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

Third 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 third 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, whose loans make up approximately 65 percent of all mortgages outstanding in the United States. The report covers about 34 million loans totaling approximately $6 trillion in principal balances and provides information on their performance through the end of the third quarter of 2009 (September 30, 2009).

Overall, mortgage performance continued to decline as a result of continuing adverse economic conditions including rising unemployment and loss in home values. The percentage of current and performing mortgages fell to 87.2 percent of the servicing portfolio. Seriously delinquent mortgages—loans 60 or more days past due and loans to delinquent bankrupt borrowers—rose to 6.2 percent of the servicing portfolio. Foreclosures in process increased to 3.2 percent, while new foreclosure actions remained steady for the third consecutive quarter at 369,209. Of particular note, delinquencies among prime mortgages, the largest category of mortgages, continued to climb. The percentage of prime mortgages that were seriously delinquent in the third quarter was 3.6 percent, up 19.6 percent from the second quarter and more than double the percentage of a year ago.

Large national banks and thrifts implemented more than 2.4 million loan modifications, trial period plans, or payment plans between January 1, 2008, and September 30, 2009, including actions taken under the Administration's "Home Affordable Modification Program" (HAMP). During third quarter 2009, servicers continued to increase home retention programs—loan modifications, trial period plans, and payment plans—to assist troubled homeowners and limit potential losses to banks and investors by avoiding preventable foreclosures. More specifically, servicers implemented 680,153 new home retention actions, up 68.7 percent from the previous quarter. The number of loan modifications declined for the second consecutive quarter as servicers emphasized the origination of trial period plans under HAMP and other proprietary servicer programs.[1]

Servicers initiated 273,913 trial period plans under HAMP during the third quarter, for a total of 354,324 HAMP trial period plans from the announcement of the program in March through the end of September. In addition to HAMP actions, servicers implemented 121,314 trial period plans for their proprietary homeowner assistance programs, a 100 percent increase over the second quarter.

HAMP requires borrowers to provide, and servicers to verify, various financial documentation. Borrowers must also successfully make payments during a three-month trial period before their loan is permanently modified. While significant volumes of HAMP trial period plans began during the summer and fall of 2009, conversion to permanent modifications has been slow. In this regard, only 781, or less than 1 percent of the trial period plans as of September 30, 2009, had been converted to permanent HAMP modifications. Part of the slow conversion has been due to servicers having insufficient staff and systems to process the increasing number of HAMP trial period plans. In addition, in an effort to ramp up the number of HAMP trial period plans, servicers initiated plans based on oral representations from borrowers. In order to complete a modification, servicers must receive and process the necessary documentation required by HAMP, and that has not always been forthcoming. Once required documentation is received, servicers report that a significant number of these borrowers do not qualify under the current HAMP guidelines, either because a sustainable modification could not be created to

[1] The OCC and OTS have clarified that examiners should review loan modification programs and the related accounting for Troubled Debt Restructurings (TDRs) 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.

meet the net present value test or the current mortgage is already considered affordable based on HAMP's 31 percent debt-to-income standard. The Department of the Treasury (Treasury) announced an initiative on November 30, 2009 to help convert trial period plans to permanent modifications.

Despite growth in the number of modifications, modified loans continue to re-default at high rates. Measuring re-default as 60 or more days delinquent or in foreclosure, more than half of all modified loans re-defaulted within six months of modification.

Early indicators suggest more recent vintages with a higher percentage of modifications that reduce monthly payments are performing better than older vintages. More than 80 percent of all loan modifications implemented in the third quarter reduced monthly principal and interest payments for the borrower. Modified terms were primarily interest rate reductions and term extensions. Modifications with principal reductions increased to 13 percent of all modifications, up from 10 percent in the second quarter and 3 percent in the first quarter.

Mortgage Performance

- The percentage of current and performing mortgages in the portfolio fell to 87.2 percent of the total servicing portfolio—a decrease of 1.5 percent from the previous quarter. Serious delinquencies reached 6.2 percent of the servicing portfolio, an increase of 16.7 percent from the previous quarter. Foreclosures in process reached 3.2 percent, an increase of 9.4 percent.
- Serious delinquencies increased in all risk categories, with the greatest percentage increases in the prime category and the "other" category, which includes mortgages for which credit scores are unavailable. The seriously delinquent rate for prime mortgages, the largest risk category of mortgages in the servicing portfolio, has more than doubled over the last year as financial difficulties have increasingly affected this most creditworthy category of borrowers.
- Payment Option Adjustable Rate Mortgages (Option ARMs) continued to perform worse than the overall portfolio as a result of the added risk characteristics and geographic concentration of these loans. At the end of the third quarter, just 67.7 percent of Option ARMs were current and performing; 16.0 percent were seriously delinquent; and 11.9 percent were in the process of foreclosure.
- Mortgages guaranteed by the U.S. government, primarily through the Federal Housing Administration (FHA) or the Department of Veterans Affairs (VA), also showed higher delinquencies than the overall servicing portfolio. Serious delinquencies increased to 8.2 percent of all government-guaranteed mortgages, up from 7.5 percent in the previous quarter. An additional 2.5 percent were in the process of foreclosure.

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

- Home retention actions—loan modifications, trial period plans, and payment plans—increased by 68.7 percent from the previous quarter to 680,153 (see Table 1). Loan modifications declined as a result of servicer emphasis on initiating trial period plans made under HAMP and other proprietary servicer programs. Servicers significantly increased the number of trial period plans implemented under HAMP during the third quarter.[2] Servicers also doubled the number of other trial period plans under proprietary homeowner assistance programs and further increased the number of payment

[2] The number of HAMP trial period plans was restated this quarter as servicers changed their reporting to conform to Treasury guidelines.

plans.[3] Notably, home retention actions relative to the number of borrowers either seriously delinquent or in process of foreclosure substantially increased in the third quarter to more than 21 percent.

Table 1. **Number of Home Retention Actions**							
	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y % Change
Loan Modifications	114,029	116,345	190,358	142,362	131,427	-7.7%	15.3%
HAMP Trial Period Plans	--	--	--	80,411	273,913	240.6%	--
Other Trial Period Plans	--	--	51,189	60,677	121,314	99.9%	--
Payment Plans	154,572	177,312	119,759	119,710	153,499	28.2%	-0.7%
Total	**268,601**	**293,657**	**361,306**	**403,160**	**680,153**	**68.7%**	**153.2%**
Home Retention Actions Relative to Serious Delinquency and Foreclosures In Process	14.61%	12.81%	14.53%	14.44%	21.23%	47.0%	45.3%

- The number of borrowers receiving loan modifications or beginning trial period plans significantly increased during the reporting period relative to the number of borrowers who were either seriously delinquent or in process of foreclosure at the end of the quarter. For every six people who were seriously delinquent or in foreclosure on their mortgage at quarter end, roughly one person received a loan modification or trial period plan. The percentage of new loan modifications and trial period plans during third quarter relative to the number of serious delinquencies increased by 61.9 percent from the second quarter of 2009 (see Table 38).

- Modifications made during the third quarter lowered monthly principal and interest payments in 80.1 percent of all modified loans compared to 78.3 percent in the prior quarter, as servicers continue to emphasize payment sustainability.[4]

- Servicers used a combination of actions when modifying loans to achieve payment sustainability. Interest rate reductions were used in 81.1 percent of all loan modifications implemented in the third quarter of 2009. Term extensions were used in 48.0 percent of the modifications, while 13.2 percent included principal reduction. Because 73.6 percent of all modifications changed more than one term, which referred to as combination modifications, these percentages exceed 100 percent.

Modified Loan Performance

- The percentage of modified loans 60 or more days delinquent or in process of foreclosure increased steadily in the months subsequent to modification (see Table 2). Modifications made after the third quarter of 2008 appeared to perform relatively better than older vintages. The most recent modifications made in the second quarter of 2009 had the lowest percentage of mortgages (18.7 percent) that were 60 or more days delinquent three months subsequent to modification. This lower three-month re-default rate may be an early indicator of sustainability for loan modifications that reduce monthly payments.

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[3] 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.

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

***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*
Second Quarter 2008	33.3%	49.4%	54.9%	58.5%
Third Quarter 2008	35.1%	48.1%	54.6%	60.7%
Fourth Quarter 2008	29.9%	42.0%	51.8%	--
First Quarter 2009	30.7%	42.7%	--	--
Second Quarter 2009	18.7%	--	--	--

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

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

***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	27.0%	44.0%	54.1%	58.6%
Freddie Mac	33.4%	47.4%	51.2%	55.1%
Government-Guaranteed	31.4%	53.1%	63.7%	65.9%
Private	35.4%	49.7%	56.5%	61.3%
Portfolio Loans	12.1%	24.9%	35.1%	41.7%

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

Modified Loan Performance, by Change in Monthly Payments

- Modifications that decreased monthly payments continue 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 mortgage investors, the payments may also result in longer term sustainability of the payments. After 12 months, 38.6 percent of modifications that decreased monthly payments by 20 percent or more were seriously delinquent. In contrast, 66 percent of modifications that left payments unchanged and 68.7 percent of modifications that increased payments were seriously delinquent after 12 months.

***Table 4.* Re-Default Rates of Loans Modified in 2008 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	14.9%	26.7%	33.6%	38.6%
Decreased by 10% to Less than 20%	19.9%	32.9%	41.8%	47.7%
Decreased by Less than 10%	22.7%	39.7%	49.8%	55.1%
Unchanged	49.9%	58.7%	63.7%	66.0%
Increased	33.2%	53.6%	63.3%	68.7%

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

Foreclosures and Other Home Forfeiture Actions

- Servicers implemented almost twice as many new home retention actions as new foreclosures and more than four-and-a-half times more new home retention actions than completed home forfeiture actions (see Table 5).

- The number of newly initiated foreclosures remained steady for the third consecutive quarter. The decrease in foreclosures on prime mortgages offset increases in foreclosures for other risk categories. Despite new foreclosures remaining constant, the inventory of foreclosures in process continued to grow, reaching 1,091,620 or 3.2 percent of all serviced loans.[5]

Table 5. Newly Initiated Home Retention Actions Compared with Foreclosure Actions

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Newly Initiated Home Retention Actions	268,601	293,657	361,306	403,160	680,153	68.7%	153.2%
Newly Initiated Foreclosures	281,285	262,691	370,567	369,226	369,209	0.0%	31.3%
Completed Foreclosures and Other Home Forfeiture Actions	142,121	112,923	110,603	132,241	150,602	13.9%	6.0%
Newly Initiated Home Retention Actions/Newly Initiated Foreclosures	95.5%	111.8%	97.5%	109.2%	184.2%	68.7%	92.9%
Newly Initiated Home Retention Actions/ Completed Foreclosures and Other Home Forfeiture Actions	189.0%	260.1%	326.7%	304.9%	451.6%	48.1%	139.0%

- Completed foreclosures increased 11.9 percent from the prior quarter, reflecting the increasing inventory of foreclosures in process. New short sales increased by 22.4 percent to 30,766 as a result of an increased emphasis on this loss mitigation approach by homeowners seeking an alternative to foreclosure but either can not or do not wish to stay in their homes (see Table 6).

Table 6. Completed Foreclosures and Other Home Forfeiture Actions

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
New Short Sales	13,549	16,809	18,619	25,128	30,766	22.4%	127.1%
New Deed-in-Lieu-of-Foreclosure Actions	842	1,186	1,298	1,120	1,233	10.1%	46.4%
Completed Foreclosures	127,730	94,928	90,686	105,993	118,603	11.9%	-7.1%
Total	142,121	112,923	110,603	132,241	150,602	13.9%	6.0%

[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.

About Mortgage Metrics

The *OCC and OTS Mortgage Metrics Report* presents key data on first-lien residential mortgages serviced by national banks and thrifts, focusing on credit performance, loan modifications, payment plans, foreclosures, short sales, and deed-in-lieu-of-foreclosure actions. The OCC and OTS collect these data from the nine national banks and three thrifts[6] that have the largest mortgage servicing portfolios among all national banks and thrifts. These 12 depository institutions are owned by nine holding companies.[7] The data represent 65 percent of all first-lien residential mortgages outstanding in the country. More than 91 percent of the mortgages in the portfolio are serviced for third parties as a result of loan sales and securitization by government-sponsored enterprises (GSEs), the originating banks, and other financial institutions. At the end of September 2009, the reporting institutions serviced about 34 million first-lien mortgage loans, totaling approximately $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 in notable ways 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. For example, 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 validating the data to ensure 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 the external vendor who compiled the data. 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 early data on modifications made under HAMP. Data include, as available, the number of modifications for each risk and investor category, and show both the types of actions taken and the resulting change in borrowers' monthly payments. Future reports will present data on the subsequent performance of these modifications.

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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.

[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.

The report also presents new information regarding modifications on Option ARMs, including types of actions and post-modification performance.

In addition the report compares the number of home retention actions to the number of seriously delinquent mortgages.

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 14 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 are as follows:

- **Completed foreclosures**—Ownership of properties is transferred to servicers or investors, and mortgage debts are extinguished. 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 loans with an explicit guaranty from the U.S. government, including the FHA, VA, and certain other departments. These loans may be held in 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, where 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 performance of mortgages in the portfolio on an overall portfolio basis, for government-guaranteed mortgages, for loans serviced for the GSEs, for Option ARMs, and by loan risk category.

