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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

First Quarter 2009

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Executive Summary

This *OCC and OTS Mortgage Metrics Report* for the first quarter of 2009 provides performance data on first lien residential mortgages serviced by national banks and federally regulated thrifts. The report provides a comprehensive picture of mortgage servicing activities of most of the industry's largest mortgage servicers, covering approximately 64 percent of all mortgages outstanding in the United States and incorporating information on all types of mortgages serviced, including subprime mortgages. The report covers more than 34 million loans totaling more than \$6 trillion in principal balances and provides information on their performance from the beginning of 2008 through the end of the first quarter of 2009.

Negative trends continued for mortgage data for the first quarter of 2009, but with some hopeful signs on the modification front. Continued economic pressures, including rising levels of unemployment and a continuing decline in property values, resulted in an increased number of seriously delinquent mortgages and newly initiated foreclosure actions. The first quarter data also showed a relatively greater increase in seriously delinquent prime mortgages compared with other risk categories and a higher number of foreclosures in process across all risk categories as a variety of moratoria on foreclosures expired during the first quarter of 2009.

Early stage delinquencies declined and the overall delinquency rate for the mortgage portfolio did not materially change, but these seemingly positive developments are at least partially explained by seasonal effects and may not represent reliable trends. An unambiguously positive development was a significant increase in the number of modifications made by servicers. In addition to the increase in overall numbers of modifications, servicers implemented a higher percentage of modifications that reduced monthly payments than in previous quarters. Modifications with lower payments continued to show fewer delinquencies each month following modification than those that left payments unchanged or increased payments. The net result was that an overall worsening of conditions was met with a strong response in the form of increased modifications.

The impact of this increase in modifications, particularly those with reduced monthly payments, will only be seen in future data. Likewise, the number of modifications recorded in this report does not reflect actions taken under the Administration's "Making Home Affordable" program, which was announced in March and began to be implemented after this reporting period. The same is true of initiatives to enhance the Federal Housing Administration's (FHA) "Hope for Homeowners" program. Nor do these numbers reflect the OCC's and OTS's direction to servicers to review the modifications they had previously undertaken to ensure they are affordable and sustainable.

Mortgage Performance

- About 90 percent of all mortgages in the portfolio were current and performing at the end of the first quarter of 2009, about the same percentage as the previous quarter. Despite that steady performance overall, serious delinquencies—loans 60 or more days past due and loans to delinquent bankrupt borrowers—increased by nearly 9 percent from the previous quarter to 5 percent of all mortgages in the portfolio at the end of the quarter. This increase in seriously delinquent mortgages was offset by a decline in early stage delinquencies—loans that were 30 to 59 days past due. However, the decline in early stage delinquencies during first quarter of 2009 is at least partially explained by seasonal effects typically seen in first quarter mortgage data and may not represent a sustainable trend, while rising serious delinquencies are a leading indicator of increased foreclosure actions in the future.
- Prime loans, which represented two-thirds of all mortgages in the portfolio, experienced the highest percentage increase in serious delinquencies, which climbed by more than 20 percent from the prior quarter to 2.9 percent of all prime mortgages. Subprime serious delinquencies increased by 1.5 percent from the previous quarter, to 16.7 percent of subprime mortgages. A number of factors contributed to the increase in seriously delinquent prime loans, including rising levels of unemployment, a continuing decline in property values, and high debt levels.

- Foreclosures in process rose to 844,389 and represented 2.5 percent of all serviced loans, as a variety of moratoria on foreclosures expired during the first quarter of 2009 and the recession continued to exert pressure on borrowers. The increase in the number of foreclosures in process represented a 21.8 percent jump from the previous quarter and 72.6 percent rise from the first quarter of 2008.

Home Retention Actions: Loan Modifications and Payment Plans

- Increased emphasis on loan modifications drove an overall increase in home retention actions, as shown in the table below. Newly initiated loan modifications reached 185,156 during the quarter—rising by 55.3 percent from the previous quarter and 172.3 percent from the first quarter of 2008. The impact of this increase in modifications on reducing foreclosures and enabling borrowers to remain current on their loans will only be seen in future data. Likewise, modification data through the first quarter do not reflect the impact of the Administration’s “Making Home Affordable” program, which was announced in March and began to be implemented after this reporting period.

Number of Home Retention Actions New Loan Modifications and Payment Plans							
	3/31/2008 ¹	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Loan Modifications	68,001	127,940	114,142	119,220	185,156	55.3%	172.3%
Payment Plans	134,624	126,114	154,649	177,314	152,036	-14.3%	12.9%
Total	202,625	254,054	268,791	296,534	337,192	13.7%	66.4%

- Modifications during the first quarter of 2009 resulted in lower monthly principal and interest payments on 54.1 percent of all modified loans, as servicers focused on achieving more sustainable mortgage payments. The percentage of modifications that reduced payments by 20 percent or more increased to 29.3 percent of all modifications made in the first quarter of 2009, up 19.2 percent from the previous quarter. Modifications that increased monthly payments declined to 18.5 percent of all modifications during the quarter, down from 25 percent in the fourth quarter and 33.5 percent in the third quarter. Actions that left payments unchanged increased slightly to 27.3 percent.²
- New to this report are data on the types of actions taken to modify loans. Nearly two-thirds of modifications were “combination modifications” that involved two or more changes to the terms of the loan. Capitalization of delinquent interest, fees, and advances, combined with interest rate reductions and extended maturities were the predominant combination of modifications made during the first quarter. Interest rate and payment freezes, principal reductions, and principal deferrals were less prevalent. Of the 185,156 mortgages that were modified in the first quarter of 2009, 70.2 percent included a capitalization of missed payments and fees, 63.2 percent reduced the interest rate, and 25.1 included an extended term. By comparison, 12.6 percent of the mortgages received modifications that froze the interest rate, 1.8 percent included a reduction of principal, and 1.1 percent included a deferral of principal.³

¹ Tables throughout this report indicate the quarter using the last day of that quarter (i.e., 3/31/2009 represents the first quarter of 2009). Changes from quarter to quarter are shown under the “1Q %Change” column, and changes from year to year are shown under the “1Y %Change” column.

² As described in the fourth quarter 2008 report, modifications that increase or leave principal and interest payments unchanged may be appropriate in certain circumstances. An extended discussion of when servicers appropriately use these modification strategies occurs on page 25.

³ These percentages total more than 100 percent because nearly two-thirds of the modifications were “combination modifications” that involved two or more changes to the terms of the loan.

- Home retention actions—loan modifications and payment plans—generally increased at a faster pace than new foreclosures during the first quarter. Subprime mortgages had more than twice as many new home retention actions as new foreclosures during the quarter. By contrast, prime mortgages had more new foreclosures than home retention actions during the quarter. Servicers report that in many cases, prime borrowers had income levels that declined too much or incurred too much debt to qualify for effective loan modification.

