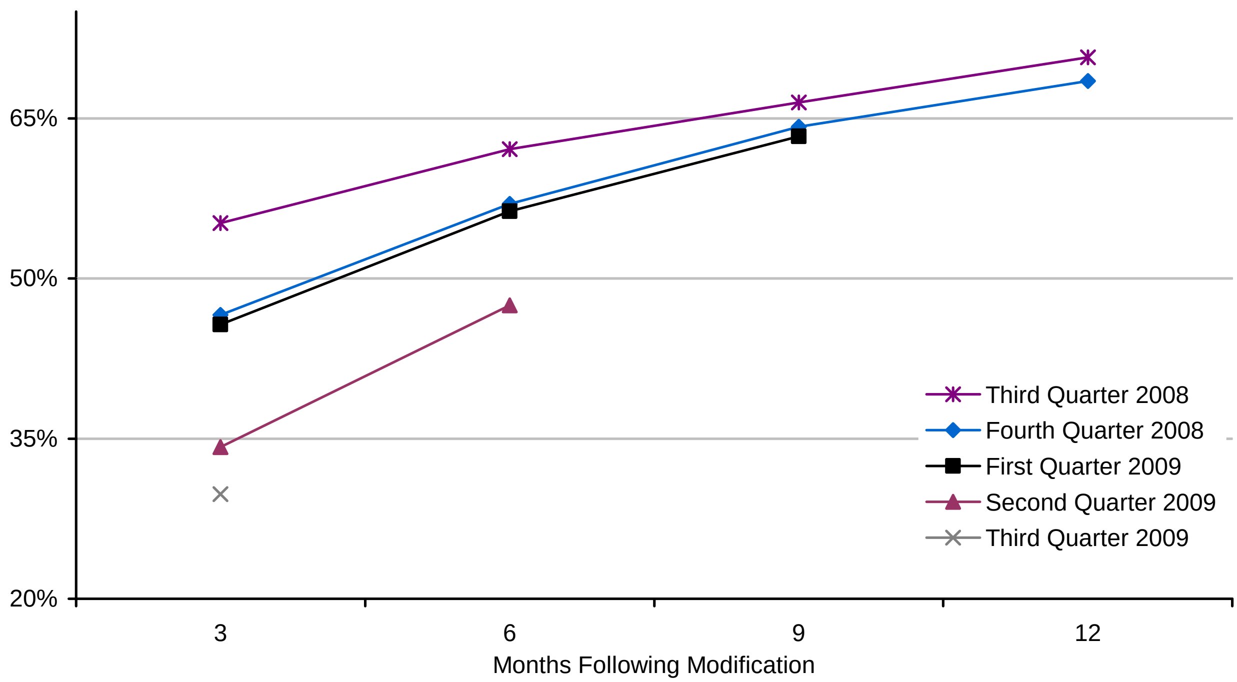
Table 31. **Modified Loans 30 or More Days Delinquent**
(30+ Re-Default Rate for 2008–2009 Modifications)*

Modification Date	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Third Quarter 2008	55.2%	62.1%	66.5%	70.7%
Fourth Quarter 2008	46.6%	57.0%	64.2%	68.5%
First Quarter 2008	45.7%	56.3%	63.3%	--
Second Quarter 2009	34.2%	47.5%	--	--
Third Quarter 2009	29.8%	--	--	--

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

Figure 12. **Modified Loans 30 or More Days Delinquent**

30+ Re-Default Rate for 2008 - 2009 Modifications



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

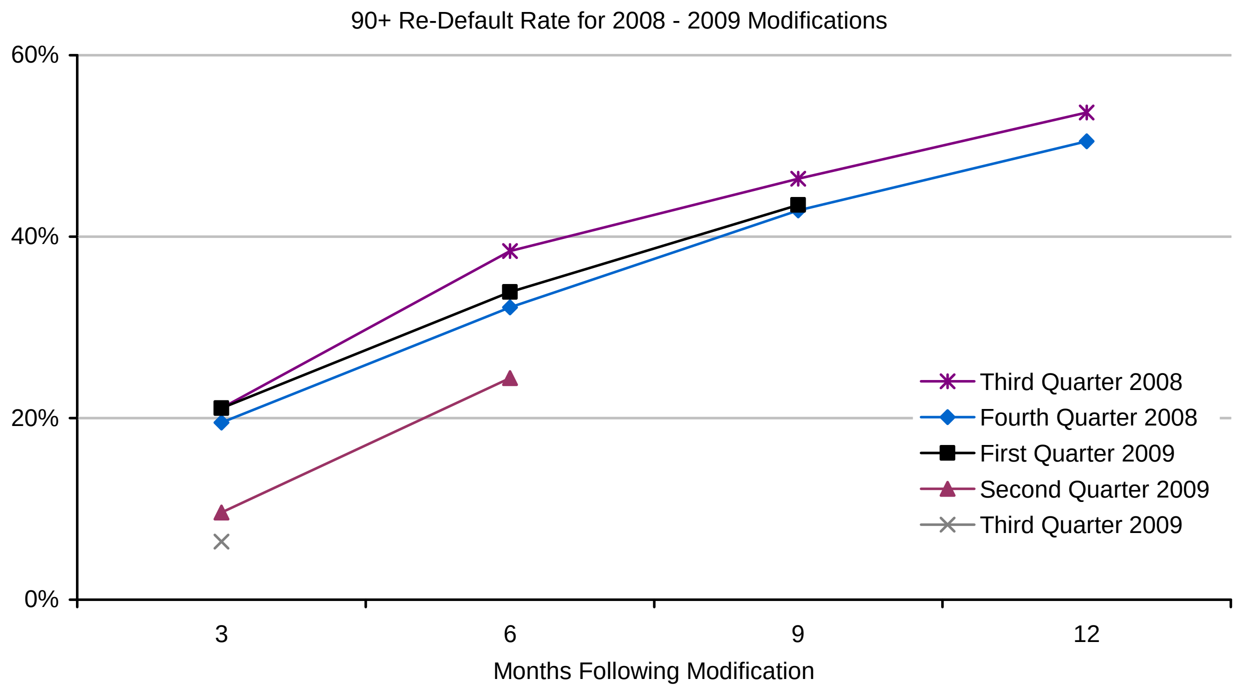
Mortgages modified in the second and third quarters of 2009 also outperformed previous vintages during the first few months after modification when measured as 90 or more days delinquent or in process of foreclosure. These numbers for modified mortgages that were 90 or more days delinquent were naturally lower than shorter-term delinquency measures but exhibited a similar rise in delinquencies over time subsequent to modification.