Overall Mortgage Portfolio

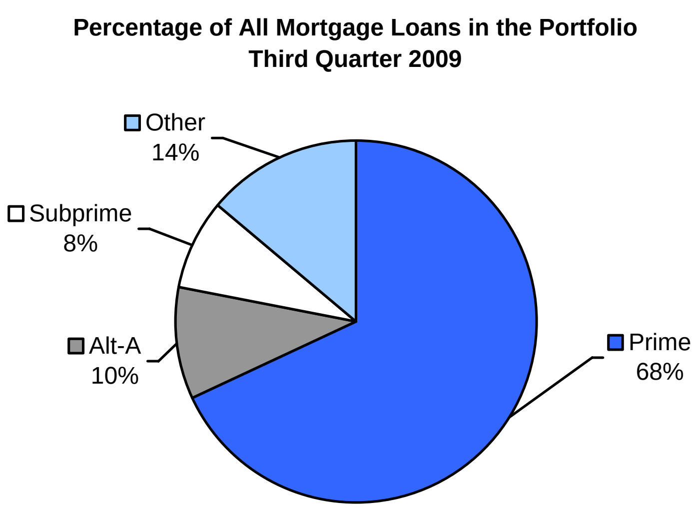
The size and composition of the servicing portfolio remained relatively steady at about 34 million loans totaling approximately $6 trillion in unpaid principal balances. The portfolio included 68 percent prime, 10 percent Alt-A, 8 percent subprime, and 14 percent other loans.

Table 7. Overall Mortgage Portfolio

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09
Total Servicing (Millions)	$6,098,705	$6,106,764	$6,014,455	$5,969,246	$5,998,986
Total Servicing (Number of Loans)	34,489,297	34,551,061	34,096,603	33,832,014	34,024,602
Composition (Percent of All Mortgage Loans in the Portfolio)					
Prime	66%	66%	67%	68%	68%
Alt-A	10%	10%	10%	10%	10%
Subprime	9%	9%	8%	8%	8%
Other	14%	14%	14%	13%	14%
Composition (Number of Loans in Each Risk Category of the Portfolio)					
Prime	22,925,054	22,963,965	22,867,059	22,929,113	23,064,371
Alt-A	3,567,455	3,567,323	3,519,821	3,528,840	3,524,305
Subprime	3,062,786	3,034,620	2,888,029	2,847,412	2,774,028
Other	4,934,002	4,985,153	4,821,694	4,526,649	4,661,898

*Percentages may not add to 100 percent due to rounding.

Figure 1. **Portfolio Composition**



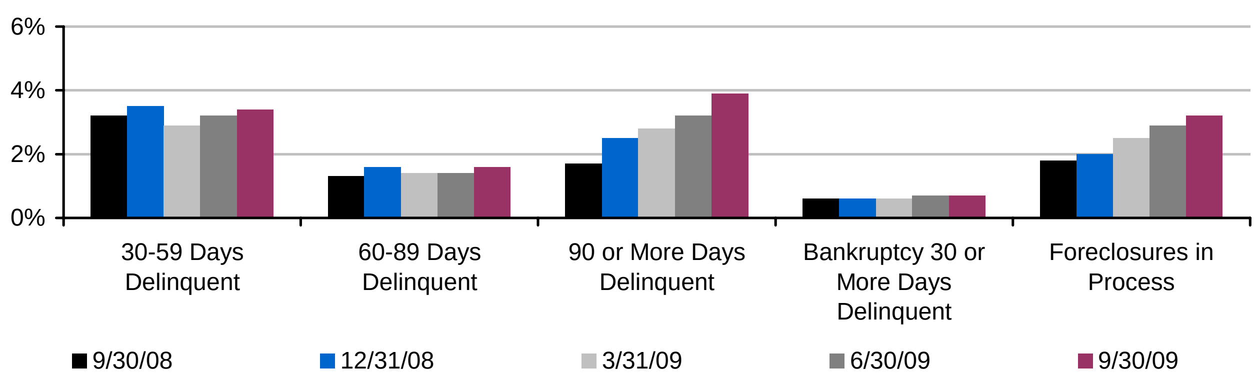
Overall Mortgage Performance

The percentage of current and performing mortgages fell to 87.2 percent of the servicing portfolio. Serious delinquencies—loans 60 or more days past due and loans to delinquent bankrupt borrowers—increased by 16.7 percent from the previous quarter to 6.2 percent of the servicing portfolio. Foreclosures in process also rose to 1,091,620 and represented 3.2 percent of all serviced loans.

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

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Current and Performing	91.5%	89.9%	89.8%	88.6%	87.2%	-1.5%	-4.7%
30-59 Days Delinquent	3.2%	3.5%	2.9%	3.2%	3.4%	6.5%	5.5%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	1.3%	1.6%	1.4%	1.4%	1.6%	10.6%	20.0%
90 or More Days Delinquent	1.7%	2.5%	2.8%	3.2%	3.9%	21.1%	128.3%
Bankruptcy 30 or More Days Delinquent	0.6%	0.6%	0.6%	0.7%	0.7%	8.5%	31.2%
Subtotal for Seriously Delinquent	**3.6%**	**4.6%**	**4.8%**	**5.3%**	**6.2%**	**16.7%**	**73.8%**
Foreclosures in Process	1.8%	2.0%	2.5%	2.9%	3.2%	9.4%	82.4%
Overall Portfolio Performance (Number of Mortgages in the Portfolio)							
Current and Performing	31,541,170	31,065,219	30,629,971	29,962,265	29,666,568	-1.0%	-5.9%
30-59 Days Delinquent	1,109,749	1,193,481	980,517	1,078,663	1,154,826	7.1%	4.1%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	447,565	539,976	460,683	476,179	529,845	11.3%	18.4%
90 or More Days Delinquent	591,464	850,203	957,135	1,093,791	1,332,228	21.8%	125.2%
Bankruptcy 30 or More Days Delinquent	192,845	206,943	207,268	228,562	249,515	9.2%	29.4%
Subtotal for Seriously Delinquent	**1,231,874**	**1,597,122**	**1,625,086**	**1,798,532**	**2,111,588**	**17.4%**	**71.4%**
Foreclosures in Process	606,504	695,239	861,029	992,554	1,091,620	10.0%	80.0%

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



Performance of Government-Guaranteed Mortgages

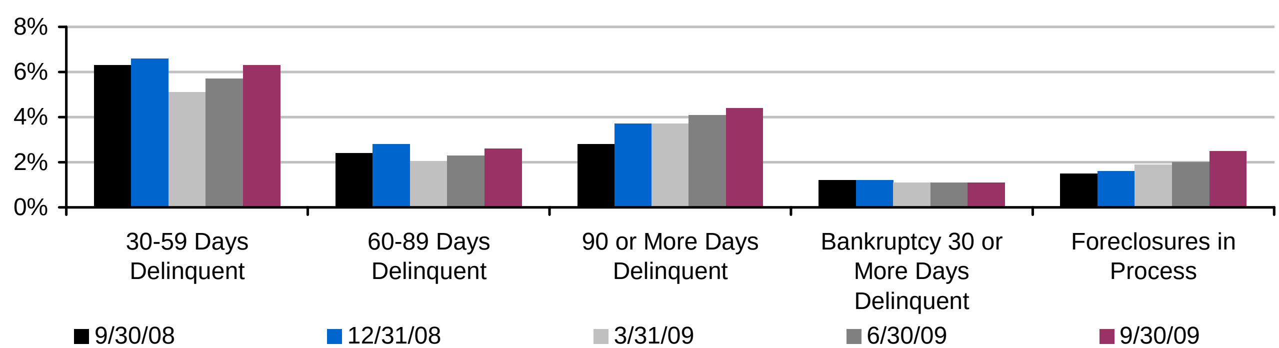
Government-guaranteed mortgages continued to perform worse than the overall servicing portfolio with a higher percentage of seriously delinquent loans. The percentage of current and performing guaranteed mortgages fell to 83.0 percent of government-guaranteed mortgages. Serious delinquencies increased to 8.2 percent and foreclosures in process rose to 2.5 percent. Reflecting the significantly increased origination of government-guaranteed mortgages in the first three quarters of 2009, these loans now make up 15.5 percent of all mortgages in the portfolio, or almost 5.3 million loans, an increase of 10.4 percent from the previous quarter and nearly 28.9 percent from a year ago. Of these loans, about 77 percent were FHA loans, 19 percent were VA loans, and 4 percent were other government-guaranteed loans. More than 83 percent of these loans were held in Ginnie Mae securities.

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

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Current and Performing	85.7%	84.2%	86.2%	84.9%	83.0%	-2.2%	-3.2%
30-59 Days Delinquent	6.3%	6.6%	5.1%	5.7%	6.3%	11.3%	-0.2%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	2.4%	2.8%	2.0%	2.3%	2.6%	14.1%	8.1%
90 or More Days Delinquent	2.8%	3.7%	3.7%	4.1%	4.4%	8.7%	55.7%
Bankruptcy 30 or More Days Delinquent	1.2%	1.2%	1.1%	1.1%	1.1%	0.5%	-8.7%
Subtotal for Seriously Delinquent	**6.5%**	**7.6%**	**6.8%**	**7.5%**	**8.2%**	**9.2%**	**26.0%**
Foreclosures in Process	1.5%	1.6%	1.9%	2.0%	2.5%	29.0%	72.7%
Performance Government-Guaranteed Loans (Number)							
Current and Performing	3,507,492	3,645,673	3,897,209	4,056,662	4,376,413	7.9%	24.8%
30-59 Days Delinquent	259,287	283,938	229,575	271,651	333,614	22.8%	28.7%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	99,791	120,076	91,936	110,407	139,019	25.9%	39.3%
90 or More Days Delinquent	116,564	160,447	167,555	194,934	233,914	20.0%	100.7%
Bankruptcy 30 or More Days Delinquent	48,327	49,918	48,878	51,277	56,848	10.9%	17.6%
Subtotal for Seriously Delinquent	**264,682**	**330,441**	**308,369**	**356,618**	**429,781**	**20.5%**	**62.4%**
Foreclosures in Process	59,614	68,787	83,937	93,231	132,713	42.3%	122.6%

*Percentages may not add to 100 due to rounding.

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



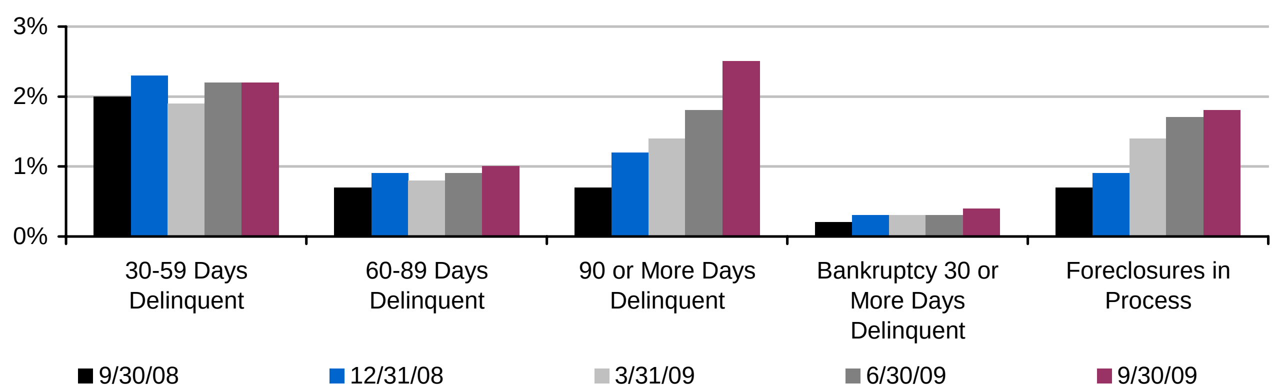
Performance of GSE Mortgages

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 third quarter of 2009, 92.1 percent of these loans were current and performing compared with 87.2 percent for the servicing portfolio. Seriously delinquent loans increased to 3.9 percent—rising by 28.0 percent from the previous quarter and by 134.1 percent from a year ago. The percentage of GSE loans in the process of foreclosure continued to increase to 1.8 percent, but remains well below the rate for the overall portfolio at 3.2 percent. Mortgages serviced for these agencies made up about 63 percent of the servicing portfolio, or about 21.5 million loans. Of the GSE mortgages, 65 percent were serviced for Fannie Mae and 35 percent were serviced for Freddie Mac.