Modified Loan Performance

- Also new to the report are data on the longer term sustainability of modifications by vintage, comparing the performance of modifications implemented quarter by quarter during 2008 and in the first quarter of 2009 to date. The table below shows that older vintage modifications have higher delinquency and foreclosure rates, at least partially reflecting the normal increase in defaults over time. Obtaining additional performance data on more recent vintages in future reports will be especially important in assessing the changes made to loan modification programs since the beginning of 2008.

Status of Loans Modifications as of March 31, 2009 (Percentage of Modifications Made in Each Quarter)					
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009
Current and Performing	29.5%	31.6%	35.5%	48.2%	64.0%
30-59 days Delinquent	9.4%	9.7%	11.3%	14.3%	10.3%
60 or More Days Delinquent	33.0%	37.6%	37.0%	27.1%	21.7%
In Process of Foreclosure	12.6%	11.7%	9.4%	5.4%	2.4%
Completed Foreclosure	4.2%	1.8%	0.5%	0.2%	0.1%
Short Sale or Deed-in-Lieu of Foreclosure	0.1%	0.1%	0.1%	0.03%	0.01%
Paid in Full	2.5%	1.6%	1.0%	0.4%	0.1%
Other Liquidation ⁴	8.9%	6.0%	5.7%	4.5%	1.3%

⁴ Other liquidations include loans sold, transferred, or otherwise removed from the servicing portfolios of reporting institutions that are not included in other categories.

- As shown below, the percentage of loans that were 60 or more days delinquent or in the process of foreclosure rose steadily in the months subsequent to modification for all vintages where data were available. It is noteworthy that modifications implemented in the first quarters of 2008 re-defaulted at a lower rate than those in the third quarter, measured at the same number of months after modification. Those modifications implemented in the fourth quarter of 2008 have re-defaulted at a slightly lower rate than the preceding quarter. It is too early to determine whether this early data from modifications made in the fourth quarter of 2008 portends a sustained improvement in the performance of recent modifications.

Modified Loans 60 or More Days Delinquent (60+ Re-Default Rate for 2008 Modifications)				
Modification Date	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification⁵
First Quarter	23.2%	36.7%	45.7%	52.1%
Second Quarter	28.2%	44.0%	49.8%	--
Third Quarter	31.8%	46.1%	--	--
Fourth Quarter	29.1%	--	--	--

- As noted in prior reports, modifications on loans held in the servicers' own portfolios continued to perform better than loans serviced for Fannie Mae, Freddie Mac, Ginnie Mae, or private investors. This difference in re-default rates may be attributable to servicers having greater flexibility to modify terms on loans held in their portfolios to achieve greater affordability and sustainability. These data do not reflect modifications made under the "Making Home Affordable" program, which began to be implemented after the end of this reporting period.

Re-Default Rates for Portfolio Loans and Loans Serviced for Others (60 or More Days Delinquent)				
	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
Fannie Mae	29.4%	43.4%	50.1%	52.5%
Freddie Mac	23.0%	43.9%	47.1%	49.9%
Ginnie Mae	5.2%	31.6%	40.9%	41.9%
Private	33.3%	46.8%	52.7%	58.1%
Portfolio Loans	21.0%	34.6%	37.0%	39.7%

Modified Loan Performance, by Change in Monthly Payments

- Modified loan performance included in this report provides additional support for the premise that lower payments produce more sustainable modifications, repeating the finding in the fourth quarter report. While delinquencies increased over time for all categories, delinquencies where payments were reduced by 20 percent or more were well below levels in the categories where modifications left payments unchanged or increased, across all vintages. For servicers and investors, determining the

⁵ Re-default rates will be different from the March 31, 2009, loan status data reported in the previous table. The re-default data include only those modified loans that are still active at the end of the indicated number of months after the modification. The status table reflects the current status of all loans modified during the quarter, including those that are no longer active (repaid, foreclosed, or otherwise removed from the servicing system). In addition, there are various servicing system processing differences that may have a lesser effect on the reported data.

optimal type of modification often requires weighing a combination of loan terms that reduce monthly principal and interest payments against the potential for longer term sustainability of the payments. The table below shows re-default rates at three-month increments following modification for each of the different amounts of change in payments resulting from modification.

Re-Default Rates of Loans Modified in 2008 by Changes in Payment (60 or More Days Delinquent) ⁶				
	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
Decreased by 20% or More	14.7%	24.3%	27.7%	37.6%
Decreased by 10% to Less than 20%	17.3%	28.8%	35.2%	42.1%
Decreased by Less than 10%	19.9%	36.1%	43.0%	47.4%
Unchanged	43.7%	54.4%	55.3%	58.8%
Increased	30.8%	50.0%	57.7%	56.2%

Foreclosures and Other Home Forfeiture Actions

- The lifting of foreclosure moratoria during the quarter, continued economic weakness, and the migration of an increasing number of serious delinquencies into foreclosure resulted in a 10.8 percent increase, to 290,920, in newly initiated foreclosures. The number of newly initiated foreclosures dropped among subprime mortgages but increased for prime and Alt-A loans. Prime mortgages experienced the most significant increase, rising by 21.5 percent from the previous quarter, reflecting the increasing pressure on this largest group.⁷
- Completed foreclosures fell by 10,698 from the prior quarter, a decrease of nearly 12 percent, as shown below. This was the result of national, state, local, and servicer-imposed moratoria in effect for much of the first quarter of 2009 and the increasing number of new modifications being offered. New short sales increased and deed-in-lieu-of-foreclosure actions decreased during the quarter, both remaining a small percentage of total loss mitigation actions.

Foreclosures, Short Sales, and Deeds-in-Lieu of Foreclosure							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1YQ %Change	1Y %Change
Newly Initiated Foreclosures	280,161	288,689	281,285	262,691	290,920	10.8%	3.8%
Foreclosures in Process	489,119	553,155	614,463	693,423	844,389	21.8%	72.6%
Completed Foreclosures	76,548	117,337	126,266	89,634	78,936	-11.9%	3.1%
New Short Sales	5,523	9,072	13,051	14,546	17,036	17.1%	208.5%
Deeds-in-Lieu-of Foreclosures	1,065	842	836	2,147	1,158	-46.1%	8.7%

⁶ Insufficient time has passed to measure loans originated in the third and fourth quarter at nine months or to measure loans originated in the fourth quarter after six months. Data include loans for those quarters only when they have had sufficient time to age the indicated number of months.

⁷ 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.

- Servicers continued to implement more home retention actions than newly initiated home forfeiture actions, as shown in the table below. Loan modifications and payment plans exceeded the number of completed foreclosures and other home forfeiture actions by almost three-and-a-half times during the first quarter.

Newly Initiated Home Retention Actions, Newly Initiated Foreclosures, and Completed Foreclosures and Other Home Forfeiture Actions							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Newly Initiated Home Retention Actions	202,625	254,054	268,791	296,534	337,192	13.7%	66.4%
Newly Initiated Foreclosures	280,161	288,689	281,285	262,691	290,920	10.8%	3.8%
Completed Foreclosures and Other Home Forfeiture Actions	83,136	127,251	140,153	106,327	97,130	-8.7%	16.8%

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 four thrifts⁸ that have the largest mortgage servicing portfolios among all national banks and thrifts. As a result of mergers and acquisitions, these 13 depository institutions are now owned by nine holding companies.⁹ The data represent 64 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 March 2009, the reporting institutions serviced more than 34 million first lien mortgage loans, totaling more than \$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, the data provide an additional tool to help examiners assess emerging trends, identify anomalies, compare servicers with peers, evaluate asset quality and loan loss reserve needs, and evaluate loss mitigation actions.