Table 32. **Modified Loans 90 or More Days Delinquent**
(90+ Re-Default Rate for 2008–2009 Modifications)*

Modification Date	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Third Quarter 2008	21.1%	38.4%	46.4%	53.7%
Fourth Quarter 2008	19.5%	32.2%	42.9%	50.5%
First Quarter 2009	21.1%	33.9%	43.5%	--
Second Quarter 2009	9.6%	24.4%	--	--
Third Quarter 2009	6.4%	--	--	--

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

Figure 13. **Modified Loans 90 or More Days Delinquent**



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

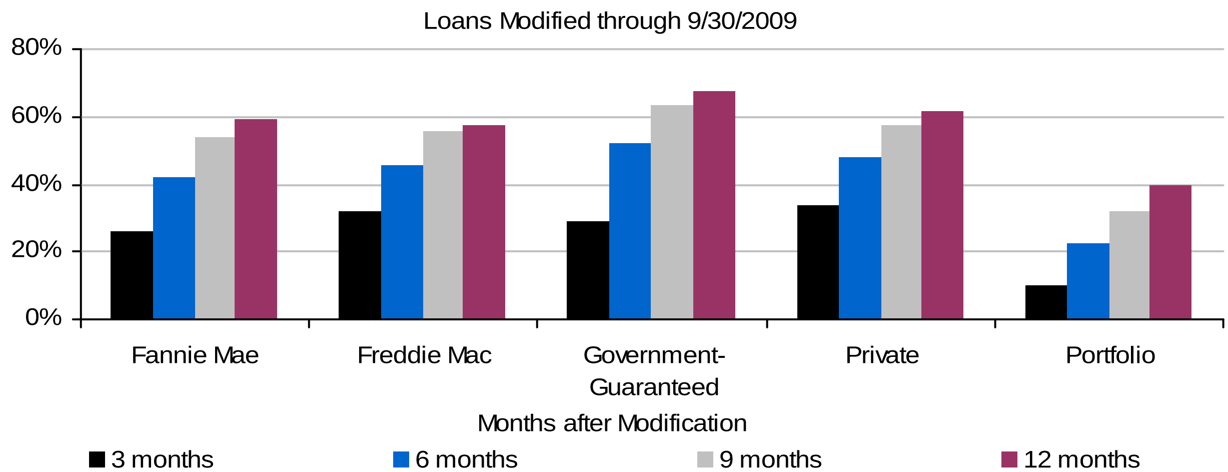
Modifications on mortgages held in the servicers' own portfolios continued to perform better after modification than mortgages serviced for others. Re-default rates for government-guaranteed mortgages were highest over time, corresponding to the higher delinquency rate for these mortgages in the overall serviced portfolio. The lower re-default rates for portfolio mortgages may reflect differences in modification programs and actions as well as additional flexibility to modify terms to achieve greater sustainability.

Table 33. **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	26.0%	41.8%	53.8%	59.5%
Freddie Mac	31.9%	45.9%	55.5%	57.3%
Government- Guaranteed	29.2%	52.4%	63.6%	67.8%
Private	34.0%	48.1%	57.4%	61.6%
Portfolio Loans	10.3%	22.7%	31.9%	40.0%
Total	26.7%	42.4%	52.8%	58.4%

* Data include all modifications implemented since January 1, 2008, that have had time to age the indicated number of months.

Figure 14. **60 or More Days Delinquent by Investor after Modification**



Performance of Loan Modifications on Option ARMs

The pattern of re-default rates for modified Option ARMs was similar to that for mortgage modifications overall. However, re-default rates were lower for all subsequent periods, especially for more recent vintages. As noted earlier in this report, interest rate reductions and term extensions were the most prevalent actions taken on Option ARMs as well as other modified mortgages. However, principal reductions and deferrals were more prevalent for Option ARMs than for other types of mortgages.

Table 34. **Modified Loans 60 or More Days Delinquent**
(60+ Re-Default Rate for 2008–2009 Modifications)*

Modification Date	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Third Quarter 2008	28.6%	43.4%	50.4%	56.9%
Fourth Quarter 2008	20.6%	31.0%	36.8%	41.5%
First Quarter 2009	15.6%	25.3%	32.4%	--
Second Quarter 2009	6.0%	17.6%	--	--
Third Quarter 2009	4.1%	--	--	--

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

C. Modified Loan Performance, by Change in Monthly Payments

Many factors drive mortgage delinquencies, including high unemployment and depressed property values as well as excessive borrower leverage, other issues affecting consumer ability or willingness to pay, and poor initial underwriting.

Similar factors drive re-default rates on modified mortgages. However, the data in this section consistently show that re-default rates were lowest for modifications that reduced monthly payments. The data also show that the larger the reduction in monthly payment, the lower the subsequent re-default rate. 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.

Modified Loans 60 or More Days Delinquent, by Changes to Monthly Payments: Re-Default Rate at 3, 6, 9, and 12 Months after Modification