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

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Current and Performing	95.6%	94.5%	94.1%	93.1%	92.1%	-1.1%	-3.7%
30-59 Days Delinquent	2.0%	2.3%	1.9%	2.2%	2.2%	3.4%	10.2%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	0.7%	0.9%	0.8%	0.9%	1.0%	9.7%	40.9%
90 or More Days Delinquent	0.7%	1.2%	1.4%	1.8%	2.5%	39.4%	241.7%
Bankruptcy 30 or More Days Delinquent	0.2%	0.3%	0.3%	0.3%	0.4%	15.6%	71.7%
Subtotal for Seriously Delinquent	**1.7%**	**2.3%**	**2.5%**	**3.0%**	**3.9%**	**28.0%**	**134.1%**
Foreclosures in Process	0.7%	0.9%	1.4%	1.7%	1.8%	6.1%	170.7%
Performance of GSE Loans (Number)							
Current and Performing	20,629,736	20,873,132	20,492,967	20,000,848	19,775,288	-1.1%	-4.1%
30-59 Days Delinquent	437,682	497,966	423,874	464,532	480,320	3.4%	9.7%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	149,759	197,617	183,036	191,608	210,156	9.7%	40.3%
90 or More Days Delinquent	158,200	261,360	307,978	386,351	538,299	39.3%	240.3%
Bankruptcy 30 or More Days Delinquent	49,247	57,091	62,757	72,845	84,192	15.6%	71.0%
Subtotal for Seriously Delinquent	**357,206**	**516,068**	**553,771**	**650,804**	**832,647**	**27.9%**	**133.1%**
Foreclosures in Process	144,912	197,104	299,755	368,336	390,664	6.1%	169.6%

Figure 4. **Performance of GSE Loans**



Performance of Option ARMs

The added risk characteristics and geographic concentration of Option ARMs in distressed housing markets have caused them to perform significantly worse than the overall servicing portfolio. The percentage of those loans that were current and performing fell to 67.7 percent at the end of the third quarter, compared with 87.2 percent for the overall portfolio. Seriously delinquent Option ARMs increased to 16.0 percent, and 11.9 percent of all Option ARMS were in the process of foreclosure.

As of third quarter 2009, there were slightly more than 850,000 Option ARMs, representing 2.5 percent of the total servicing portfolio.

***Table 11.* Performance of Option ARMs** (Percent)							
	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Current and Performing	82.1%	76.6%	72.9%	70.3%	67.7%	-3.7%	-17.6%
30-59 Days Delinquent	4.8%	5.3%	4.5%	4.5%	4.4%	-1.1%	-6.8%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	2.4%	3.1%	3.0%	2.6%	2.7%	1.5%	9.7%
90 or More Days Delinquent	4.2%	7.0%	9.5%	10.9%	11.4%	5.0%	172.9%
Bankruptcy 30 or More Days Delinquent	1.0%	1.1%	1.3%	1.7%	1.9%	11.8%	94.2%
Subtotal for Seriously Delinquent	**7.6%**	**11.3%**	**13.9%**	**15.2%**	**16.0%**	**5.1%**	**110.6%**
Foreclosures in Process	5.5%	6.8%	8.7%	10.0%	11.9%	18.6%	116.5%
Performance of Option ARMs Loans (Number)							
Current and Performing	874,065	784,394	714,018	647,480	580,512	-10.3%	-33.6%
30-59 Days Delinquent	50,733	54,113	44,527	41,366	38,103	-7.9%	-24.9%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	25,730	31,961	29,719	24,074	22,745	-5.5%	-11.6%
90 or More Days Delinquent	44,455	71,911	93,284	100,068	97,789	-2.3%	120.0%
Bankruptcy 30 or More Days Delinquent	10,473	11,565	12,912	15,746	16,392	4.1%	56.5%
Subtotal for Seriously Delinquent	**80,658**	**115,437**	**135,915**	**139,888**	**136,926**	**-2.1%**	**69.8%**
Foreclosures in Process	58,539	69,829	84,782	92,523	102,182	10.4%	74.6%

Seriously Delinquent Mortgages, by Risk Category

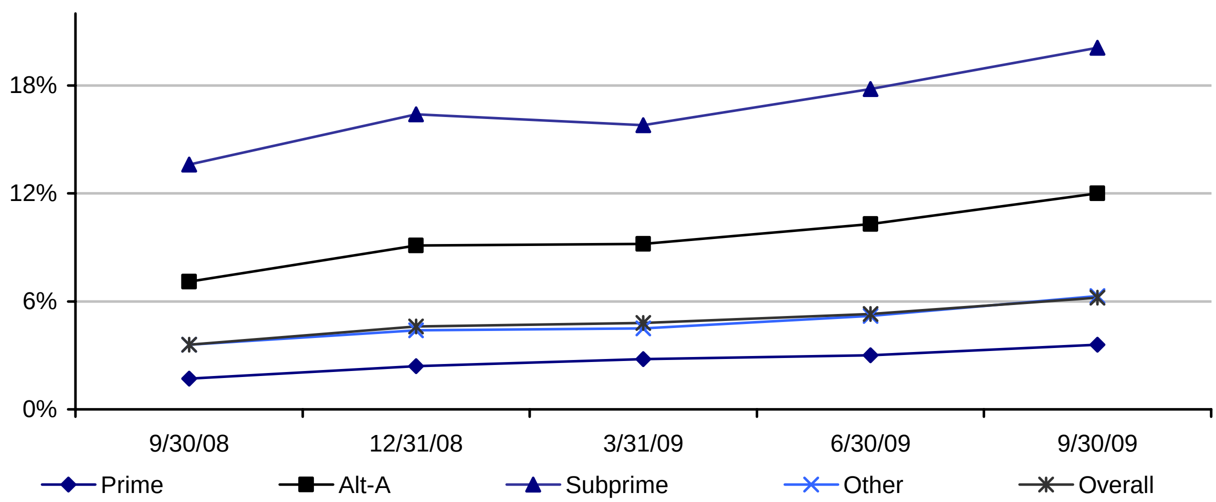
Adverse economic conditions—high unemployment and depressed home prices—affected all risk categories and resulted in increases in serious delinquencies in all risk categories. The percentage of prime loans that were seriously delinquent increased by 19.6 percent during the third quarter, and has more than doubled over the past year. The percentage of subprime loans that were seriously delinquent increased by 13.1 percent to more than 20 percent of this risk category. Overall, the number of mortgages that were seriously delinquent at the end of the third quarter rose by 17.4 percent to 2,111,588.

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

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Prime	1.7%	2.4%	2.8%	3.0%	3.6%	19.6%	116.2%
Alt-A	7.1%	9.1%	9.2%	10.3%	12.0%	16.9%	68.6%
Subprime	13.6%	16.4%	15.8%	17.8%	20.1%	13.1%	47.9%
Other	3.6%	4.4%	4.5%	5.2%	6.3%	21.9%	75.9%
Overall	3.6%	4.6%	4.8%	5.3%	6.2%	16.7%	73.8%
Seriously Delinquent Mortgages (Number of Mortgages)							
Prime	385,261	553,293	628,902	696,699	838,083	20.3%	117.5%
Alt-A	253,591	325,355	324,906	361,839	422,277	16.7%	66.5%
Subprime	416,862	498,118	455,106	506,692	558,419	10.2%	34.0%
Other	176,160	220,356	216,172	233,302	292,809	25.5%	66.2%
Total	1,231,874	1,597,122	1,625,086	1,798,532	2,111,588	17.4%	71.4%

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

Percentage of Mortgages in Each Category



Mortgages 30-59 Days Delinquent, by Risk Category

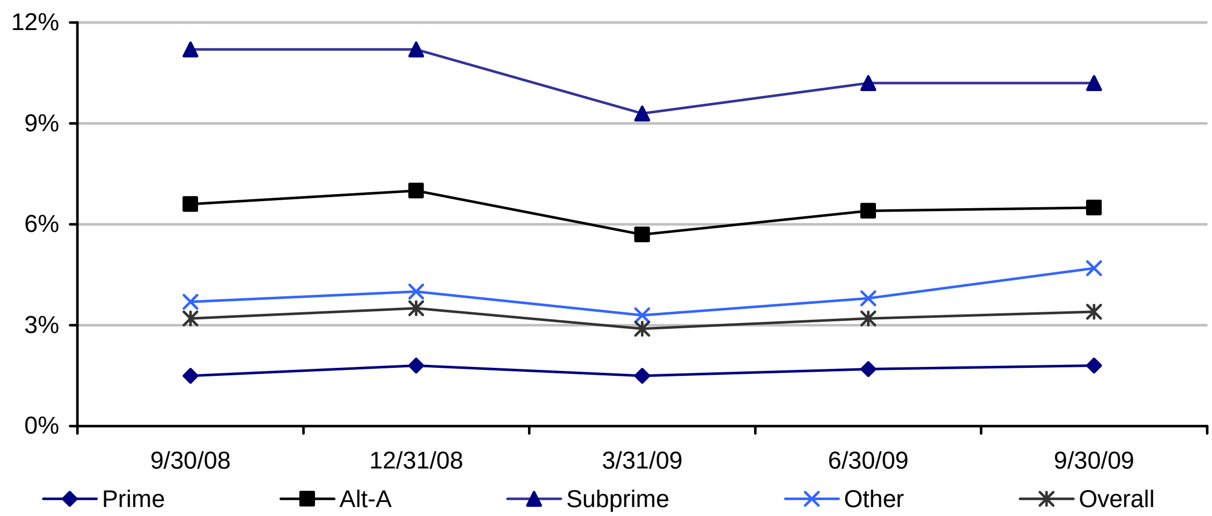
The percentage of mortgages in the early stages of delinquency (30-59 days delinquent) continued to increase, rising to 3.4 percent of the servicing portfolio, an increase of 6.5 percent from the previous quarter and 5.5 percent from the previous year. The data suggest that, with more loans becoming delinquent, serious delinquencies and foreclosures may also continue to rise.

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

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Prime	1.5%	1.8%	1.5%	1.7%	1.8%	6.4%	19.2%
Alt-A	6.6%	7.0%	5.7%	6.4%	6.5%	2.4%	-1.4%
Subprime	11.2%	11.2%	9.3%	10.2%	10.2%	0.2%	-8.3%
Other	3.7%	4.0%	3.3%	3.8%	4.7%	25.9%	28.8%
Overall	3.2%	3.5%	2.9%	3.2%	3.4%	6.5%	5.5%
Mortgages 30-59 Days Delinquent (Number of Mortgages)							
Prime	350,215	403,630	352,586	392,412	420,000	7.0%	19.9%
Alt-A	236,163	251,015	201,787	224,971	230,077	2.3%	-2.6%
Subprime	342,191	341,186	267,251	291,285	284,252	-2.4%	-16.9%
Other	181,180	197,650	158,893	169,995	220,497	29.7%	21.7%
Total	1,109,749	1,193,481	980,517	1,078,663	1,154,826	7.1%	4.1%

***Figure 6.* Mortgages 30-59 Days Delinquent**

Percentage of Mortgages in Each Category



PART II: Home Retention Actions

Home retention actions include loan modifications, in which servicers modify one or more mortgage 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

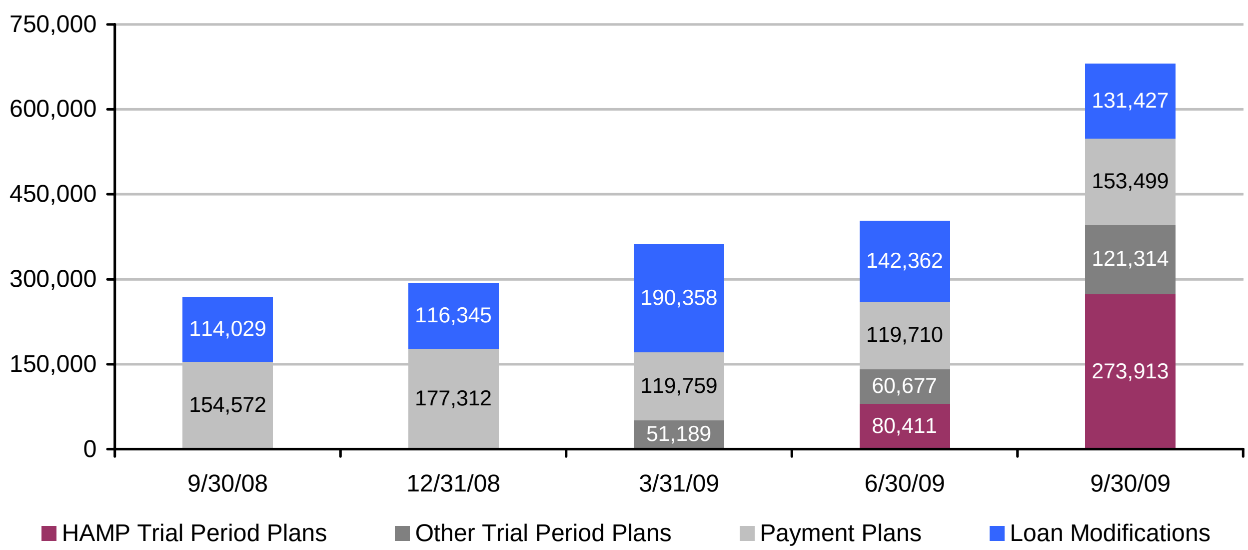
Newly Initiated Home Retention Actions

Home retention actions—loan modifications, trial period plans, and payment plans—increased significantly in the third quarter to more than 680,000 actions, an increase of 68.7 percent over the second quarter. Loan modifications again declined this quarter as servicers emphasized the initiation of HAMP trial period plans, which increased by more than 240 percent to nearly 274,000 total trial plans. In addition to HAMP trial plans, servicers initiated 121,314 trial period plans under proprietary programs to assist homeowners in obtaining permanent loan modifications, almost doubling the total from the prior period.[9] Servicers also initiated 153,499 shorter term payment plans, a 28 percent increase over the prior quarter. In total, home retention actions relative to the number of borrowers seriously delinquent or in process of foreclosure increased to more than 21 percent in the third quarter.