⁸ The nine banks are Bank of America, JPMorgan Chase, Citibank, First Horizon, HSBC, National City, USBank, Wachovia, and Wells Fargo. Countrywide FSB, previously reporting as a separate institution through March 2009, was acquired by and merged into Bank of America in April 2009. The thrifts are Countrywide, OneWestBank (formerly IndyMac), Merrill Lynch, and Wachovia FSB.

⁹The 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 promotes a common reporting framework using standardized reporting 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 devoted 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

Building on information on the affordability and sustainability of loan modifications in the fourth quarter 2008 report, this report expands the categories describing changes in monthly payments as a result of modifications. The new categories include modifications that increased principal and interest payments, left payments unchanged, decreased payments by less than 10 percent, decreased payments from 10 percent to less than 20 percent, and decreased payments by 20 percent or more. The amount of change in payment is then shown in relation to modification performance over time.

The report also presents new information on the types of modifications made on the loans in the servicing portfolio. The information shows whether a modification capitalized missed payments and fees, reduced or froze the interest rate, extended the term of the loan, deferred or reduced principal, or included a combination of these features.

As another indicator of modification performance, the report presents the status of all modifications implemented since the beginning of 2008 to show the number that were current, in various stages of delinquency, paid in full, or in foreclosure as of the end of the first quarter of 2009.

The report presents new performance data on loans serviced for Freddie Mac and Fannie Mae, and separately on the loans insured by the FHA and Department of Veterans Affairs (VA), which are mostly held within Ginnie Mae securities.

Because this is the first report to include five quarters of data, the report includes quarter-to-quarter and year-to-year comparisons where appropriate. In tables throughout this report, the quarters are indicated by the last day of the quarter (e.g., 3/31/2009), quarter-to-quarter changes are shown under the column "1Q %Change," and year-to-year changes are shown under the column "1Y %Change."

In addition to supporting bank and thrift supervision, the changes and additional information provided in this report are consistent with the requirements of the Helping Families Save Their Homes Act of 2009.

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 result from acquisitions of loan portfolios from third parties where borrower credit scores at the origination of the loans were not available. Additional definitions are as follows:

- **Seriously delinquent loans**—Mortgages that are 60 or more days past due and all mortgages held by bankrupt borrowers who are 30 or more days past due.
- **Home retention actions**—Loan modifications and payment plans. Home retention actions 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.
- **Payment plans**—Short- to medium-term changes in scheduled terms and payments to return mortgages to a current and performing status. Payment plans also include loans that are in trial periods with respect to making revised payments under proposed loan modifications. The loans are reported as modifications after successful completion of the trial periods.
- **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 frequently on the 60-day-delinquent measure.¹⁰
- **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 to lessen the adverse impact on borrowers’ credit records. Short sales have less adverse impact on borrowers than foreclosure.
- **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 on borrowers than foreclosure.
- **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.
- **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.

¹⁰ Some servicers offer modification programs that do not reset or “re-age” delinquency status following modification. The number of loans in this category represents a small percentage of the total number of loan modifications.

- **Completed foreclosures**—Ownership of properties is transferred to servicers or investors and mortgage debts are extinguished. Completed foreclosures' ultimate result is the loss of borrowers' homes because of nonpayment.

Loan delinquencies are reported using the Mortgage Bankers Association (MBA) 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.

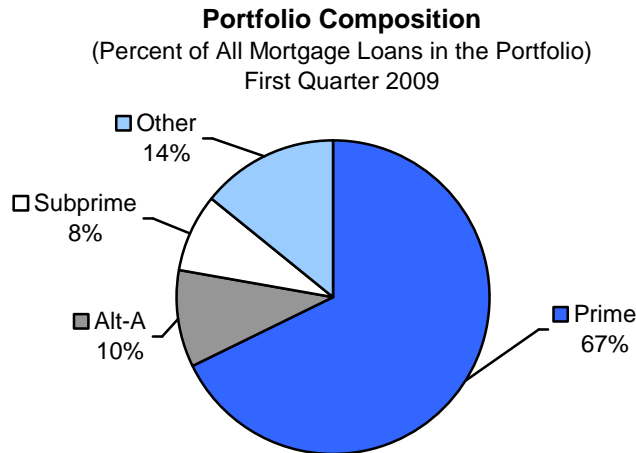
PART I: Mortgage Performance

Part I describes the performance of mortgages in the portfolio in a variety of ways—on an overall portfolio basis, by government-guaranteed mortgages, by loans serviced for the GSEs, and by risk category of loan.

Overall Mortgage Portfolio

The size of the combined national bank and thrift servicing portfolio decreased slightly during the first quarter of 2009, ending the period with just more than 34 million loans totaling about \$6 trillion in unpaid principal balances. The portfolio included 67 percent prime, 10 percent Alt-A, 8 percent subprime, and 14 percent other loans.

Overall Mortgage Portfolio					
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009
Total Servicing (Dollars in Millions)	\$6,062,575	\$6,105,519	\$6,098,766	\$6,106,368	\$6,002,560
Total Servicing (Number of Loans)	34,470,175	34,599,881	34,491,229	34,549,215	34,037,912
Composition (Percent of All Mortgage Loans in the Portfolio) ¹¹					
Prime	66%	66%	66%	66%	67%
Alt-A	10%	10%	10%	10%	10%
Subprime	9%	9%	9%	9%	8%
Other	15%	14%	14%	14%	14%
Composition (Number of Loans in Each Risk Category of the Portfolio)					
Prime	22,578,914	22,961,297	22,925,217	22,963,412	22,829,365
Alt-A	3,565,993	3,587,910	3,567,861	3,566,709	3,510,201
Subprime	3,106,995	3,095,164	3,063,429	3,034,004	2,878,896
Other	5,218,273	4,955,510	4,934,722	4,985,090	4,819,450

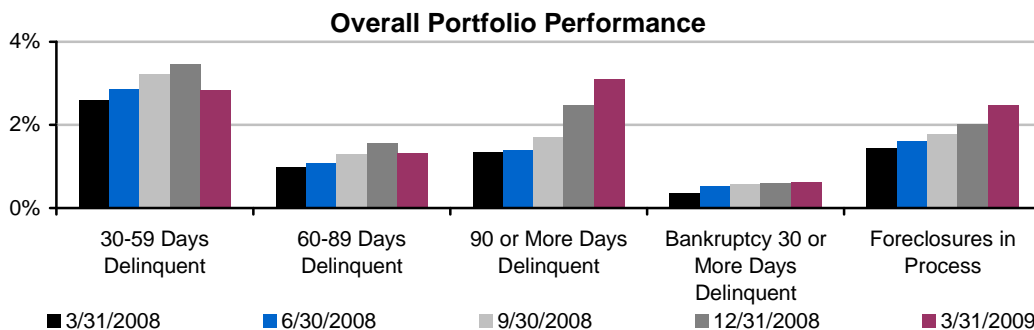


¹¹ Percentages may not add to 100 percent due to rounding.