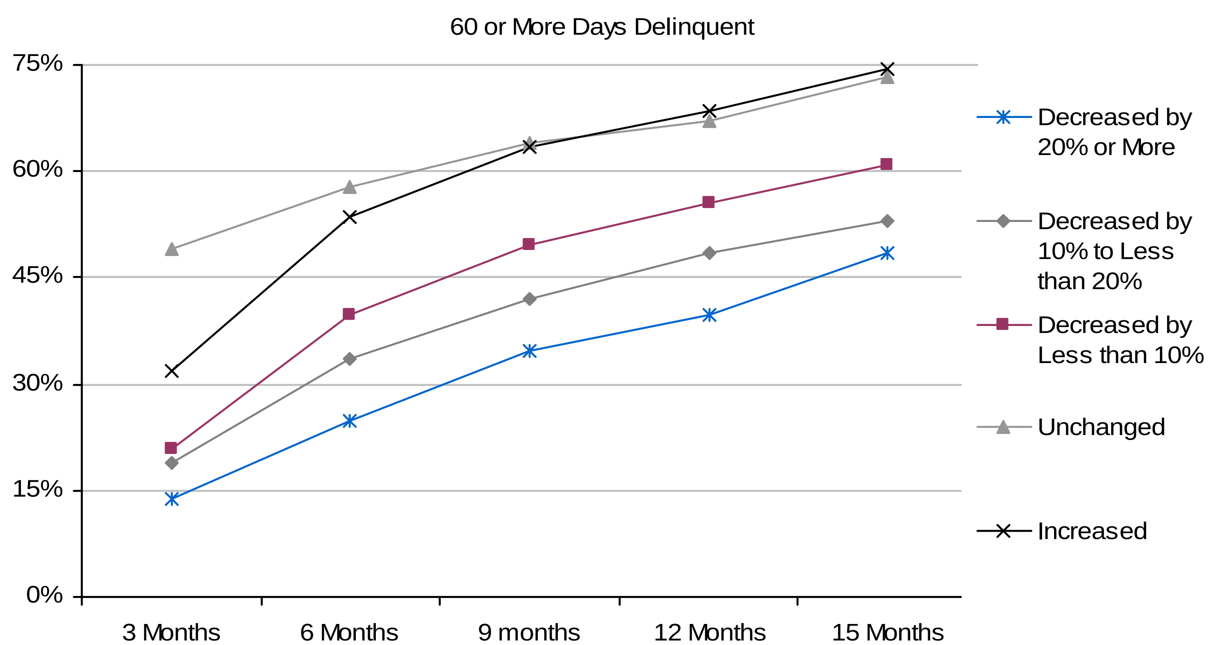
Mortgage modifications that decreased monthly principal and interest payments consistently showed lower re-default rates. After 12 months, 39.8 percent of modifications that decreased monthly payments by 20 percent or more were 60 or more days delinquent. In contrast, 67.0 percent of modifications that left payments unchanged and 68.5 percent of modifications that increased payments were seriously delinquent after 12 months. While lower payments reduce monthly cash flows to mortgage investors, they may also result in longer-term sustainability of the mortgage payments and an increase in the likelihood that the mortgage will be repaid.

Table 35. **Re-Default Rates of Loans Modified in 2008-2009 by Changes 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	13.7%	24.9%	34.6%	39.8%
Decreased by 10% to Less than 20%	19.0%	33.6%	42.0%	48.5%
Decreased by Less than 10%	20.9%	39.8%	49.7%	55.5%
Unchanged	49.1%	57.7%	64.1%	67.0%
Increased	32.0%	53.5%	63.3%	68.5%
Total**	26.6%	42.3%	52.7%	58.4%

* Data include all modifications implemented since January 1, 2008, that have had time to age the indicated number of months.
** Data exclude loans for which the payment change was unknown.

Figure 15. **Re-Default Rates of Loans Modified in 2008 by Change in Payment**



Modified Loans Delinquent after 6 Months, by Changes to Monthly Payments: Re-Default Rates Using Varying Definitions

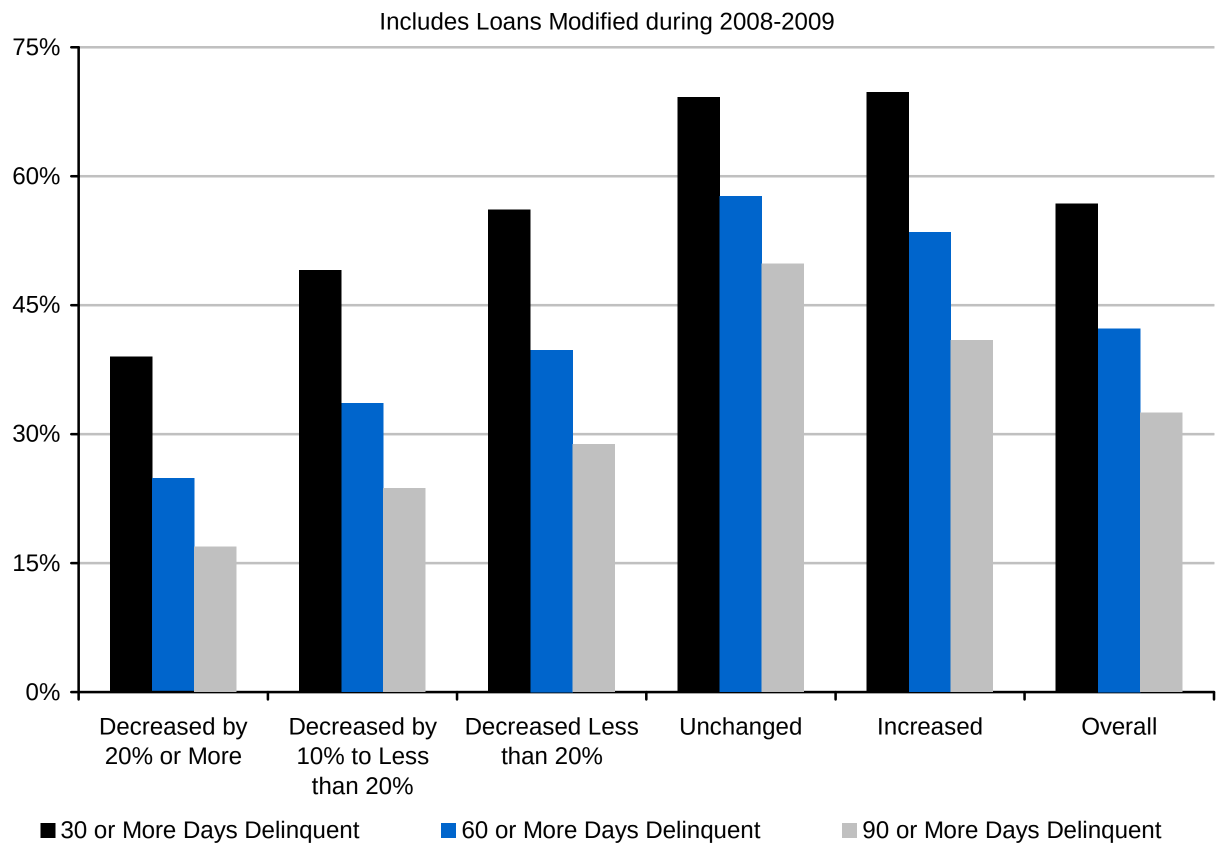
Regardless of the measure used for re-default—30, 60, or 90 days delinquent plus mortgages in process of foreclosure—modifications resulting in the greatest decrease in monthly payment showed the lowest re-default rates.