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

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y % Change
Loan Modifications	114,029	116,345	190,358	142,362	131,427	-7.7%	15.3%
HAMP Trial Period Plans	--	--	--	80,411	273,913	240.6%	--
Other Trial Period Plans	--	--	51,189	60,677	121,314	99.9%	--
Payment Plans	154,572	177,312	119,759	119,710	153,499	28.2%	-0.7%
Total	**268,601**	**293,657**	**361,306**	**403,160**	**680,153**	**68.7%**	**153.2%**
Home Retention Actions Relative to Serious Delinquency and Foreclosures In Process	14.61%	12.81%	14.53%	14.44%	21.23%	47.0%	45.3%

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



[9] The number of trial period modifications implemented in the second quarter was restated in this report as servicers conformed reporting to Department of the Treasury guidelines.

HAMP Actions by Investor and Risk Category

HAMP trial period plans increased significantly during the third quarter to nearly 274,000 total actions. Prime mortgages received 50.8 percent of HAMP actions implemented in the third quarter, while subprime mortgages received 20.2 percent of all actions. HAMP trial period plans were 69 percent concentrated in Fannie Mae or Freddie Mac mortgages during the third quarter.

Table 15. **HAMP Actions by Investor and Risk Category**
Trial actions implemented in the third quarter of 2009.

	Fannie Mae	Freddie Mac	Government-Guaranteed	Portfolio	Private	Unknown	Total
Prime	69,759	38,060	12	13,151	17,805	237	139,024
Alt-A	24,873	12,821	20	7,189	11,565	202	56,670
Subprime	16,519	7,084	45	11,611	19,779	412	55,450
Other	12,294	7,654	46	678	2,066	31	22,769
Total	123,445	65,619	123	32,629	51,215	882	273,913

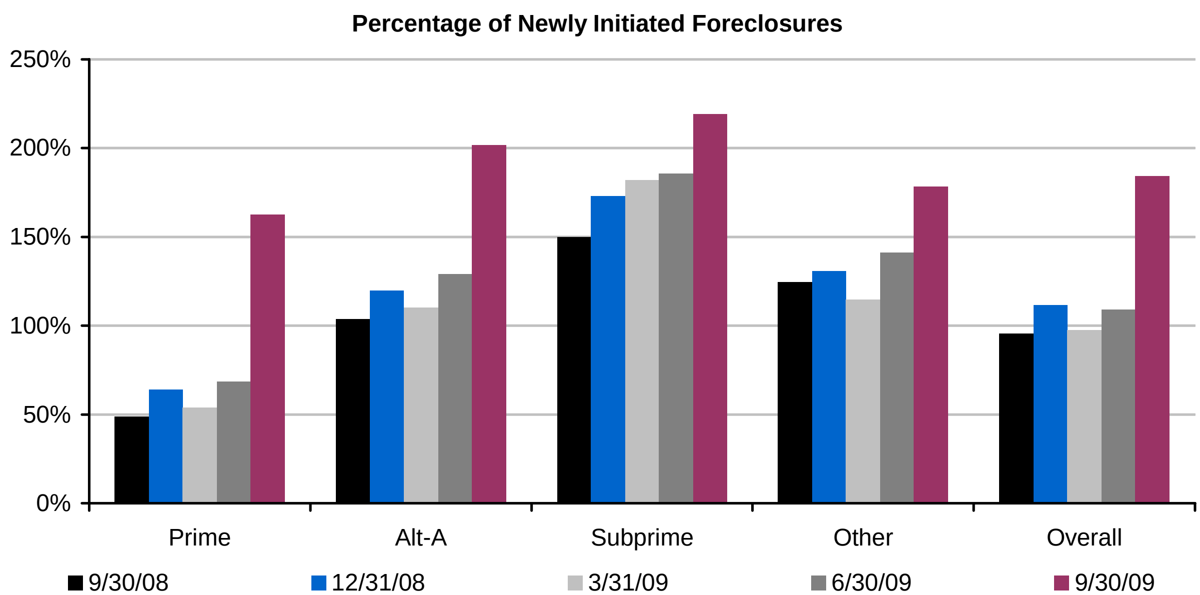
Newly Initiated Home Retention Actions Relative to Newly Initiated Foreclosures

Home retention actions—loan modifications, trial period plans, and payment plans—increased more quickly than new foreclosure actions across all risk categories during the quarter. Subprime mortgages had more than twice as many new home retention actions as new foreclosures. Prime mortgages also received more home retention actions than new foreclosures owing to both an increase in modifications, trial period plans, and payment plans as well as a material decline in new foreclosure actions.

Table 16. **Newly Initiated Home Retention Actions**
(Percentage of Newly Initiated Foreclosures)

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Prime	48.8%	64.2%	53.9%	68.7%	162.7%	136.9%	233.4%
Alt-A	103.6%	119.7%	110.4%	129.1%	201.7%	56.2%	94.7%
Subprime	149.9%	173.0%	182.1%	185.6%	219.4%	18.2%	46.4%
Other	124.6%	130.9%	114.9%	141.3%	178.2%	26.1%	43.0%
Overall	95.5%	111.8%	97.5%	109.2%	184.2%	68.7%	92.9%
Newly Initiated Home Retention Actions	268,601	293,657	361,306	403,160	680,153	68.7%	153.2%
Newly Initiated Foreclosures	281,285	262,691	370,567	369,226	369,209	0.0%	31.3%

Figure 8. **Newly Initiated Home Retention Actions**



Types of Modification Actions

Servicers often use a combination of actions to achieve payment sustainability. Interest rate reductions continue to be the most prevalent action, used in 81.1 percent of all loan modifications implemented in the third quarter of 2009. The percentage of modifications that included capitalization of missed payments and fees decreased to 54.7 percent, while the percentage of modifications that included the extension of the loan maturity was 48.0 percent. Both principal reduction and principal deferral, while used less than other actions, increased in the third quarter. Because 73.6 percent of all modifications during the quarter changed more than one term, the total of the individual actions will exceed 100 percent of total modifications.

The actions or combination of actions have different effects on the borrower's principal and interest payments and may, over time, have different effects on the long-term sustainability of the loan. For instance, principal reductions reduce monthly payments and increase the equity in the home, which may contribute to the borrower's willingness to continue making payments on the loan. Appendix D presents additional detail on combination modifications.

Table 17. Changes in Loan Terms Made by Modifications Made during 2009

	Total Number of Changes in Each Category			Percentage of Modifications		
	3/31/09	6/30/09	9/30/09	3/31/09 (of 190,358)	6/30/09 (of 142,362)	9/30/09 (of 131,427)
Capitalization	131,690	93,677	71,907	69.2%	65.8%	54.7%
Rate Reduction	109,747	101,617	106,633	57.7%	71.4%	81.1%
Rate Freeze	28,773	10,671	3,274	15.1%	7.5%	2.5%
Term Extension	50,882	66,343	63,127	26.7%	46.6%	48.0%
Principal Reduction	5,834	14,195	17,412	3.1%	10.0%	13.2%
Principal Deferral	411	3,496	4,039	0.2%	2.5%	3.1%
Unknown*	12,137	8,326	3,417	6.4%	5.8%	2.6%

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

Types of Modification Actions, by Risk Category

Tables 18 and 19 show the distribution of the types of modification actions by risk category. Because 73.6 percent of the modifications changed more than one term, the number of individual features changed exceeds the number of modified loans in each risk category.

Table 18. **Numbers of Each Type of Modification by Risk Category in Third Quarter 2009**

	Prime	Alt-A	Subprime	Other	Total
Total Mortgages Modified	50,075	28,836	44,486	8,030	131,427
Capitalization	25,311	16,574	24,965	5,057	71,907
Rate Reduction	41,952	23,176	35,546	5,959	106,633
Rate Freeze	1,097	832	1,225	120	3,274
Term Extension	23,834	14,515	20,290	4,488	63,127
Principal Reduction	6,766	4,562	5,625	459	17,412
Principal Deferral	2184	897	499	459	4,039
Unknown	1,469	712	960	276	3,417

Servicers often use a combination of actions to achieve payment sustainability. As a result, there is no single action that can be identified as the one component of a successful modification. Most modifications across all risk categories include an interest rate reduction, while significant numbers include capitalization of past due interest and fees and extension of the loan maturity. An increasing number of modifications across all risk categories include principal reduction or deferral.

Table 19. **Percentages of Each Type of Modification by Risk Category in Third Quarter 2009**

	Prime	Alt-A	Subprime	Other	Overall
Capitalization	50.5%	57.5%	56.1%	63.0%	54.7%
Rate Reduction	83.8%	80.4%	79.9%	74.2%	81.1%
Rate Freeze	2.2%	2.9%	2.8%	1.5%	2.5%
Term Extension	47.6%	50.3%	45.6%	55.9%	48.0%
Principal Reduction	13.5%	15.8%	12.6%	5.7%	13.2%
Principal Deferral	4.4%	3.1%	1.1%	5.7%	3.1%
Unknown	2.9%	2.5%	2.2%	3.4%	2.6%

Types of Modification Actions, by Investor/Product Type

Servicers continued to modify more loans held in their own portfolio then they did for the GSEs, government-guaranteed loans, or for private investors, likely because of their increased flexibility when working with their own loans. Loans serviced for the GSEs accounted for 18.7 percent of all modifications despite making up about 63 percent of the servicing portfolio.

Tables 20 and 21 show the distribution of the types of modification actions by investor and product type. Because modifications may change more than one term, the number of features changed exceeds the number of modified loans for each investor.

Table 20. **Numbers of Each Type of Modification by Investor in Third Quarter 2009**

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Total
Total Mortgages Modified	21,154	3,426	21,608	38,149	47,090	131,427
Capitalization	18,457	2,977	14,480	28,088	7,905	71,907
Rate Reduction	16,253	1,379	19,013	28,818	41,170	106,633
Rate Freeze	35	176	31	645	2,387	3,274
Term Extension	12,746	2,502	12,855	2,806	32,218	63,127
Principal Reduction	80	54	1	18	17,259	17,412
Principal Deferral	92	51	0	2,517	1,379	4,039
Unknown	888	216	451	694	1,168	3,417

The percentage of each type of loan term changed varied significantly by investor. GSE, government-guaranteed, and private investor modifications included capitalization of past-due interest and fees more often than did portfolio modifications. Conversely, government-guaranteed and portfolio loans received more interest rate reductions than the GSEs and private investors. Principal reduction was featured prominently in portfolio loans, while principal deferral was used most often for private investor loans.

Table 21. **Percentages of Each Type of Modification by Investor in Third Quarter 2009**

	Fannie Mae	Freddie Mac	Government-Guaranteed	Private Investor	Portfolio	Overall
Capitalization	87.3%	86.9%	67.0%	73.6%	16.8%	54.7%
Rate Reduction	76.8%	40.3%	88.0%	75.5%	87.4%	81.1%
Rate Freeze	0.2%	5.1%	0.1%	1.7%	5.1%	2.5%
Term Extension	60.3%	73.0%	59.5%	7.4%	68.4%	48.0%
Principal Reduction	0.4%	1.6%	0.0%	0.0%	36.7%	13.2%
Principal Deferral	0.4%	1.5%	0.0%	6.6%	2.9%	3.1%
Unknown	4.2%	6.3%	2.1%	1.8%	2.5%	2.6%

Types of Modifications Actions Taken on Option ARMs

Tables 22 and 23 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. Prime Option ARMs received more than 59 percent of all modifications made to Option ARMs, while constituting 64 percent of all Option ARMs in the servicing portfolio. Conversely, subprime Option ARMs represent 7 percent of the total, but received 20 percent of all modifications to Option ARMs.

Table 22. Numbers of Each Type of Modification in Third Quarter 2009

	Prime	Alt-A	Subprime	Other	Total
Total Mortgages Modified	15,915	5,245	5,297	395	26,852
Capitalization	1,457	411	13	13	1,894
Rate Reduction	14,242	4,534	4,631	337	23,744
Rate Freeze	670	456	553	53	1,732
Term Extension	9,137	4,485	5,249	384	19,255
Principal Reduction	5,621	3,797	4,566	266	14,250
Principal Deferral	4	1	0	1	6
Unknown	286	28	10	1	325

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 about 53 percent of all modifications, a significantly higher percentage than for other asset types.

Table 23. Percentages of Each Type of Modification in Third Quarter 2009

	Prime	Alt-A	Subprime	Other	Overall
Capitalization	9.2%	7.8%	0.2%	3.3%	7.1%
Rate Reduction	89.5%	86.4%	87.4%	85.3%	88.4%
Rate Freeze	4.2%	8.7%	10.4%	13.4%	6.5%
Term Extension	57.4%	85.5%	99.1%	97.2%	71.7%
Principal Reduction	35.3%	72.4%	86.2%	67.3%	53.1%
Principal Deferral	0.0%	0.0%	0.0%	0.3%	0.0%
Unknown	1.8%	0.5%	0.2%	0.3%	1.2%

Changes to Monthly Payments Owing to Modification

The previous sections described 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.

Loan 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 loans. 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 but 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 can carry 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 loans 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 the level required by the original mortgage contracts.