Overall Mortgage Performance

About 90 percent of all mortgages in the portfolio were current and performing at the end of the first quarter of 2009, about the same percentage as the previous quarter. Despite that steady performance overall, serious delinquencies—loans 60 or more days past due and loans to delinquent bankrupt borrowers—increased by nearly 9 percent from the previous quarter to 5 percent of all mortgages in the portfolio at the end of the quarter. This increase in seriously delinquent mortgages was offset by a decline in early stage delinquencies—loans that were 30 to 59 days past due. However, the decline in early stage delinquencies is at least partially explained by seasonal effects and may not represent a sustainable trend, while rising serious delinquencies are a leading indicator of increased foreclosure actions in the future. Foreclosures in process rose to 844,389 and represented 2.5 percent of all serviced loans, as a variety of moratoria on foreclosures expired during the first quarter of 2009 and the recession continued to exert pressure on borrowers. The increase in the number of foreclosures in process represented a 21.8 percent jump from the previous quarter and 72.6 percent rise from the first quarter of 2008.

Overall Portfolio Performance (Percent of All Mortgages in the Portfolio)							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Current and Performing	93.3%	92.6%	91.5%	89.9%	89.7%	-0.3%	-3.9%
30-59 Days Delinquent	2.6%	2.9%	3.2%	3.5%	2.8%	-18.0%	8.9%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	1.0%	1.2%	1.3%	1.6%	1.3%	-15.4%	36.1%
90 or More Days Delinquent	1.3%	1.4%	1.7%	2.7%	3.1%	25.6%	130.6%
Bankruptcy 30 or More Days Delinquent	0.4%	0.5%	0.6%	0.6%	0.6%	1.7%	74.3%
Subtotal for Seriously Delinquent	2.7%	3.0%	3.6%	4.6%	5.0%	8.7%	88.0%
Foreclosures in Process	1.4%	1.6%	1.9%	2.0%	2.5%	23.4%	74.7%
Overall Portfolio Performance (Number of Mortgages in the Portfolio)							
Current and Performing	32,163,857	32,034,227	31,541,171	31,065,228	30,522,786	-1.8%	-5.1%
30-59 Days Delinquent	896,412	990,084	1,108,309	1,193,476	962,020	-19.4%	7.3%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	335,440	368,415	446,167	539,972	449,801	-16.7%	34.1%
90 or More Days Delinquent	463,332	477,213	588,276	850,173	1,052,859	23.8%	127.2%
Bankruptcy 30 or More Days Delinquent	122,015	176,787	192,843	206,943	206,057	-0.4%	68.9%
Subtotal for Seriously Delinquent	920,787	1,022,415	1,227,286	1,597,088	1,708,717	7.0%	85.6%
Foreclosures in Process	489,119	553,155	614,463	693,423	844,389	21.8%	72.6%

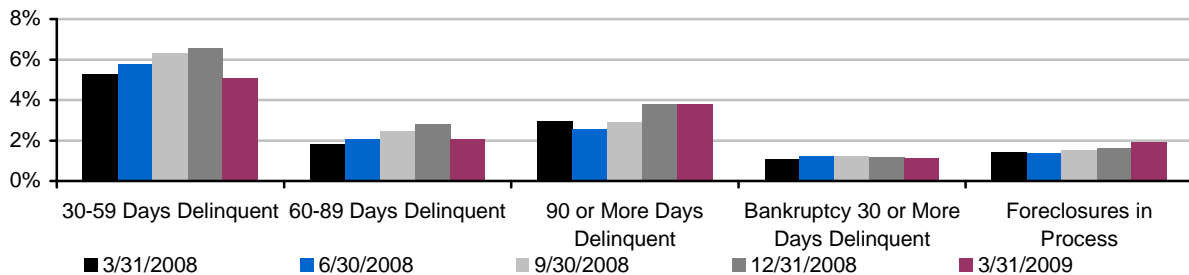


Performance of Government-Guaranteed Mortgages

Overall delinquencies declined among loans guaranteed by the U.S. government. The percentage of current and performing FHA and VA mortgages increased to 86.0 percent in the first quarter of 2009 from 84.1 percent in the previous quarter. Serious delinquencies also dropped, falling to 7.0 percent from 7.7 percent in the previous quarter. The number of foreclosures in process grew to 1.9 percent from 1.6 percent. Government-guaranteed mortgages made up 12.8 percent of all mortgages in the portfolio, or approximately 4.4 million loans, an increase of 4.2 percent from the prior quarter and more than 21 percent from the first quarter of 2008. Of these loans, 78.9 percent were FHA loans and 21.1 percent were VA loans. More than 83 percent of FHA and VA loans are held in Ginnie Mae securities.

Performance of Government-Guaranteed Loans (Percent) ¹²							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Current and Performing	87.5%	87.0%	85.6%	84.1%	86.0%	2.3%	-1.6%
30-59 Days Delinquent	5.3%	5.8%	6.3%	6.5%	5.1%	-22.2%	-3.4%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	1.8%	2.1%	2.5%	2.8%	2.1%	-26.2	12.0%
90 or More Days Delinquent	2.9%	2.6%	2.9%	3.8%	3.8%	0.5%	29.7%
Bankruptcy 30 or More Days Delinquent	1.1%	1.3%	1.2%	1.2%	1.1%	-5.9%	5.7%
Subtotal for Seriously Delinquent	5.8%	5.9%	6.6%	7.7%	7.0%	-10.0%	20.2%
Foreclosures in Process	1.5%	1.4%	1.5%	1.6%	1.9%	17.2%	30.8%
Performance Government-Guaranteed Loans (Number)							
Current and Performing	3,157,317	3,302,739	3,406,083	3,528,546	3,759,791	6.6%	19.1%
30-59 Days Delinquent	190,334	219,304	251,815	274,225	222,329	-18.9%	16.8%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	66,026	77,690	97,466	116,671	89,809	-23.0%	36.0%
90 or More Days Delinquent	105,640	97,098	115,941	158,554	166,266	4.9%	57.4%
Bankruptcy 30 or More Days Delinquent	37,872	47,325	48,344	49,376	48,490	-1.8%	28.0%
Subtotal for Seriously Delinquent	209,538	222,113	261,751	324,601	304,565	-6.2%	45.4%
Foreclosures in Process	52,750	53,062	59,974	68,341	83,617	22.4%	58.5%