Table 36. **Varying Measures of Delinquency at 6 Months after Modification**
(Includes Loans Modified during 2008-2009)

	Decreased by 20% or More	Decreased by 10% to Less than 20%	Decreased by Less than 10%	Unchanged	Increased	Overall
30 or More Days Delinquent	39.0%	49.1%	56.1%	69.2%	69.8%	56.8%
60 or more Days Delinquent	24.9%	33.6%	39.8%	57.7%	53.5%	42.3%
90 or More Days Delinquent	16.9%	23.7%	28.8%	49.8%	40.9%	32.5%

* Data include all modifications implemented since January 1, 2008, that have had time to age the indicated number of months.

Figure 16. **Varying Measures of Delinquency at 6 Months after Modification**



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—increased by 8.6 percent from the previous quarter. Completed foreclosures rose to 128,859, up 8.6 percent from the previous quarter, reflecting the continuing increase in serious delinquencies and the large inventory of foreclosures in process. Short sales increased to 33,072, an 8.7 percent increase from the previous quarter and the fourth consecutive quarterly increase in this type of action.

While home forfeiture actions increased in the fourth quarter, banks and thrifts implemented more than 3.6 times more home retention actions—loan modifications, trial period plans, and payment plans—than completed foreclosures and other home forfeiture actions. In other words, for every two forfeited homes, servicers implemented more than seven actions that enabled borrowers to retain their homes and avoid foreclosure.

While servicers reported that HAMP and proprietary foreclosure prevention programs will help a significant number of distressed homeowners, they indicated these programs are not expected to help all delinquent borrowers. In this regard, servicers reported that they expect new foreclosure actions to begin increasing in the upcoming quarters as many of the mortgages that are seriously delinquent may eventually result in foreclosure as alternatives that prevent foreclosure are exhausted.

***Table 37.* Completed Foreclosures and Other Home Forfeiture Actions**

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
New Short Sales	16,809	18,619	25,128	30,433	33,072	8.7%	96.8%
New Deed-in-Lieu-of-Foreclosure Actions	1,186	1,298	1,120	1,242	1,293	4.1%	9.0%
Completed Foreclosures	94,942	90,686	105,995	118,606	128,859	8.6%	35.7%
Total	112,937	110,603	132,243	150,281	163,224	8.6%	44.5%
Newly Initiated Home Retention Actions Relative to Completed Foreclosures and Other Home Forfeiture Actions	258.0%	326.5%	307.1%	451.1%	364.0%	-19.3%	41.1%

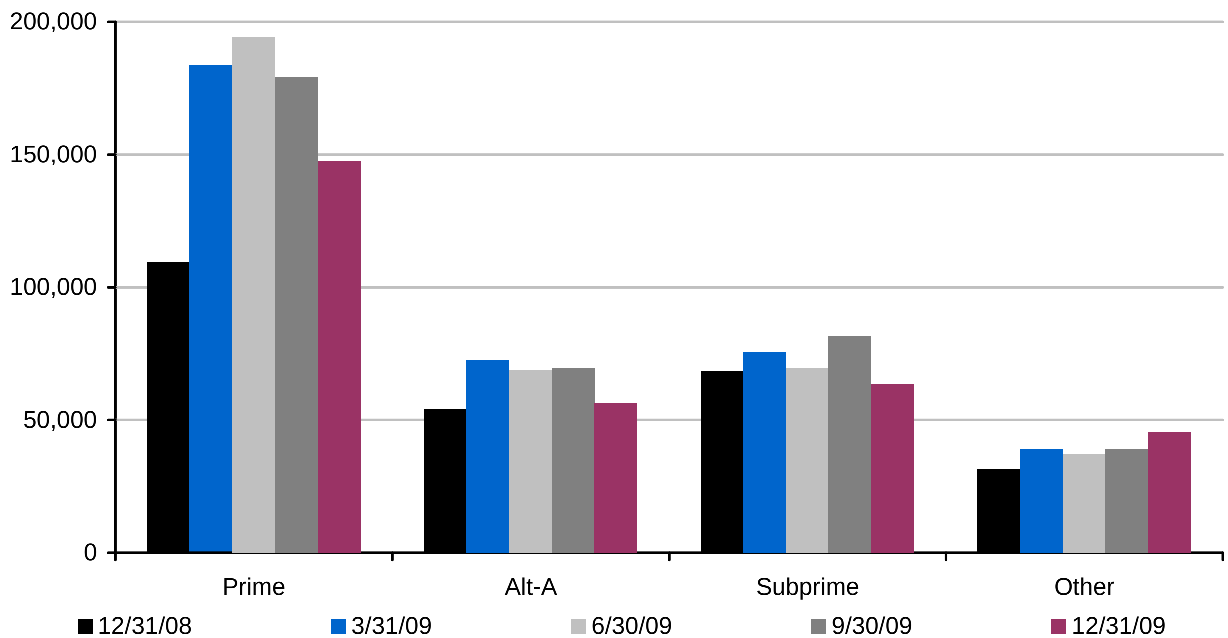
Newly Initiated Foreclosures

The number of newly initiated foreclosures dropped by 15.4 percent from the previous quarter after remaining steady the three prior quarters. New foreclosures fell for prime, Alt-A, and subprime mortgages.[10] The number of newly initiated foreclosure actions has been curtailed as more loans are held in a delinquent status for an extended period as borrowers and servicers pursue alternate workout solutions.

Table 38. **Number of Newly Initiated Foreclosures**

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Prime	109,285	183,441	194,071	179,087	147,419	-17.7%	34.9%
Alt-A	53,914	72,702	68,622	69,566	56,399	-18.9%	4.6%
Subprime	68,204	75,508	69,383	81,721	63,400	-22.4%	-7.0%
Other	31,288	38,916	37,150	38,835	45,311	16.7%	44.8%
Total	262,691	370,567	369,226	369,209	312,529	-15.4%	19.0%

Figure 17. **Number of Newly Initiated Foreclosures**



[10] Many newly initiated foreclosures and foreclosures in process never result in a completed foreclosure sale of the property because of other home retention loss mitigation actions, short sales, or deed-in-lieu-of-foreclosure actions.