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

Changes to Monthly Payments Owing to Modifications, by Quarter

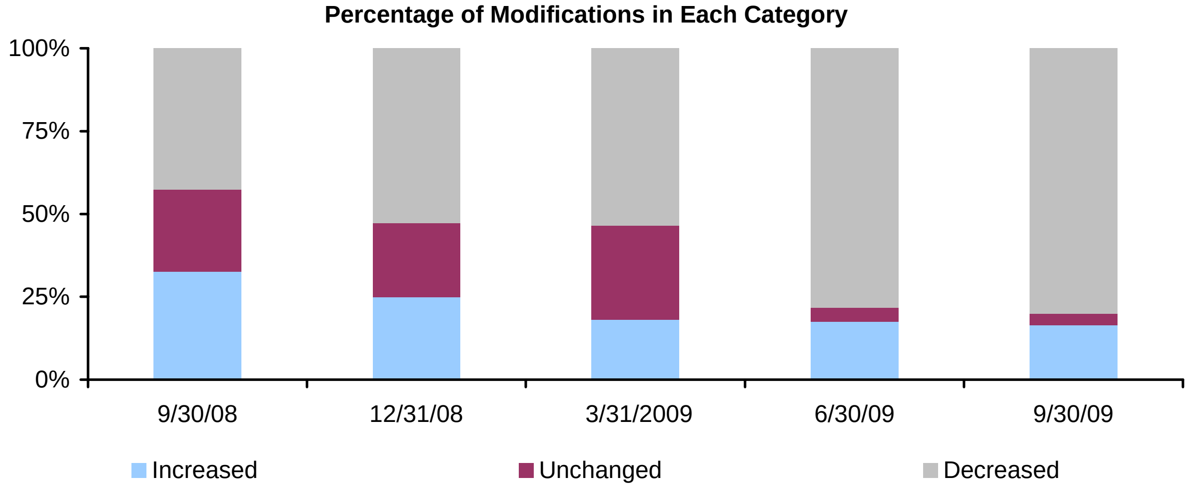
Modifications that lowered monthly principal and interest payments increased to 80.1 percent of all loans modified during the quarter, as servicers continued to focus on sustainable modifications. Modifications that increased monthly payments declined to 16.4 percent of all modifications during the quarter, down 6.2 percent from the previous quarter and 49.8 percent from a year ago.[10] As noted elsewhere in this report, modifications that reduce the borrowers' monthly payment have much lower re-default rates than modifications that increase payments or leave payments unchanged.

Table 24. Change in Monthly Principal and Interest Payments Owing to Modification
(Number of Modifications)

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Decreased by 20% or More	19,334	28,632	53,371	54,860	48,491	-11.6%	150.8%
Decreased by 10% to Less than 20%	13,167	14,338	22,581	27,691	23,992	-13.4%	82.2%
Decreased Less than 10%	13,264	14,939	23,402	28,213	31,924	13.2%	140.7%
Subtotal for Decreased	**45,765**	**57,909**	**99,354**	**110,764**	**104,407**	**-5.7%**	**128.1%**
Unchanged	26,589	24,586	52,815	6,038	4,625	-23.4%	-82.6%
Increased	34,922	27,166	33,584	24,665	21,312	-13.6%	-39.0%
Subtotal for Unchanged and Increased	**61,511**	**51,752**	**86,399**	**30,703**	**25,937**	**-15.5%**	**-57.8%**
Total	107,276	109,661	185,753	141,467	130,344	-7.9%	21.5%
Change in Monthly Principal and Interest Payments Owing to Modification (Percentage of Modifications)							
Decreased by 20% or More	18.0%	26.1%	28.7%	38.8%	37.2%	-4.1%	106.4%
Decreased by 10% to Less than 20%	12.3%	13.1%	12.2%	19.6%	18.4%	-6.0%	50.0%
Decreased Less than 10%	12.4%	13.6%	12.6%	19.9%	24.5%	22.8%	98.1%
Subtotal for Decreased	**42.7%**	**52.8%**	**53.5%**	**78.3%**	**80.1%**	**2.3%**	**87.8%**
Unchanged	24.8%	22.4%	28.4%	4.3%	3.5%	-16.9%	-85.7%
Increased	32.6%	24.8%	18.1%	17.4%	16.4%	-6.2%	-49.8%
Subtotal for Unchanged and Increased	**57.3%**	**47.2%**	**46.5%**	**21.7%**	**19.9%**	**-8.3%**	**-65.3%**
Total	100.0%	100.0%	100.0%	100.0%	100.0%	--	--

[10] 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; 4,605 in the first quarter of 2009; 895 in the second quarter of 2009; and 1,083 in the third quarter of 2009.

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



B. Modified Loan Performance

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

The percentage of loans that were 60 or more days delinquent or in the process of foreclosure subsequent to modification have increased steadily over time. Modifications implemented after the third quarter of 2008 appeared to perform relatively better than older vintages. Modifications made in the second quarter of 2009, which had a greater proportion of modifications that reduced monthly payments, showed the lowest re-default rate three months after modification of any quarterly vintage.

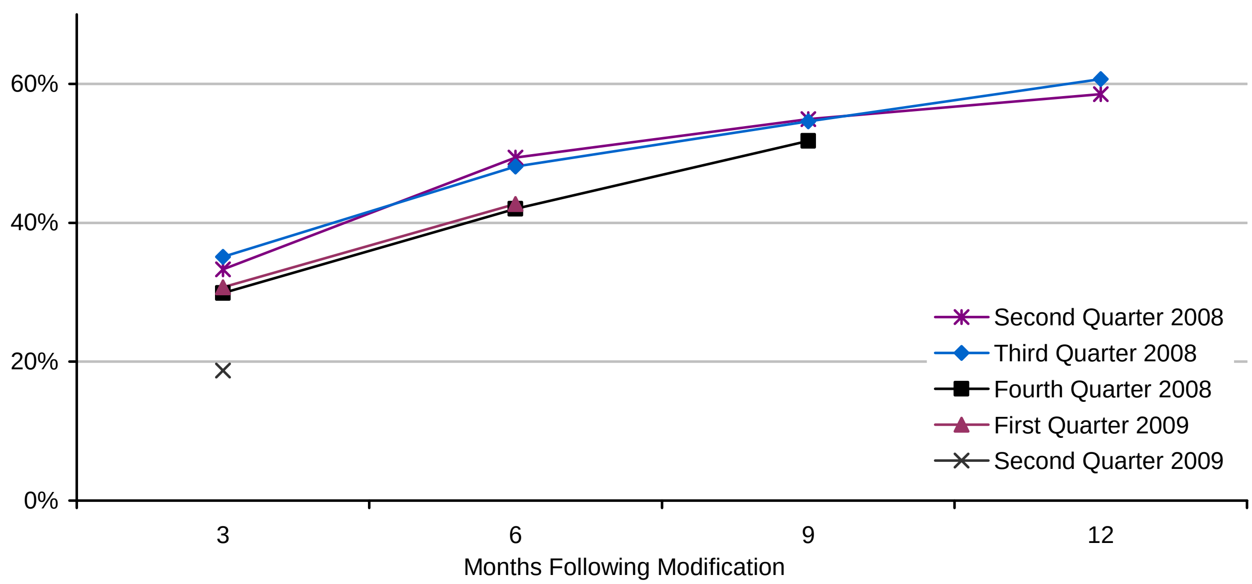
***Table 25.* Modified Loans 60 or More Days Delinquent**
(60+ Re-Default Rate for 2008–2009 Modifications)*

Modification Date	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Second Quarter 2008	33.3%	49.4%	54.9%	58.5%
Third Quarter 2008	35.1%	48.1%	54.6%	60.7%
Fourth Quarter 2008	29.9%	42.0%	51.8%	--
First Quarter 2009	30.7%	42.7%	--	--
Second Quarter 2009	18.7%	--	--	--

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

***Figure 10.* 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

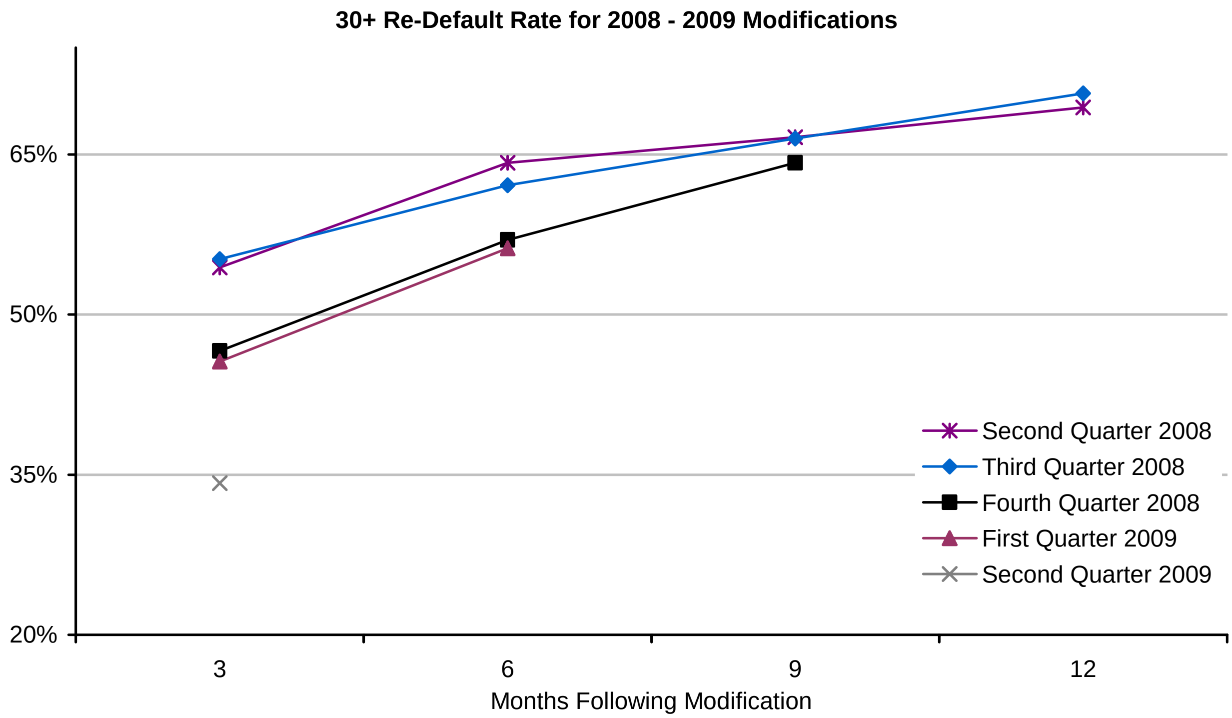
Re-default rates measured as 30 or more days delinquent or in process of foreclosure were naturally higher, and reflected the same trends as when measured as 60 or more days delinquent. Delinquencies exceeding 30 days provide an early indicator of loans that may need additional attention to prevent more serious delinquency or foreclosure.

Table 26. **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
Second Quarter 2008	54.4%	64.2%	66.6%	69.4%
Third Quarter 2008	55.2%	62.1%	66.5%	70.7%
Fourth Quarter 2008	46.6%	57.0%	64.2%	--
First Quarter 2009	45.6%	56.2%	--	--
Second Quarter 2009	34.2%	--	--	--

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

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



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

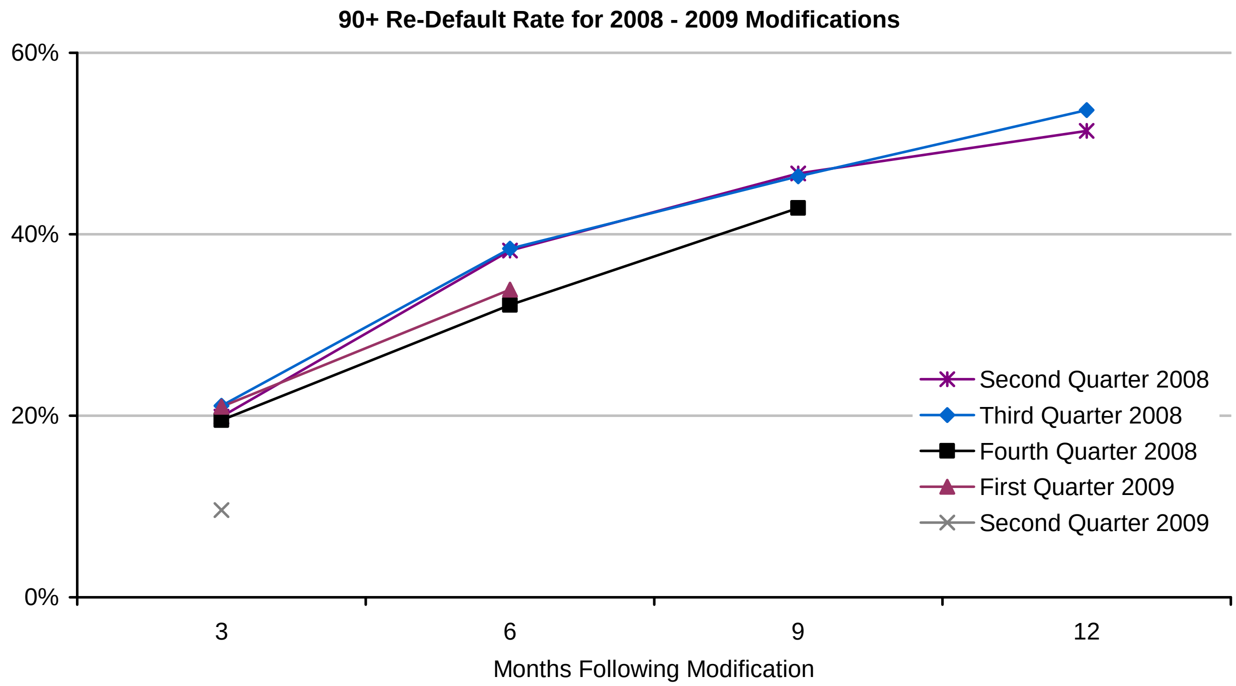
Re-default rates measured at 90 or more days delinquent or in process of foreclosure were naturally lower than other measures, but also reflected a rising trend over time. As with other measures, the more recent quarterly vintages appeared to perform better in the first three to six months after the modification than did earlier vintages. Again, it is too early to determine whether these modifications will perform significantly better than prior vintages over the long term.