Performance of Government-Guaranteed Loans

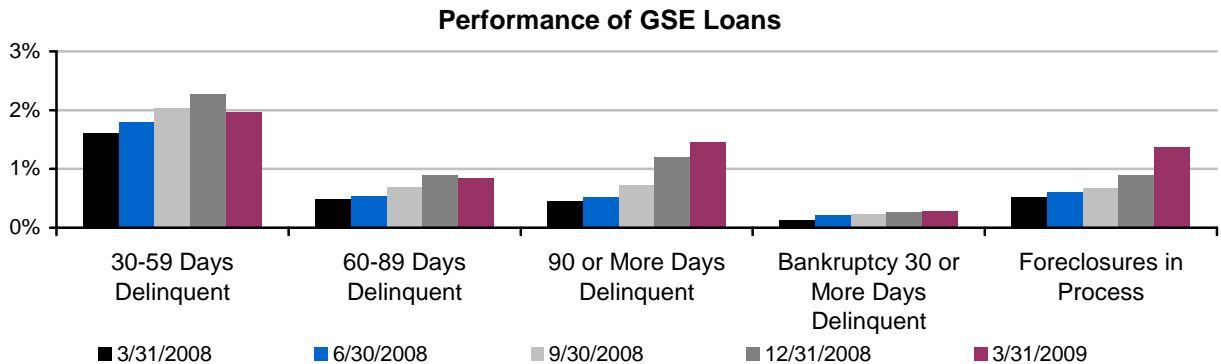


¹² Percentages may not add to 100 due to rounding.

Performance of GSE Mortgages

For the first time, this quarter’s report provides data on the performance of mortgages serviced for Fannie Mae and Freddie Mac—government-sponsored enterprises or GSEs. Loans serviced for GSEs have a higher concentration of prime mortgages than mortgages serviced for private investors or held on the servicers’ balance sheets and, as a result, have lower delinquencies and foreclosures in process. In the first quarter of 2009, 94.1 percent of these loans were current and performing. Seriously delinquent loans increased to 2.6 percent—rising by 8.5 percent from the previous quarter and by 119.7 percent from the first quarter of 2008 in volume. The percentage of these loans in the process of foreclosure increased to 1.4 percent—rising by 52.4 percent from the previous quarter and by 144.6 percent from the first quarter of 2008. Mortgages serviced for these agencies made up about 64 percent of all mortgages in the portfolio, or approximately 21.7 million loans. Of the total portfolio, 42.5 percent of the loans were serviced for Fannie Mae and 21.9 percent were serviced for Freddie Mac.

Performance of GSE Loans (Percent)							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Current and Performing	96.8%	96.3%	95.7%	94.5%	94.1%	-0.4%	-2.8%
30-59 Days Delinquent	1.6%	1.8%	2.0%	2.3%	2.0%	-13.7%	21.7%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	0.5%	0.5%	0.7%	0.9%	0.8%	-6.7%	71.4%
90 or More Days Delinquent	0.5%	0.5%	0.7%	1.2%	1.5%	22.7%	217.4%
Bankruptcy 30 or More Days Delinquent	0.1%	0.2%	0.2%	0.3%	0.3%	11.5%	123.1%
Subtotal for Seriously Delinquent	1.1%	1.3%	1.7%	2.4%	2.6%	9.8%	137.6%
Foreclosures in Process	0.5%	0.6%	0.7%	0.9%	1.4%	55.1%	165.4%
Performance of GSE Loans (Number)							
Current and Performing	22,860,640	23,181,987	22,356,503	20,887,595	20,492,424	-1.9%	-10.4%
30-59 Days Delinquent	379,849	431,454	474,472	501,523	426,111	-15.0%	12.2%
The Following Three Categories Are Classified as Seriously Delinquent.							
60-89 Days Delinquent	116,148	130,493	162,317	199,477	184,019	-7.8%	58.4%
90 or More Days Delinquent	109,563	123,249	170,037	263,650	317,402	20.4%	189.7%
Bankruptcy 30 or More Days Delinquent	31,508	50,097	54,533	58,009	63,734	9.9%	102.3%
Subtotal for Seriously Delinquent	257,219	303,839	386,887	521,136	565,155	8.5%	119.7%
Foreclosures in Process	122,620	146,480	156,439	196,873	299,937	52.4%	144.6%



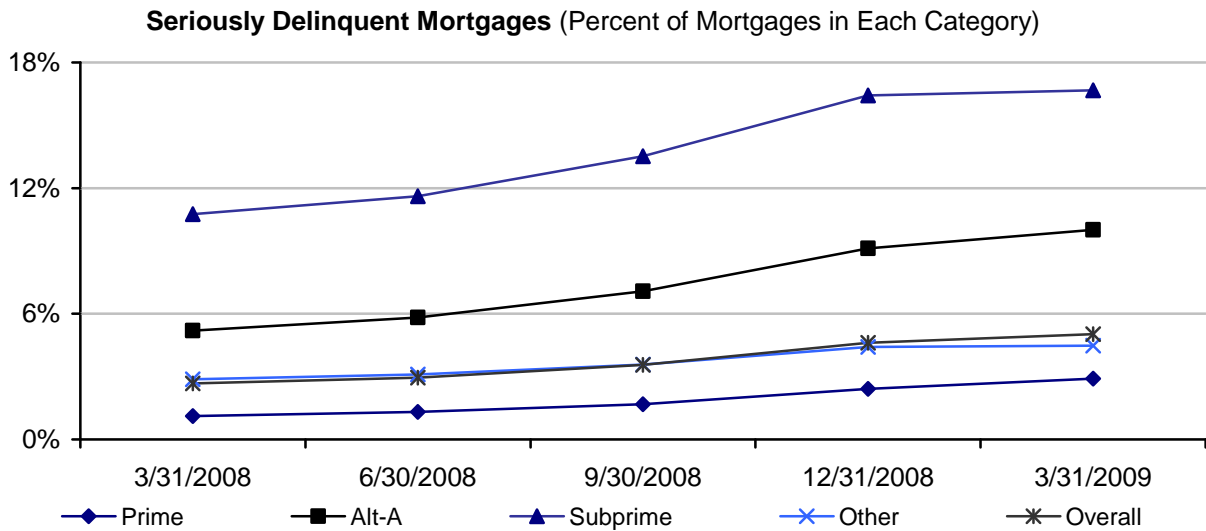
Seriously Delinquent Mortgages, by Risk Category

Prime loans, which represented two-thirds of all mortgages in the portfolio, experienced the highest percentage increase in serious delinquencies, climbing by more than 20 percent from the prior quarter to 2.9 percent of prime mortgages. Subprime serious delinquencies increased by 1.5 percent from the previous quarter, to 16.7 percent of subprime mortgages. A number of factors contributed to the increase in seriously delinquent prime loans, including rising levels of unemployment, a continuing decline in property values, and high debt levels.

The actual number of seriously delinquent subprime loans decreased by 3.7 percent from the previous quarter but increased by 43.6 percent from the first quarter of 2008. However, as noted, the percentage of seriously delinquent subprime mortgages increased slightly during the quarter to 16.7 percent of those loans.