Foreclosures in Process

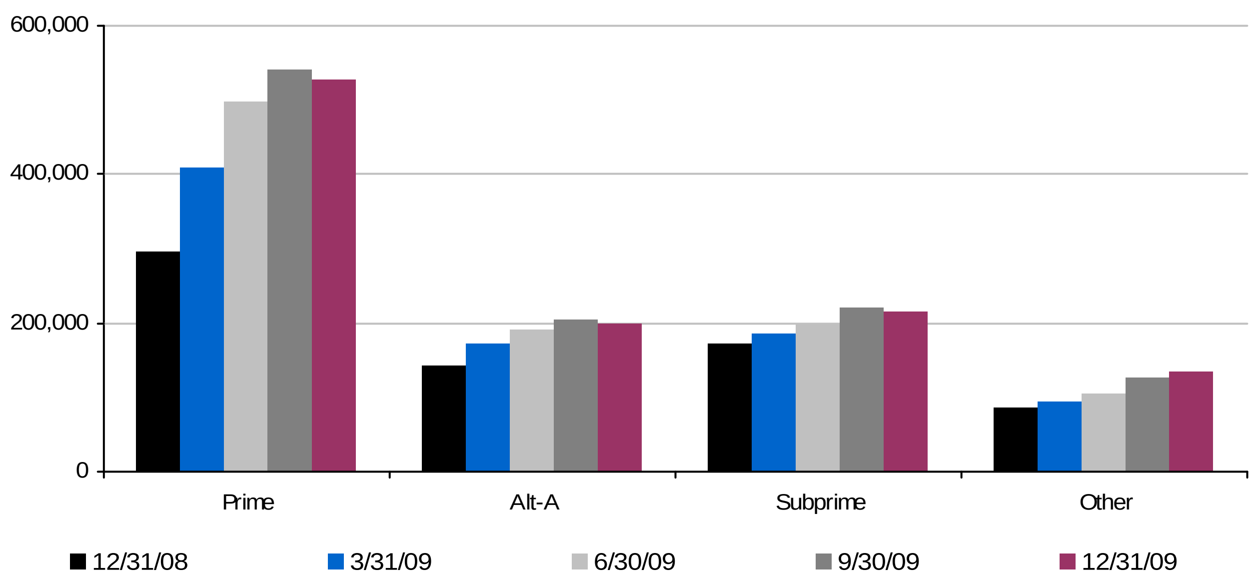
The decline in newly initiated foreclosures during the fourth quarter contributed to the drop in foreclosures in process to 1,079,386, or 3.2 percent of all serviced loans. While the number of foreclosures in process decreased 1.1 percent from the previous quarter, it remained 55.3 percent higher than a year ago. Foreclosures in process relative to total serviced mortgages was highest for subprime mortgages at 7.8 percent and lowest for prime mortgages at 2.3 percent. Conversely, over the past year foreclosures in process have increased the most for prime mortgages while subprime mortgages recorded the lowest year-over-year increase.

Many mortgages are remaining in process of foreclosure for longer periods of time as borrowers and servicers seek other workout resolutions. In addition, the amount of time required to process foreclosures has increased because of the large number of foreclosure actions and the inventory of foreclosures in process.

***Table 39.* Number of Foreclosures in Process**

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Prime	295,952	409,313	497,266	540,762	527,792	-2.4%	78.3%
Alt-A	141,708	172,268	191,456	205,343	199,254	-3.0%	40.6%
Subprime	172,744	184,468	199,432	220,106	216,519	-1.6%	25.3%
Other	84,835	94,980	104,400	125,409	135,821	8.3%	60.1%
Total	695,239	861,029	992,554	1,091,620	1,079,386	-1.1%	55.3%
Percentages of Foreclosures in Process Relative to Mortgages in that Category							
Prime	1.3%	1.8%	2.2%	2.3%	2.3%	-2.7%	77.0%
Alt-A	4.0%	4.9%	5.4%	5.8%	5.6%	-4.0%	40.9%
Subprime	5.7%	6.4%	7.0%	7.9%	7.8%	-1.1%	37.9%
Other	1.7%	2.0%	2.3%	2.7%	3.1%	15.5%	82.7%
Total	2.0%	2.5%	2.9%	3.2%	3.2%	-0.5%	58.6%

***Figure 18.* Number of Foreclosures in Process**



Completed Foreclosures

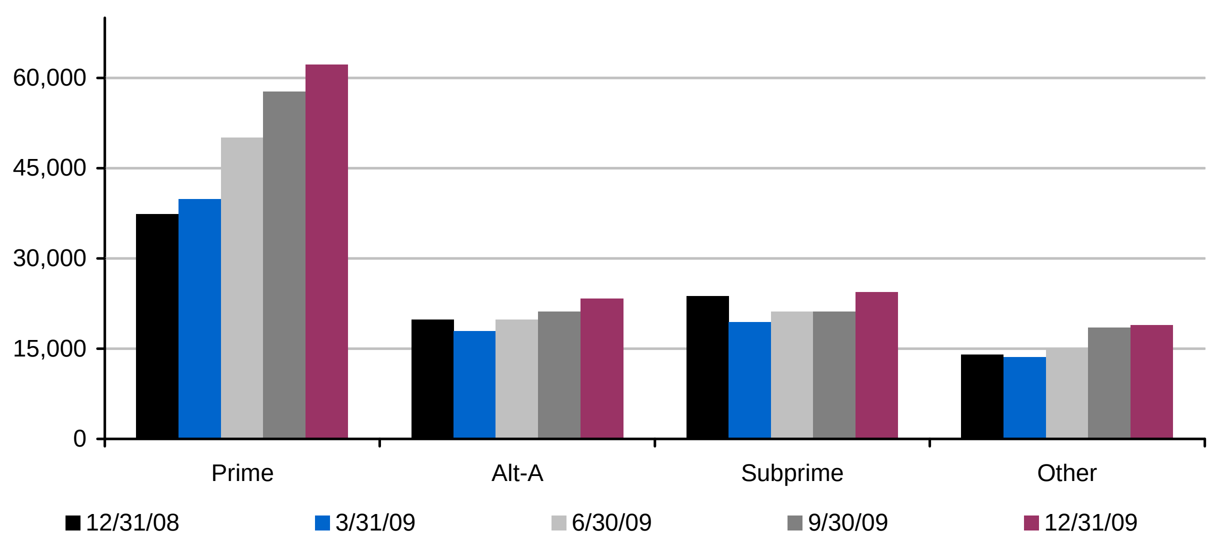
Completed foreclosures increased to 128,859, up 8.6 percent from the previous quarter and an increase of 35.7 percent from a year ago. The increase in completed foreclosures across all risk categories reflected the continued increase in serious delinquencies and the large inventory of foreclosures in process. When compared to a year ago, prime mortgages have seen the greatest increase in the number of completed foreclosures, increasing by 66.8 percent. In contrast, subprime mortgages have shown the smallest relative year-over-year increase at 3.0 percent.