***Table 27.* 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
Second Quarter 2008	19.9%	38.2%	46.7%	51.4%
Third Quarter 2008	21.1%	38.4%	46.4%	53.7%
Fourth Quarter 2008	19.5%	32.2%	42.9%	--
First Quarter 2009	21.0%	33.9%	--	--
Second Quarter 2009	9.6%	--	--	--

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

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



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

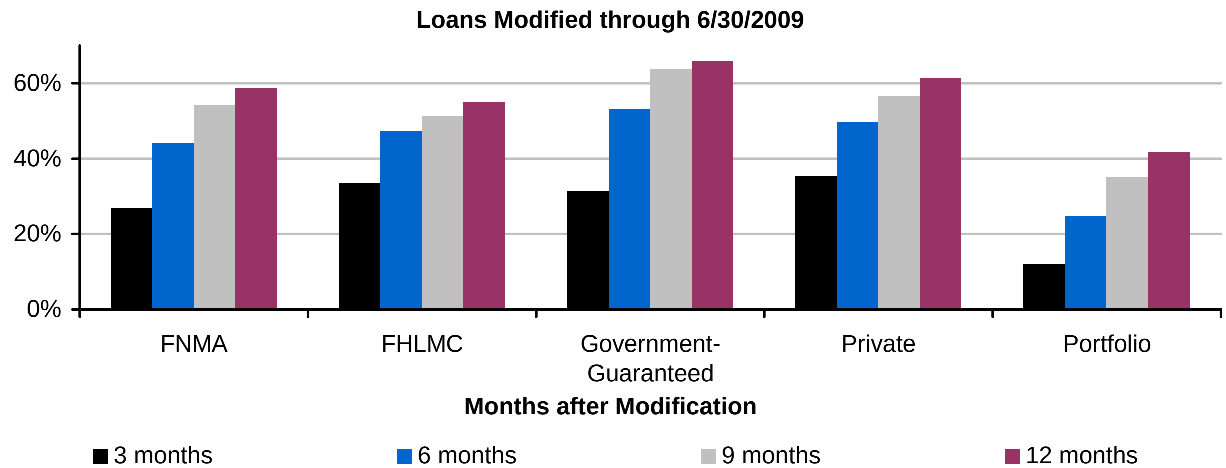
Modifications on loans held in the servicers' own portfolios continued to perform better after modification than loans serviced for others. This difference may reflect differences in modification programs and additional flexibility to modify terms to achieve greater sustainability.

***Table 28.* Re-Default Rates for Portfolio Loans and Loans Serviced for Others**
(60 or More Days Delinquent)*

Investor Loan Type	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
Fannie Mae	27.0%	44.0%	54.1%	58.6%
Freddie Mac	33.4%	47.4%	51.2%	55.1%
Government-Guaranteed	31.4%	53.1%	63.7%	65.9%
Private	35.4%	49.7%	56.5%	61.3%
Portfolio Loans	12.1%	24.9%	35.1%	41.7%

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

***Figure 13.* 60 or More Days Delinquent by Investor after Modification**



Performance of Loan Modifications on Option ARMs

Re-default rates for modified Option ARMs followed a similar pattern to the performance of loan modifications made to the overall servicing portfolio. 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 loans. However, principal reductions and deferrals were used more on Option ARMs than on other product types.

Table 29. **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
Second Quarter	28.4%	47.1%	57.4%	60.6%
Third Quarter	28.6%	43.4%	50.4%	56.9%
Fourth Quarter	20.6%	31.0%	36.9%	--
First Quarter 2009	15.6%	25.3%	--	--
Second Quarter 2009	6.0%	--	--	--

* 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.

Reasons for re-defaulting on a modified loan are similar. 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.

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

Modifications that decreased monthly principal and interest payments consistently showed lower re-default rates. After 12 months, 38.6 percent of modifications that decreased monthly payments by 20 percent or more were seriously delinquent. In contrast, 66.0 percent of modifications that left payments unchanged and 68.7 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 ultimate repayment of the mortgage.

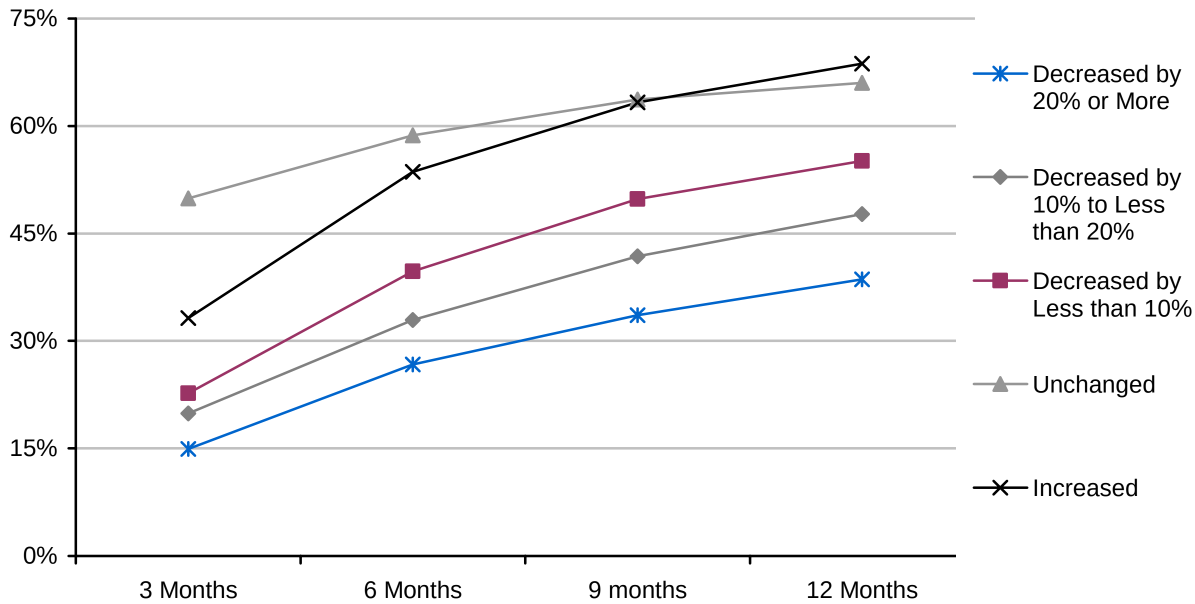
Table 30. **Re-Default Rates of Loans Modified in 2008-2009 by Changes in Payment**
(60 or More Days Delinquent)*

	3 Months after Modification	6 Months after Modification	9 Months after Modification	12 Months after Modification
Decreased by 20% or More	14.9%	26.7%	33.6%	38.6%
Decreased by 10% to Less than 20%	19.9%	32.9%	41.8%	47.7%
Decreased by Less than 10%	22.7%	39.7%	49.8%	55.1%
Unchanged	49.9%	58.7%	63.7%	66.0%
Increased	33.2%	53.6%	63.3%	68.7%

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

Figure 14. **Re-Default Rates of Loans Modified in 2008 by Change in Payment**

60 or More Days Delinquent



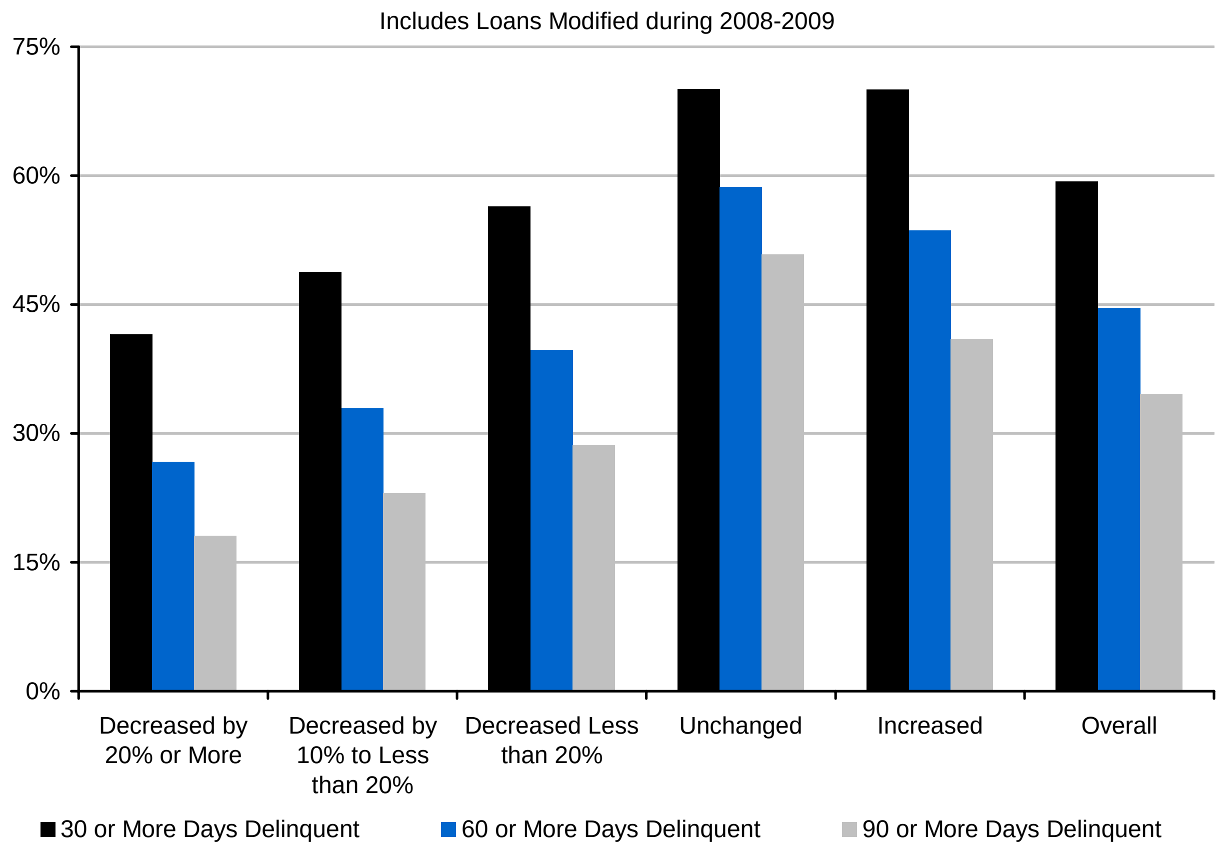
Modified Loans Delinquent after Six Months, by Changes to Monthly Payments: Re-Default Rates Using Varying Definitions

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

Table 31. **Varying Measures of Delinquency at Six 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	41.5%	48.8%	56.4%	70.1%	70.0%	59.3%
60 or more Days Delinquent	26.7%	32.9%	39.7%	58.7%	53.6%	44.6%
90 or More Days Delinquent	18.1%	23.0%	28.6%	50.8%	41.0%	34.6%

Figure 15. **Varying Measures of Delinquency at Six 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

During the third quarter of 2009, home forfeiture actions—foreclosure sales, short sales, and deed-in-lieu-of-foreclosure actions—increased by 13.9 percent from the previous quarter. Completed foreclosures rose to 118,603, up 11.9 percent from the previous quarter, reflecting the continuing increase in serious delinquencies and loans in process of foreclosure. However, completed foreclosures decreased 7.1 percent from the same period a year ago. Short sales increased to 30,766, a 22.4 percent jump from the previous quarter, as servicers increasingly used this strategy for borrowers who did not qualify for a home retention action or who did not want to stay in the home.

While home forfeiture actions increased in the third quarter, banks and thrifts implemented more than 4.5 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 foreclosed homes, servicers implemented nine actions that enabled borrowers to retain their homes and avoid foreclosure.