Seriously Delinquent Mortgages (Percent of Mortgages in Each Category)							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	1.1%	1.3%	1.7%	2.4%	2.9%	20.3%	161.3%
Alt-A	5.2%	5.8%	7.1%	9.1%	10.0%	9.8%	92.9%
Subprime	10.8%	11.6%	13.5%	16.4%	16.7%	1.5%	54.9%
Other	2.9%	3.1%	3.6%	4.4%	4.5%	1.1%	55.2%
Overall	2.7%	3.0%	3.6%	4.6%	5.0%	8.7%	88.0%

Seriously Delinquent Mortgages (Number of Mortgages)							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	250,986	300,896	384,486	553,288	661,914	19.6%	163.7%
Alt-A	185,014	208,737	252,259	325,355	351,415	8.0%	89.9%
Subprime	334,240	359,303	414,472	498,115	479,928	-3.7%	43.6%
Other	150,547	153,479	176,069	220,330	215,460	-2.2%	43.1%
Total	920,787	1,022,415	1,227,286	1,597,088	1,708,717	7.0%	85.6%

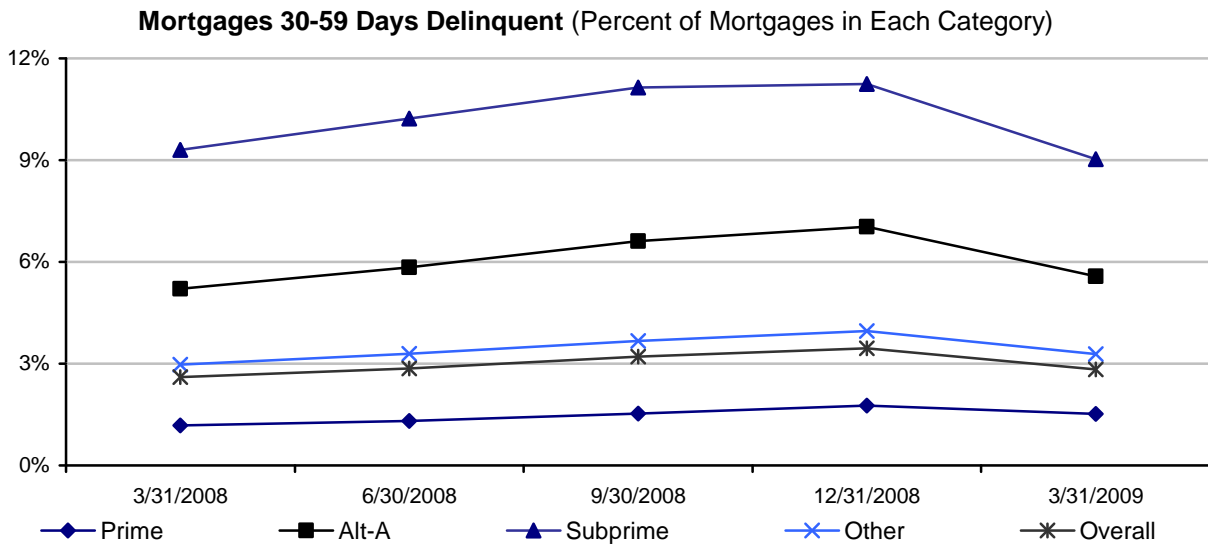


Mortgages 30-59 Days Delinquent, by Risk Category

The percentage of mortgages in the early stages of delinquency (30-59 days delinquent) fell across all risk categories during the first quarter of 2009, consistent with the known seasonal decline in delinquencies.¹³ The actual number of mortgages in the early stages of delinquency fell by more than 230,000. Compared with the first quarter of 2008, early stage delinquencies have increased by 7.3 percent in volume with the percentage of prime loans rising from a low base by 30.4 percent in volume over that period. By contrast, the number of early stage delinquencies among subprime loans has decreased by 10.0 percent since the first quarter of 2008.

Mortgages 30-59 Days Delinquent (Percent of Mortgages in Each Category)							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	1.2%	1.3%	1.5%	1.8%	1.5%	-13.6%	28.8%
Alt-A	5.2%	5.8%	6.6%	7.0%	5.6%	-20.7%	7.1%
Subprime	9.3%	10.2%	11.1%	11.3%	9.0%	-19.7%	-2.9%
Other	3.0%	3.3%	3.7%	4.0%	3.3%	-17.2%	10.4%
Overall	2.6%	2.9%	3.2%	3.5%	2.8%	-18.0%	8.9%

Mortgages 30-59 Days Delinquent (Number of Mortgages)							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	266,740	301,127	350,015	403,630	347,761	-13.8%	30.4%
Alt-A	185,770	209,524	235,723	251,016	196,013	-21.9%	5.5%
Subprime	289,006	316,498	341,399	341,183	260,080	-23.8%	-10.0%
Other	154,896	162,935	181,172	197,647	158,166	-20.0%	2.1%
Total	896,412	990,084	1,108,309	1,193,476	962,020	-19.4%	7.3%



¹³ A review of historical data maintained by the MBA shows a significant decline in delinquencies during the first quarter for every recorded year. This trend is generally attributed to a rise in delinquencies at the end of the year due to seasonal spending, followed by a decline in first quarter delinquencies as that increased spending subsides and tax refunds are received.

PART II: Home Retention Actions

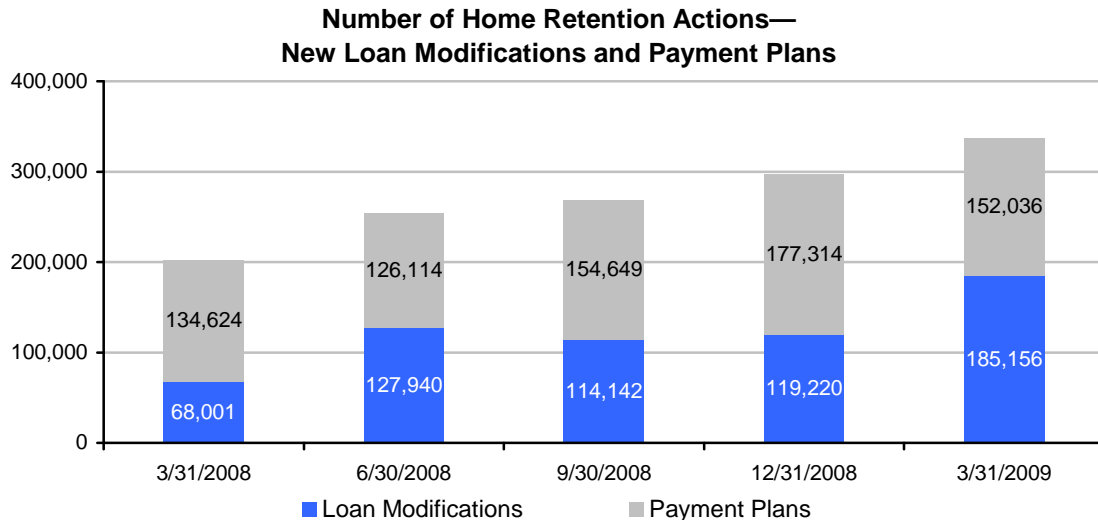
Home retention actions seek to help keep borrowers in their homes while mitigating risk for servicers and investors. One type of home retention action is loan modification, in which servicers modify one or more mortgage terms. Another type is a payment plan. In this case, no terms are contractually modified, but borrowers are given time to catch up on missed payments or are allowed to demonstrate the ability to meet amended terms in anticipation of a formal modification.