Foreclosures are completed when ownership of the properties transfers to the servicers or investors. Foreclosure processes vary by state and can take more than 15 months to complete. Many newly initiated and foreclosures in process never reach completion, as borrowers and servicers seek other resolutions.

***Table 40.* Number of Completed Foreclosures**

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Prime	37,314	39,849	50,085	57,739	62,243	7.8%	66.8%
Alt-A	19,862	17,848	19,776	21,176	23,286	10.0%	17.2%
Subprime	23,724	19,409	21,128	21,162	24,425	15.4%	3.0%
Other	14,042	13,580	15,006	18,529	18,905	2.0%	34.6%
Total	94,942	90,686	105,995	118,606	128,859	8.6%	35.7%
Percentages of Completed Foreclosures Relative to Mortgages in that Category							
Prime	0.2%	0.2%	0.2%	0.3%	0.3%	7.5%	65.6%
Alt-A	0.6%	0.5%	0.6%	0.6%	0.7%	8.8%	17.5%
Subprime	0.8%	0.7%	0.7%	0.8%	0.9%	16.1%	13.3%
Other	0.3%	0.3%	0.3%	0.4%	0.4%	8.9%	53.6%
Total	0.3%	0.3%	0.3%	0.3%	0.4%	9.3%	38.6%

***Figure 19.* Number of Completed Foreclosures**



Home Retention Actions Relative to Forfeiture Actions, by Risk Category

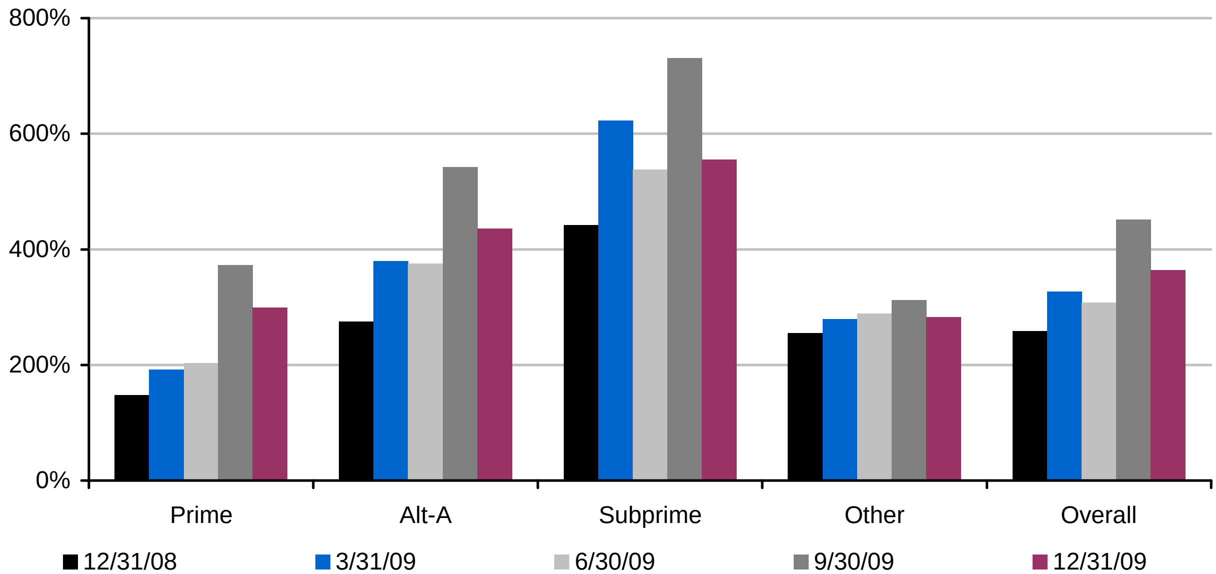
During the fourth quarter, servicers implemented more than 3.6 times as many home retention actions as completed home forfeiture actions. Home retention actions relative to home forfeitures declined across all risk categories in the fourth quarter. Increased home forfeitures as well as a decline in the number of new home retention actions in the fourth quarter contributed to the drop in the ratio.

Table 41. **Newly Initiated Home Retention Actions**
(Percentage of Completed Foreclosures and Other Home Forfeiture Actions)

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Prime	147.1%	192.1%	202.9%	372.5%	298.8%	-19.8%	103.2%
Alt-A	275.4%	379.6%	375.4%	541.8%	435.6%	-19.6%	58.2%
Subprime	441.9%	623.0%	538.1%	730.1%	555.2%	-24.0%	25.6%
Other	255.0%	279.2%	288.9%	312.1%	282.3%	-9.5%	10.7%
Overall	258.0%	326.5%	307.1%	451.1%	364.0%	-19.3%	41.1%

Figure 20. **Newly Initiated Home Retention Actions**

Percentage of Completed Foreclosures and Other Home Forfeiture Actions



Appendixes

Appendix A—New Loan Modifications

New loan modifications dropped 6.1 percent to 123,418 during the fourth quarter of 2009 as the increase in HAMP modifications was more than offset by a decline in other modifications. Many of the previously initiated HAMP trial plans continued to be processed for conversion to permanent modification at year-end. Servicers attributed the continued decline in other modifications to both an emphasis on initiating, underwriting, and processing trial plans under HAMP as well as a reduced number of eligible borrowers who had not already been underwritten for a modification or trial period plan.