***Table 32.* Completed Foreclosures and Other Home Forfeiture Actions**

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
New Short Sales	13,549	16,809	18,619	25,128	30,766	22.4%	127.1%
New Deed-in-Lieu-of-Foreclosure Actions	842	1,186	1,298	1,120	1,233	10.1%	46.4%
Completed Foreclosures	127,730	94,928	90,686	105,993	118,603	11.9%	-7.1%
Total	142,121	112,923	110,603	132,241	150,602	13.9%	6.0%
Newly Initiated Home Retention Actions Relative to Completed Foreclosures and Other Home Forfeiture Actions	189.0%	260.1%	326.7%	304.9%	451.6%	48.1%	139.0%

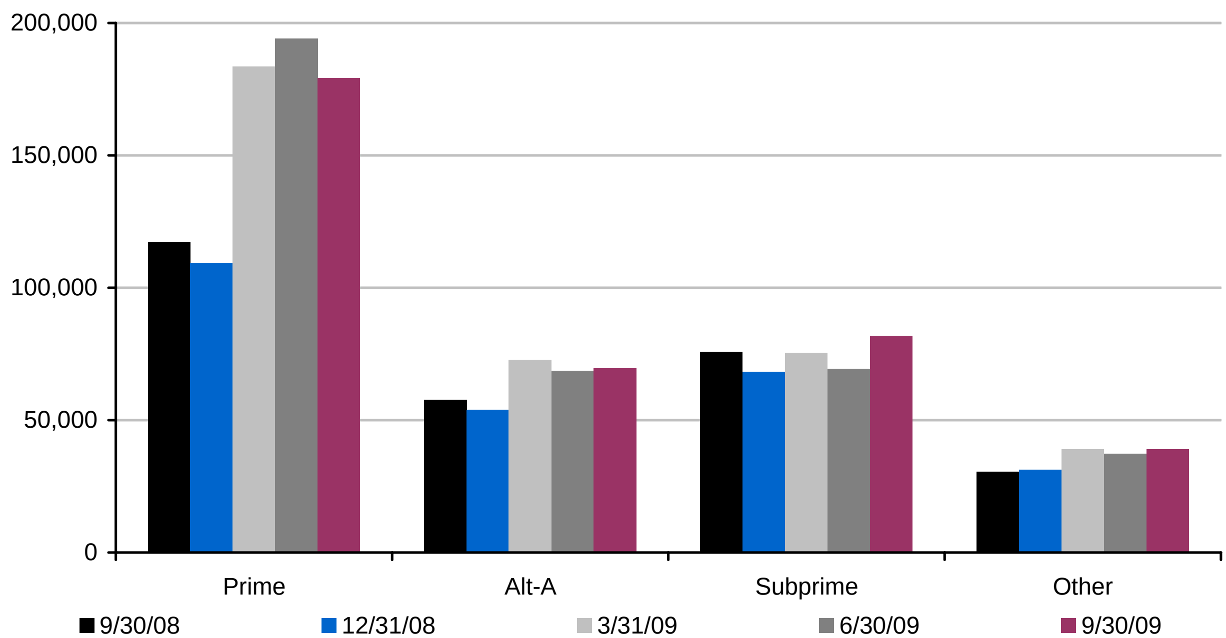
Newly Initiated Foreclosures

The number of newly initiated foreclosures remained steady for the third consecutive quarter as servicers focused on alternate loss mitigation strategies, often preventing the initiation of a foreclosure action. The decrease in new foreclosures on prime mortgages offset increases in foreclosures in other risk categories. Despite new foreclosures remaining constant, the inventory of foreclosures in process continued to grow—reaching 1,091,620 or 3.2 percent of all serviced loans—because the number of new foreclosures continued to exceed the number of loans removed from the foreclosure process through loss mitigation or foreclosure sale.[11]

Table 33. **Number of Newly Initiated Foreclosures**

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Prime	117,276	109,285	183,441	194,071	179,087	-7.7%	52.7%
Alt-A	57,651	53,914	72,702	68,622	69,566	1.4%	20.7%
Subprime	75,789	68,204	75,508	69,383	81,721	17.8%	7.8%
Other	30,569	31,288	38,916	37,150	38,835	4.5%	27.0%
Total	281,285	262,691	370,567	369,226	369,209	0.0%	31.3%

Figure 16. **Number of Newly Initiated Foreclosures**



[11] 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

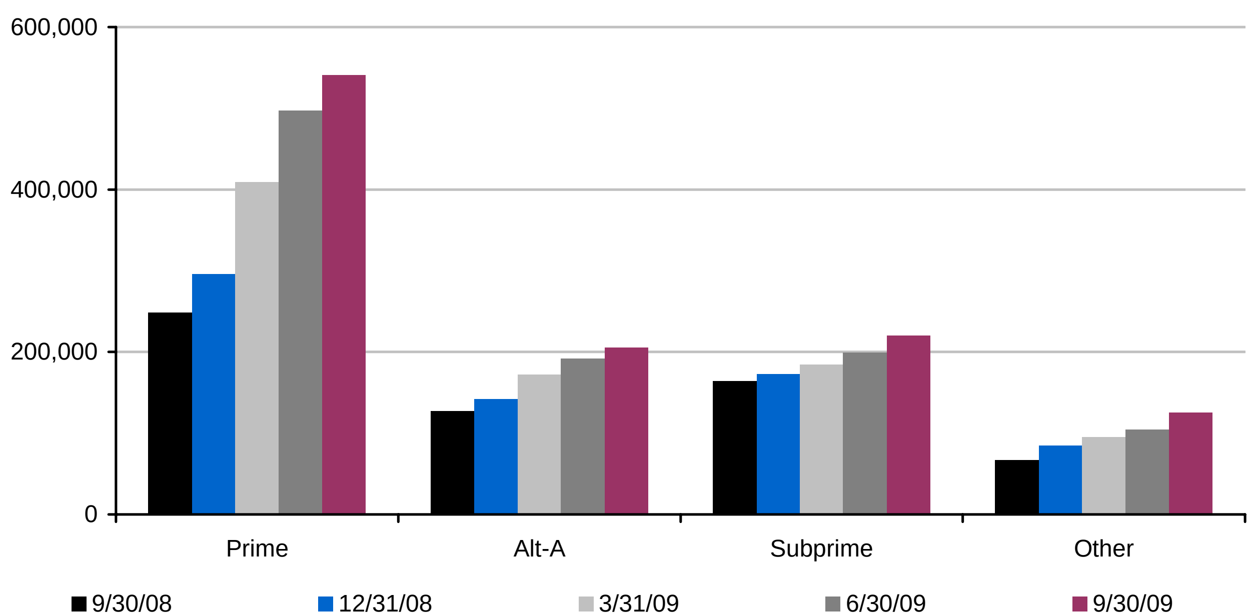
Foreclosures in process rose across all risk categories to 1,091,620 and represented 3.2 percent of all serviced loans. The number of foreclosures in process increased 10.0 percent from the previous quarter and 80.0 percent from a year ago.

The rate of newly initiated foreclosure actions continued to outpace the number of loans removed from the foreclosure process through loss mitigation or foreclosure sale, causing the number of loans in process of foreclosure to increase. Many loans remain in process of foreclosure for longer periods as borrowers and servicers seek other resolutions.

Table 34. **Number of Foreclosures in Process**

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Prime	248,300	295,952	409,313	497,266	540,762	8.7%	117.8%
Alt-A	127,058	141,708	172,268	191,456	205,343	7.3%	61.6%
Subprime	164,400	172,744	184,468	199,432	220,106	10.4%	33.9%
Other	66,746	84,835	94,980	104,400	125,409	20.1%	87.9%
Total	606,504	695,239	861,029	992,554	1,091,620	10.0%	80.0%
Percentages of Foreclosures in Process Relative to Mortgages in that Category							
Prime	1.1%	1.3%	1.8%	2.2%	2.3%	8.1%	116.5%
Alt-A	3.6%	4.0%	4.9%	5.4%	5.8%	7.4%	63.6%
Subprime	5.4%	5.7%	6.4%	7.0%	7.9%	13.3%	47.8%
Other	1.4%	1.7%	2.0%	2.3%	2.7%	16.6%	98.9%
Total	1.8%	2.0%	2.5%	2.9%	3.2%	9.4%	82.4%

Figure 17. **Number of Foreclosures in Process**



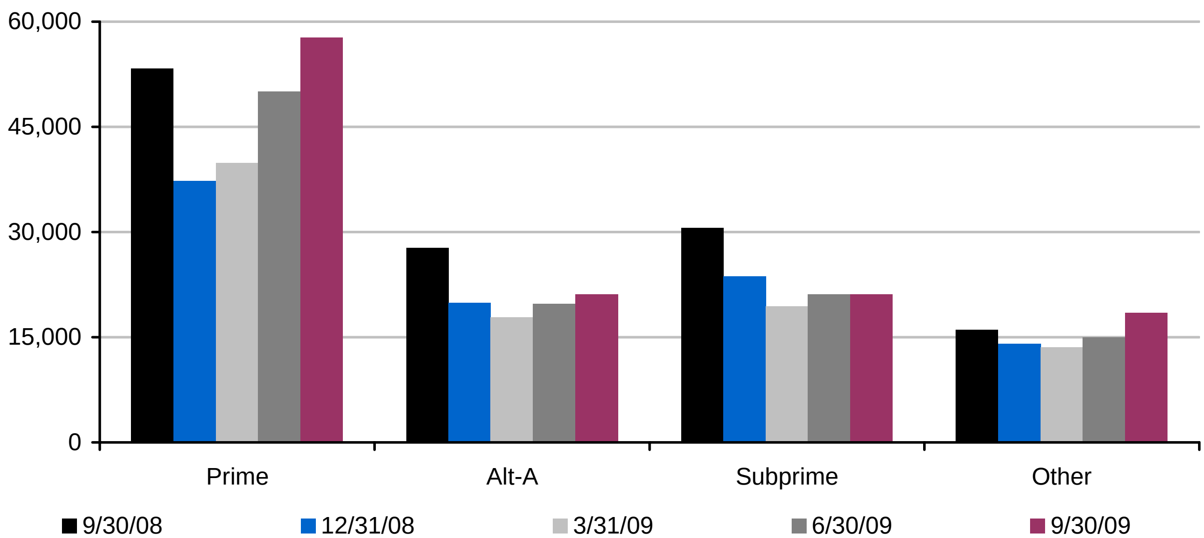
Completed Foreclosures

Completed foreclosures increased by 12,610 from the previous quarter, an increase of 11.9 percent, but decreased 7.1 percent from a year ago. The increase in completed foreclosures across all risk categories reflected the increasing number of serious delinquencies and foreclosures in process. While the number of completed foreclosures on prime mortgages was up by 8.3 percent from a year ago, completed foreclosures on Alt-A mortgages was down 23.6 percent and subprime mortgages down 30.8 percent over that same period. Foreclosures are completed when ownership of the properties is transferred to the servicers or investors and the mortgage debts are extinguished. 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 35.* Number of Completed Foreclosures**

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Prime	53,333	37,310	39,849	50,083	57,737	15.3%	8.3%
Alt-A	27,701	19,860	17,848	19,776	21,175	7.1%	-23.6%
Subprime	30,602	23,718	19,409	21,128	21,162	0.2%	-30.8%
Other	16,094	14,040	13,580	15,006	18,529	23.5%	15.1%
Total	127,730	94,928	90,686	105,993	118,603	11.9%	-7.1%
Percentages of Completed Foreclosures Relative to Mortgages in that Category							
Prime	0.2%	0.2%	0.2%	0.2%	0.3%	14.6%	7.6%
Alt-A	0.8%	0.6%	0.5%	0.6%	0.6%	7.2%	-22.6%
Subprime	1.0%	0.8%	0.7%	0.7%	0.8%	2.8%	-23.6%
Other	0.3%	0.3%	0.3%	0.3%	0.4%	19.9%	21.8%
Total	0.4%	0.3%	0.3%	0.3%	0.3%	11.3%	-5.9%

***Figure 18.* Number of Completed Foreclosures**



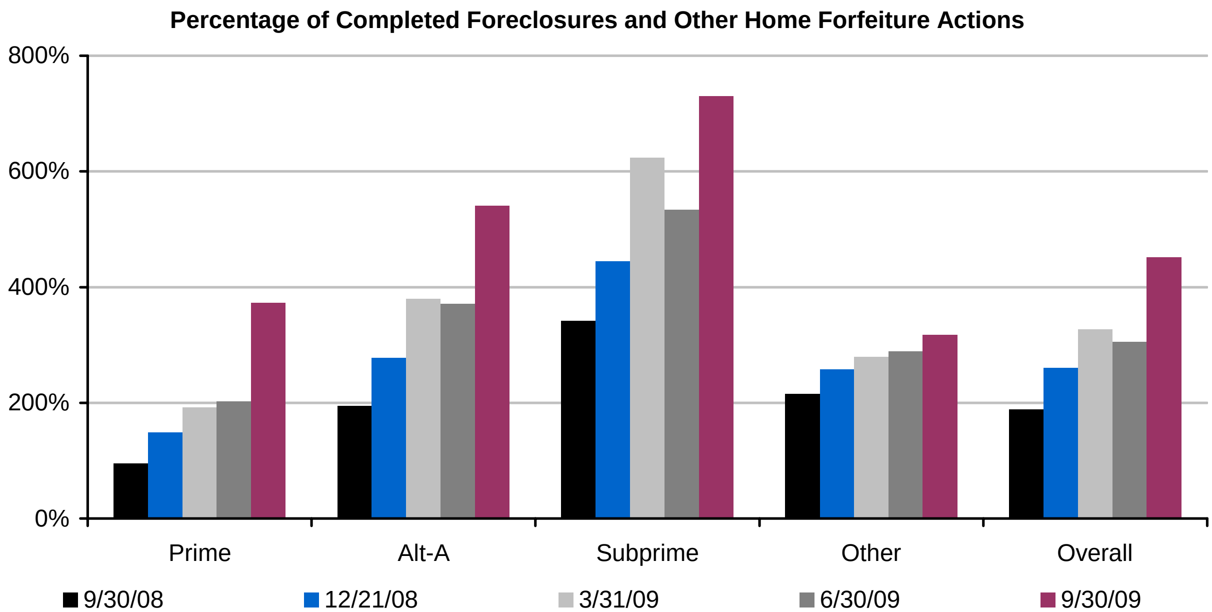
Home Retention Actions Relative to Forfeiture Actions, by Risk Category

During the third quarter, servicers implemented more than 4.5 times as many home retention actions as completed home forfeiture actions, with the relative percentage increasing for all risk categories. For subprime loans, newly initiated home retention actions were 7.3 times the number of completed foreclosures and other home forfeiture actions.