A. Loan Modifications and Payment Plans

Newly Initiated Home Retention Actions

Increased emphasis on loan modifications drove an overall increase in home retention actions. Newly initiated loan modifications reached 185,156 during the quarter—rising by 55.3 percent from the previous quarter and 172.3 percent from the first quarter of 2008. The impact of this increase in modifications on reducing foreclosures and enabling borrowers to remain current on their loans will only be seen in future data. Likewise, modification data through the first quarter do not reflect the impact of the Administration’s “Making Home Affordable” program, which was announced in March and began to be implemented after this reporting period. Overall, newly initiated home retention actions increased to 337,192 during the quarter—rising by 13.7 percent from the previous quarter and by 66.4 percent from the first quarter of 2008 in volume. Modifications accounted for 54.9 percent of all newly initiated home retention actions during the quarter, compared with 37.8 percent during the previous quarter.¹⁴

Number of Home Retention Actions		New Loan Modifications and Payment Plans					
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y % Change
Loan Modifications	68,001	127,940	114,142	119,220	185,156	55.3%	172.3%
Payment Plans	134,624	126,114	154,649	177,314	152,036	-14.3%	12.9%
Total	202,625	254,054	268,791	296,534	337,192	13.7%	66.4%



¹⁴ Modifications and trial period payment plans under the Administration’s “Making Home Affordable” program are not included in these data because most institutions did not begin implementing the program until after March 31, 2009.

Newly Initiated Home Retention Actions Relative to Newly Initiated Foreclosures

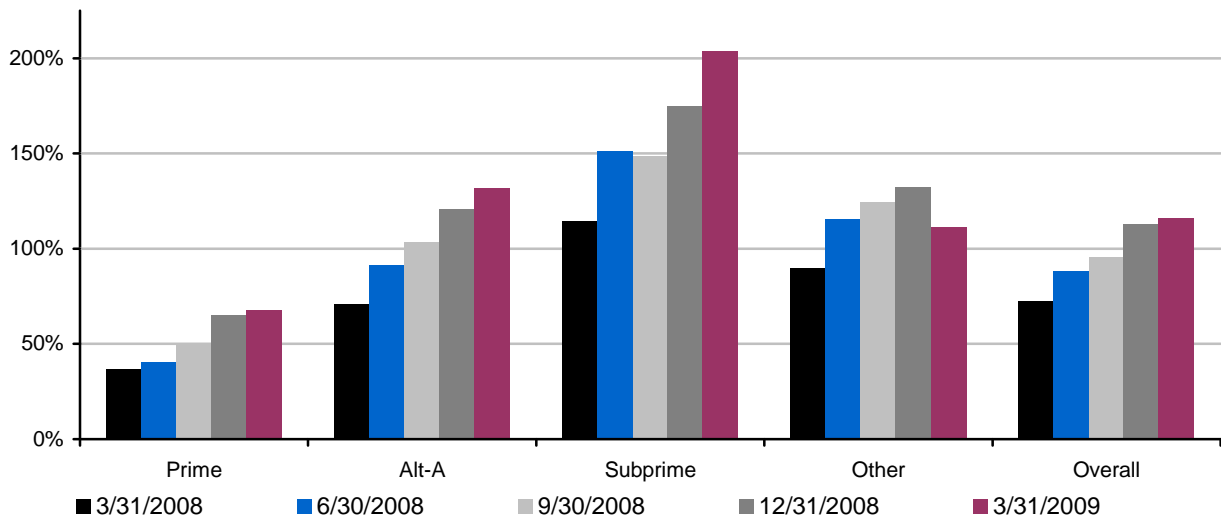
The following data showed newly initiated home retention actions as a percentage of newly initiated foreclosures during each quarter. For any given risk category, a percentage exceeding 100 percent means the number of newly initiated home retention actions exceeded the number of newly initiated foreclosures.

Home retention actions—loan modifications and payment plans—generally increased at a faster pace than new foreclosures during the first quarter. Subprime mortgages received more than twice as many new home retention actions as new foreclosures during the quarter. By contrast, prime mortgages received more new foreclosures than home retention actions during the quarter. Servicers report that in many cases, prime borrowers have lost too much income or incurred too much debt to allow for effective loan modification.

Newly initiated foreclosures are described in more detail later in the report.

Newly Initiated Home Retention Actions (Percent of Newly Initiated Foreclosures)							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	36.5%	40.2%	50.1%	64.9%	67.7%	4.4%	85.4%
Alt-A	70.7%	91.2%	103.2%	120.5%	131.8%	9.4%	86.3%
Subprime	114.4%	150.9%	148.6%	174.9%	203.4%	16.3%	77.9%
Other	89.7%	115.4%	124.2%	132.5%	111.4%	-15.9%	24.2%
Overall	72.3%	88.0%	95.7%	112.9%	115.9%	2.7%	60.3%
Newly Initiated Home Retention Actions	202,625	254,054	268,791	296,534	337,192	13.7%	66.4%
Newly Initiated Foreclosures	280,161	288,689	281,285	262,691	290,920	10.8%	3.8%

Newly Initiated Home Retention Actions
(Percent of Newly Initiated Foreclosures)



Types of Modifications

New to this report are data on the types of actions taken to modify loans. While 185,156 mortgages were modified in the first quarter of 2009, 122,398 were “combination modifications” that changed more than one term of the loan. Of the modifications made in the first quarter of 2009, 70.2 percent included a capitalization of missed payments and fees, 63.2 percent included a reduction in interest rate, and 25.1 percent included an extended term. By comparison, 12.6 percent of the mortgages received modifications that froze the interest rate, 1.8 percent included a reduction of principal, and 1.1 percent included a deferral of principal. All modification actions during the quarter are indicated in the table below. Since nearly two-thirds of the modifications changed more than one loan term, the sum of the percentages in the table exceeds 100 percent.

The types of actions taken 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.

Changes in Loan Terms Made by Modifications Made during the First Quarter of 2009		
	Total Number of Changes in Each Category	Percentage of 185,156 Modifications Made in the First Quarter of 2009
Capitalization	129,929	70.2%
Rate Reduction	117,067	63.2%
Rate Freeze	23,346	12.6%
Term Extension	46,488	25.1%
Principal Reduction	3,398	1.8%
Principal Deferral	1,979	1.1%
Unknown ¹⁵	12,962	7.0%

Of the nearly two-thirds of modifications that were combination modifications that involved two or more changes to the terms of the loan, 83.4 percent of them included capitalization of missed payments and fees, 86.1 percent included reduced interest rates, 36.3 percent included extended maturities, 12.4 percent included interest rate freezes, 2.8 percent included principal reductions, and 1.6 percent included principal deferrals. Additional detail on combination modifications is included in Appendix C.

¹⁵ Processing constraints at some servicers prevented them from aggregating and reporting specific modified term(s).