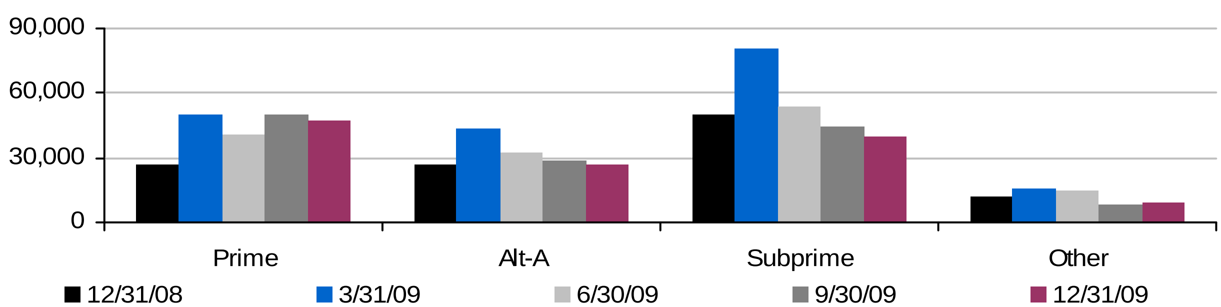
Modifications decreased for prime, Alt-A, and subprime mortgages. Subprime mortgages received nearly 32 percent of all new modifications in the quarter, despite representing only 8 percent of all mortgages in the servicing portfolio. Prime mortgages constituted about 38 percent of all new modifications in the quarter, but 68 percent of all mortgages in the servicing portfolio.

New loan modifications relative to serious delinquencies and foreclosures in process declined during the quarter because of reduced modifications combined with the increase in seriously delinquent mortgages. The decline was most pronounced among subprime borrowers, but also significant across prime and Alt-A mortgages.

Table 42. **Number of New Loan Modifications**

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Prime	26,490	49,765	40,855	50,075	47,243	-5.7%	78.3%
Alt-A	27,245	43,688	32,650	28,836	27,355	-5.1%	0.4%
Subprime	50,434	80,319	53,884	44,486	39,476	-11.3%	-21.7%
Other	12,176	15,421	14,973	8,030	9,344	16.4%	-23.3%
Total	116,345	189,193	142,362	131,427	123,418	-6.1%	6.1%
Percentages of New Loan Modifications Relative to Serious Delinquencies and Foreclosures in Process							
Prime	3.1%	4.8%	3.4%	3.6%	3.1%	-13.5%	0.7%
Alt-A	5.8%	8.8%	5.9%	4.6%	4.0%	-12.3%	-30.9%
Subprime	7.5%	12.6%	7.6%	5.7%	4.7%	-17.2%	-37.0%
Other	4.0%	5.0%	4.4%	1.9%	2.1%	7.8%	-48.1%
Total	5.1%	7.6%	5.1%	4.1%	3.6%	-13.3%	-29.9%

Figure 21. **Number of New Loan Modifications**



Appendix B—New Loan Modifications and Trial Period Plans

Trial period plans become permanent modifications following the successful completion of the trial period. The following table includes information on the combined total of new trial plans and new modifications—the home retention actions intended to provide long-term workout solutions.

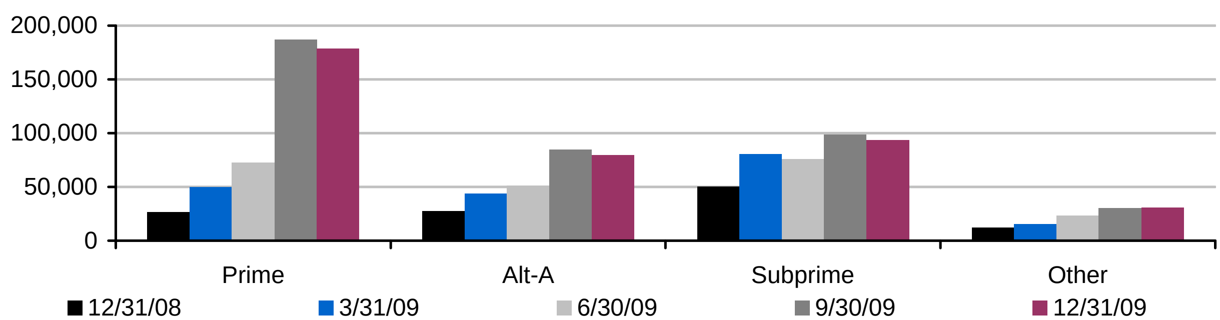
The number of new loan modifications and trial period plans declined by 4.5 percent during the fourth quarter but was 229.0 percent more than the same period a year ago. The percentage of new loan modifications and trial period plans during fourth quarter relative to the number of serious delinquencies decreased by 11.8 percent from the previous quarter, reflecting both the decrease in the number of these home retention actions as well as an increase in serious delinquencies.

Borrowers receiving home retention actions during a reporting period are not necessarily the borrowers who were seriously delinquent or in the process of foreclosure at the end of the period. Home retention actions may have been offered to borrowers who were seriously delinquent or in process of foreclosure in a prior period. Correspondingly, borrowers who were seriously delinquent or in process of foreclosure at the end of the current reporting period may be offered home retention actions later.

Table 43. **Number of Loan Modifications and Trial Period Plans**

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Prime	26,490	49,765	72,618	187,130	178,443	-4.6%	573.6%
Alt-A	27,245	43,688	51,064	84,526	79,684	-5.7%	192.5%
Subprime	50,434	80,319	75,746	98,758	93,733	-5.1%	85.9%
Other	12,176	15,421	23,345	30,449	30,968	1.7%	154.3%
Total	116,345	189,193	222,773	400,863	382,828	-4.5%	229.0%
Percentages of New Loan Modifications and Trial Period Plans Relative to Serious Delinquencies and Foreclosures in Process							
Prime	3.1%	4.8%	6.1%	13.6%	11.9%	-12.6%	280.4%
Alt-A	5.8%	8.8%	9.2%	13.5%	11.7%	-12.8%	101.3%
Subprime	7.5%	12.6%	10.7%	12.7%	11.2%	-11.4%	49.5%
Other	4.0%	5.0%	6.9%	7.3%	6.9%	-5.8%	71.9%
Total	5.1%	7.6%	8.0%	12.5%	11.0%	-11.8%	117.5%