Table 36. **Newly Initiated Home Retention Actions**
(Percentage of Completed Foreclosures and Other Home Forfeiture Actions)

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Prime	94.5%	148.6%	192.3%	201.8%	372.4%	84.5%	294.0%
Alt-A	195.0%	277.6%	379.9%	371.2%	540.2%	45.5%	177.0%
Subprime	341.6%	444.7%	623.3%	532.9%	730.0%	37.0%	113.7%
Other	215.1%	257.3%	279.2%	288.8%	317.1%	9.8%	47.4%
Overall	189.0%	260.1%	326.7%	304.9%	451.6%	48.1%	139.0%

Figure 19. **Newly Initiated Home Retention Actions**



Appendixes

Appendix A—New Loan Modifications

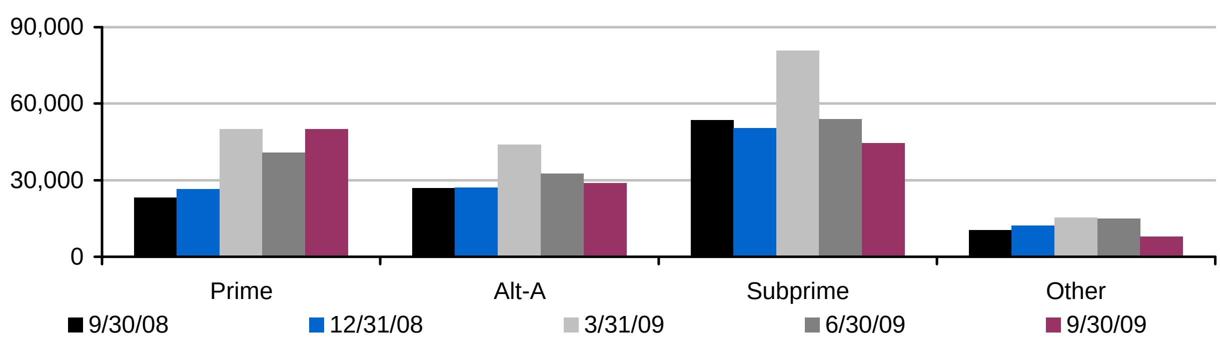
New loan modifications dropped by 7.7 percent to 131,427 during the third quarter of 2009, as servicers continued to focus on initiating trial period plans under HAMP and other proprietary programs. As a result, the number of modifications relative to the number of borrowers either seriously delinquent or in process of foreclosure also declined during the quarter.

Modifications decreased across all risk categories, except prime loans. Subprime loans received nearly 34 percent of all new modifications in the quarter, despite representing only 8 percent of all loans in the servicing portfolio. Prime loans constituted about 38 percent of all new modifications in the quarter, but 68 percent of all loans in the servicing portfolio.

Table 37. **Number of New Loan Modifications**

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Prime	23,158	26,490	50,071	40,855	50,075	22.6%	116.2%
Alt-A	26,951	27,245	44,056	32,650	28,836	-11.7%	7.0%
Subprime	53,569	50,434	80,804	53,884	44,486	-17.4%	-17.0%
Other	10,351	12,176	15,427	14,973	8,030	-46.4%	-22.4%
Total	114,029	116,345	190,358	142,362	131,427	-7.7%	15.3%
Percentages of New Loan Modifications Relative to Serious Delinquencies and Foreclosures in Process							
Prime	3.66%	3.12%	4.82%	3.42%	3.63%	6.1%	-0.6%
Alt-A	7.08%	5.83%	8.86%	5.90%	4.59%	-22.1%	-35.1%
Subprime	9.22%	7.52%	12.63%	7.63%	5.71%	-25.1%	-38.0%
Other	4.26%	3.99%	4.96%	4.43%	1.92%	-56.7%	-54.9%
Total	6.20%	5.08%	7.66%	5.10%	4.10%	-19.6%	-33.9%

Figure 20. **Number of New Loan Modifications**



Appendix B—New Loan Modifications and Trial Period Plans

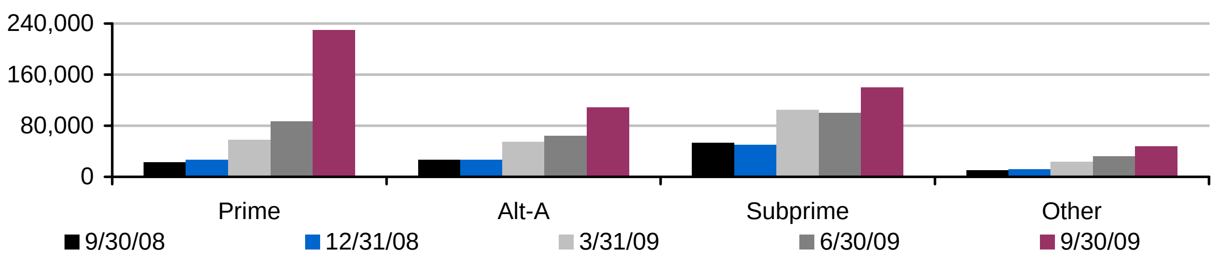
The data in Table 38 show a dramatic increase in the number of new loan modifications and trial period plans initiated under both HAMP as well as other proprietary programs. These actions increased by 85.8 percent from the previous quarter. Subprime loans received 26.6 percent of new modifications and trial period plans in the quarter, despite representing 8 percent of all loans in the servicing portfolio. Prime loans constituted 43.7 percent of these new actions in the quarter, but 68 percent of all loans in the servicing portfolio.

The number of borrowers receiving loan modifications or beginning trial period plans significantly increased during the reporting period relative to the number of borrowers who were either seriously delinquent or in process of foreclosure at the end of the quarter. For every six people who were seriously delinquent or in foreclosure on their mortgage at quarter end, roughly one person received a loan modification or trial period plan.[12] The percentage of new loan modifications and trial period plans during third quarter relative to the number of serious delinquencies increased by 61.9 percent from the second quarter of 2009.

Table 38. Number of Loan Modifications and Trial Period Plans

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Prime	23,158	26,490	58,231	86,653	230,187	165.6%	894.0%
Alt-A	26,951	27,245	55,074	64,216	109,247	70.1%	305.4%
Subprime	53,569	50,434	104,667	100,221	139,862	39.6%	161.1%
Other	10,351	12,176	23,575	32,360	47,358	46.3%	357.5%
Total	114,029	116,345	241,547	283,450	526,654	85.8%	361.9%
Percentages of New Loan Modifications and Trial Period Plans Relative to Serious Delinquencies and Foreclosures in Process							
Prime	3.66%	3.12%	5.61%	7.26%	16.69%	130.0%	356.7%
Alt-A	7.08%	5.83%	11.08%	11.61%	17.41%	50.0%	145.8%
Subprime	9.22%	7.52%	16.37%	14.19%	17.96%	26.6%	94.9%
Other	4.26%	3.99%	7.58%	9.58%	11.32%	18.2%	165.7%
Total	6.20%	5.08%	9.72%	10.16%	16.44%	61.9%	165.1%

***Figure 21.* New Loan Modifications and Trial Period Plans**



[12] Borrowers receiving home retention actions during a reporting period are not necessarily the borrowers who are 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 are seriously delinquent or in process of foreclosure at the end of the current reporting period may be offered home retention actions later.

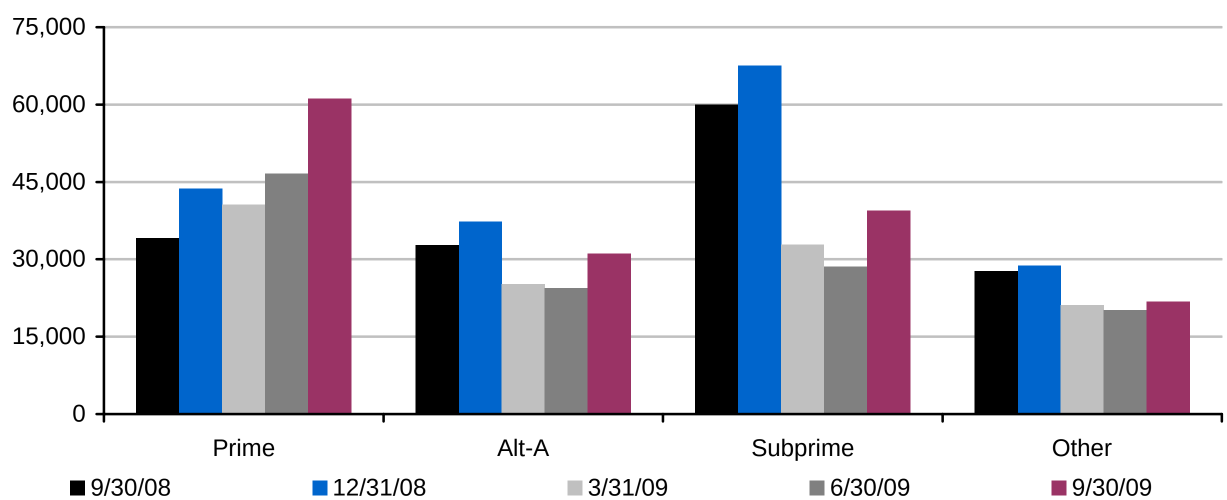
Appendix C—New Payment Plans

New payment plans totaled 153,499 in the third quarter of 2009, a 28.2 percent increase from the prior quarter. New payment plans increased across all risk categories in the third quarter, most significantly among subprime mortgages. The number of new payment plans relative to the number of borrowers seriously delinquent or in process of foreclosure also increased during third quarter, with the largest increase to subprime borrowers.

Table 39. **Number of New Payment Plans**

	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	1Q %Change	1Y %Change
Prime	34,054	43,708	40,629	46,583	61,125	31.2%	79.5%
Alt-A	32,772	37,271	25,210	24,407	31,088	27.4%	-5.1%
Subprime	60,002	67,557	32,798	28,583	39,434	38.0%	-34.3%
Other	27,744	28,776	21,122	20,137	21,852	8.5%	-21.2%
Total	154,572	177,312	119,759	119,710	153,499	28.2%	-0.7%
Percentages of New Payment Plans Relative to Serious Delinquencies and Foreclosures in Process							
Prime	5.38%	5.15%	3.91%	3.90%	4.43%	13.6%	-17.5%
Alt-A	8.61%	7.98%	5.07%	4.41%	4.95%	12.3%	-42.5%
Subprime	10.32%	10.07%	5.13%	4.05%	5.07%	25.1%	-50.9%
Other	11.42%	9.43%	6.79%	5.96%	5.23%	-12.4%	-54.3%
Total	8.41%	7.73%	4.82%	4.29%	4.79%	11.7%	-43.0%

Figure 22. **Number of New Payment Plans**



Appendix D—Breakdown of Individual and Combination Modification Actions

Servicers often used a combination of actions to achieve payment sustainability. These combination modifications accounted for 73.6 percent of all modifications implemented during the third quarter.

Table 40. Changes in Loan Terms Made by Modifications Made during 2009

	Total Number of Changes in Each Category			Percentage of Modifications		
	3/31/09	6/30/09	9/30/09	3/31/09 (of 190,358)	6/30/09 (of 142,362)	9/30/09 (of 131,427)
Combination Modifications*	121,981	107,720	96,737	64.1%	75.7%	73.6%
Capitalization	28,124	15,714	10,186	14.8%	11.0%	7.8%
Rate Reduction	17,470	5,952	17,481	9.2%	4.2%	13.3%
Rate Freeze	10,106	3,797	378	5.3%	2.7%	0.3%
Term Extension	495	528	3,193	0.3%	0.4%	2.4%
Principal Reduction	4	2	3	0.0%	0.0%	0.0%
Principal Deferral	41	323	32	0.0%	0.2%	0.0%
Unknown**	12,137	8,326	3,417	6.4%	5.8%	2.6%
Total Modifications	190,358	142,362	131,427	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 capitalization of missed fees and payments accompanied by interest rate reductions and extension of the loan maturity. While less prevalent, an increasing number of combination modifications also include principal reduction or deferral.

Table 41. Changes in Loan Terms Included in Combination Modifications Made during 2009

	Total Number of Changes in Each Category			Percentage of Modifications		
	3/31/09	6/30/09	9/30/09	3/31/09 (of 190,358)	6/30/09 (of 142,362)	9/30/09 (of 131,427)
Capitalization	103,566	77,963	61,721	84.9%	72.4%	63.8%
Rate Reduction	92,277	95,665	89,152	75.6%	88.8%	92.2%
Rate Freeze	18,667	6,874	2,896	15.3%	6.4%	3.0%
Term Extension	50,387	65,815	59,934	41.3%	61.1%	62.0%
Principal Reduction	5,830	14,193	17,409	4.8%	13.2%	18.0%
Principal Deferral	370	3,173	4,007	0.3%	2.9%	4.1%
Unknown**	12,137	8,326	3,417	9.9%	7.7%	3.5%

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

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