Figure 22. **New Loan Modifications and Trial Period Plans**



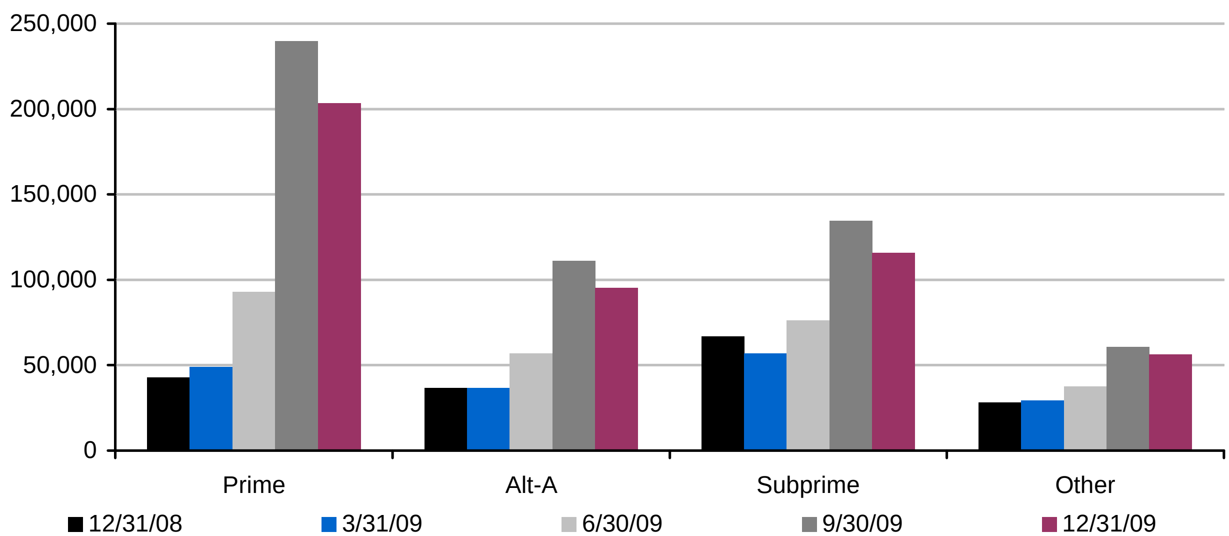
Appendix C—New Payment Plans

New payment plans totaled 470,677 in the fourth quarter of 2009, a decline of nearly 14 percent from the prior quarter but an increase of 169.0 percent from a year ago. New payment plans decreased across all risk categories in the fourth quarter as servicers emphasized HAMP and other trial period plans instead of shorter-term payment plans. The number of new payment plans relative to the number of borrowers seriously delinquent or in process of foreclosure also decreased during fourth quarter, reflecting both the decrease in the number of payment plans as well as an increase in serious delinquencies.

Table 44. **Number of New Payment Plans**

	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	1Q %Change	1Y %Change
Prime	42,982	48,981	93,079	239,831	203,267	-15.2%	372.9%
Alt-A	36,767	36,537	56,960	111,296	95,283	-14.4%	159.2%
Subprime	66,840	57,082	76,173	134,527	115,856	-13.9%	73.3%
Other	28,404	29,277	37,534	60,839	56,271	-7.5%	98.1%
Total	174,993	171,877	263,746	546,493	470,677	-13.9%	169.0%
Percentages of New Payment Plans Relative to Serious Delinquencies and Foreclosures in Process							
Prime	0.2%	0.2%	0.4%	1.0%	0.9%	-15.5%	369.4%
Alt-A	1.0%	1.0%	1.6%	3.2%	2.7%	-15.3%	159.6%
Subprime	2.2%	2.0%	2.7%	4.8%	4.2%	-13.4%	90.7%
Other	0.6%	0.6%	0.8%	1.3%	1.3%	-1.3%	126.0%
Total	0.5%	0.5%	0.8%	1.6%	1.4%	-13.4%	174.7%

Figure 23. **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 84.0 percent of all modifications implemented during the fourth quarter.

Table 45. **Changes in Loan Terms Made for Modifications Made During 2009**

	Total Number of Changes in Each Category			Percentage of Modifications		
	6/30/09	9/30/09	12/31/09	6/30/09 (of 142,362)	9/30/09 (of 131,427)	12/31/09 (of 123,418)
Combination Modifications*	109,061	106,768	103,613	76.6%	81.2%	84.0%
Capitalization	14,373	11,219	10,685	10.1%	8.5%	8.7%
Rate Reduction	5,952	9,658	5,279	4.2%	7.3%	4.3%
Rate Freeze	3,797	376	1,179	2.7%	0.3%	1.0%
Term Extension	528	987	896	0.4%	0.8%	0.7%
Principal Reduction	2	3	0	0.0%	0.0%	0.0%
Principal Deferral	323	32	49	0.2%	0.0%	0.0%
Unknown**	8,326	2,384	1,717	5.8%	1.8%	1.4%
Total Modifications	142,362	131,427	123,418	100.0%	100.0%	100.0%

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

Most combination modifications included interest rate reductions, extension of the loan maturity, and capitalization of missed fees and payments. Principal reductions were included in 9.5 percent of all combination modifications, while principal deferral was included in more than 7 percent.

Table 46. **Changes in Loan Terms for Combination Modifications Made During 2009**

	Total Number of Changes in Each Category			Percentage of Modifications		
	6/30/09	9/30/09	12/31/09	6/30/09 (of 109,061)	9/30/09 (of 96,737)	12/31/09 (of 89,026)
Capitalization	79,304	78,741	90,849	72.7%	73.7%	87.7%
Rate Reduction	96,867	96,975	98,592	88.8%	90.8%	95.2%
Rate Freeze	7,013	2,898	1,123	6.4%	2.7%	1.1%
Term Extension	65,969	62,140	53,589	60.5%	58.2%	51.7%
Principal Reduction	14,193	17,409	8,431	13.0%	16.3%	9.5%
Principal Deferral	3,173	4,007	7,433	2.9%	3.8%	7.2%
Unknown**	8,326	2,384	1,717	7.6%	2.2%	1.7%

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

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