Types of Modifications, by Risk Category

The types of risk modifications implemented in the first quarter of 2009 did not vary greatly among prime, Alt-A, and subprime borrowers. The following tables show the distribution of the types of modification actions by risk category. Because modifications may change more than one term, the number of features changed exceeds the number of modified loans in each risk category.

Numbers of Each Type of Modification by Risk Category in the First Quarter of 2009					
	Prime	Alt-A	Subprime	Other	Total
Total Mortgages Modified	49,439	43,218	77,280	15,219	185,156
Capitalization	34,943	29,865	52,633	12,488	129,929
Rate Reduction	33,008	27,516	48,861	7,682	117,067
Rate Freeze	4,964	5,460	10,083	2,839	23,346
Term Extension	13,083	11,695	16,962	4,748	46,488
Principal Reduction	778	961	1,534	125	3,398
Principal Deferral	790	475	495	219	1,979
Unknown	3,990	3,088	4,612	1,272	12,962

The percentage of each type of change for modifications in each risk category roughly tracked the overall portfolio with the exception of modifications made to mortgages in the other risk category. Those modifications more often featured capitalization of missed fees and payments, a freeze in interest rates, and term extensions while featuring interest rate reductions less frequently.

Percentage of Each Type of Modification by Risk Category in the First Quarter of 2009					
	Prime	Alt-A	Subprime	Other	Overall
Capitalization	70.7%	69.1%	68.1%	82.1%	70.2%
Rate Reduction	66.8%	63.7%	63.2%	50.5%	63.2%
Rate Freeze	10.0%	12.6%	13.0%	18.7%	12.6%
Term Extension	26.5%	27.1%	21.9%	31.2%	25.1%
Principal Reduction	1.6%	2.2%	2.0%	0.8%	1.8%
Principal Deferral	1.6%	1.1%	0.6%	1.4%	1.1%
Unknown	8.1%	7.1%	6.0%	8.4%	7.0%

Types of Modifications, by Investor

The types of modifications implemented in the first quarter of 2009 varied significantly among investors with the majority of all modifications going to loans held by the reporting servicers or private investors. Servicers report that Fannie Mae, Freddie Mac, and Ginnie Mae were in the process of revising their programs to work with troubled borrowers during the first quarter, including new modification guidelines.

The following tables show the distribution of the types of modification actions by investor. Because modifications may change more than one term, the number of features changed exceeds the number of modified loans for each investor.

Numbers of Each Type of Modification by Investor in the First Quarter of 2009						
	Fannie Mae	Freddie Mac	Ginnie Mae	Portfolio ¹⁶	Private Investor	Total
Total Mortgages Modified	13,412	11,852	80	57,733	102,079	185,156
Capitalization	10,435	10,383	77	28,936	80,098	129,929
Rate Reduction	6,789	7,266	63	34,426	68,523	117,067
Rate Freeze	307	598	0	7,219	15,222	23,346
Term Extension	6,816	7,257	14	28,399	4,002	46,488
Principal Reduction	0	1	0	3394	3	3,398
Principal Deferral	8	0	0	1,858	113	1,979
Unknown	2,831	1,426	3	6,281	2,421	12,962

The percentage of each type of change varied greatly by investor. Modifications made to Fannie Mae and Freddie Mac mortgages and mortgages held on servicers' books featured term extensions much more often than modifications overall. Modifications on Fannie Mae, Freddie Mac, and private investor mortgages capitalized missed fees and payments more often than modifications overall, while modifications on mortgages held on the books of servicers capitalized missed payments and fees much less frequently.

Percentage of Each Type of Modification by Investor in the First Quarter of 2009						
	Fannie Mae	Freddie Mac	Ginnie Mae	Portfolio	Private Investor	Overall
Capitalization	77.8%	87.6%	96.3%	50.1%	78.5%	70.2%
Rate Reduction	50.6%	61.3%	78.8%	59.6%	67.1%	63.2%
Rate Freeze	2.3%	5.0%	0.0%	12.5%	14.9%	12.6%
Term Extension	50.8%	61.2%	17.5%	49.2%	3.9%	25.1%
Principal Reduction	0.0%	0.0%	0.0%	5.9%	0.0%	1.8%
Principal Deferral	0.1%	0.0%	0.0%	3.2%	0.1%	1.1%
Unknown	21.1%	12.0%	3.8%	10.9%	2.4%	7.0%

¹⁶ Portfolio loans are those loans held by the reporting servicer.

Changes to Monthly Payments Due to Modification

In the previous sections, the report described the various types of modifications and modified loan terms. This section describes the effect those changes had on monthly principal and interest payments and how those changes in payments affected re-default rates.

This report builds on the sustainability information presented in previous reports to include information on modifications that decrease payments by 20 percent or more, decrease by 10 percent to less than 20 percent, decrease by less than 10 percent, leave payments unchanged, or increase payments. Of the loans modified between January 1, 2008, and March 31, 2009, 45.5 percent reduced monthly principal and interest payments; 27.5 percent left payments unchanged; and 27.1 percent increased monthly payments.

Loan modifications may result in an increase in monthly payments when borrowers and servicers agree to add past due interest, advances for taxes or insurance, and other fees to the balance of the loans and re-amortize the new balances over the remaining life of the loans. The interest rate on the loans may or may not be changed in these situations. Modifications may also result in an increased monthly payment for adjustable rate mortgages about to reset where the interest rate is increased but not by as much as contractually required.

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 and repay the debt over time. In the past, such modifications were done in low volume and were effective loss mitigation strategies. However, during periods of economic stress, the data showed this strategy can carry additional risk and underscores the importance of verifying, on a case-by-case basis, borrowers' incomes, so that servicers can have confidence that the modifications are likely to be sustainable.

Servicers also modify some loans that leave principal and interest payments unchanged. One example is in cases where servicers "freeze" the current interest rate and payment instead of allowing the rate and payment to increase to the level otherwise required by the original mortgage contract.

Modifications that result in a decrease in payments occur when servicers elect to lower interest rates, extend the amortization period, or forgive or defer principal. Reduced payments 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, who often compares this reduced cash flow with the potentially greater sustainability of receiving the modified payments over time.

Servicers' modification activities often are dictated by servicing agreements that, in many cases, define the type and the amount of modification action(s) that can be executed. These pooling and servicing agreements often encouraged the capitalization and recapitalization of missed interest payments, fees, and advances in an attempt to recapture all contractual cash flow and income for the mortgage investor. Moreover, pooling and servicing agreements tended to allow modifications only for severely delinquent borrowers rather than allow servicers to work with borrowers who are current but facing an imminent default. Servicers report that recent changes in government and private investor servicing standards provide greater flexibility to structure more effective loan modifications.¹⁷

¹⁷ Some servicers were unable to report the change in monthly payment for all modifications due to system limitations and processing lag times. Payment change information was not reported on 2,846 modifications in the first quarter 2008, 6,319 in the second quarter 2008, 6,852 in the third quarter 2008, 6,623 in the fourth quarter 2008, and 5,255 in the first quarter 2009.

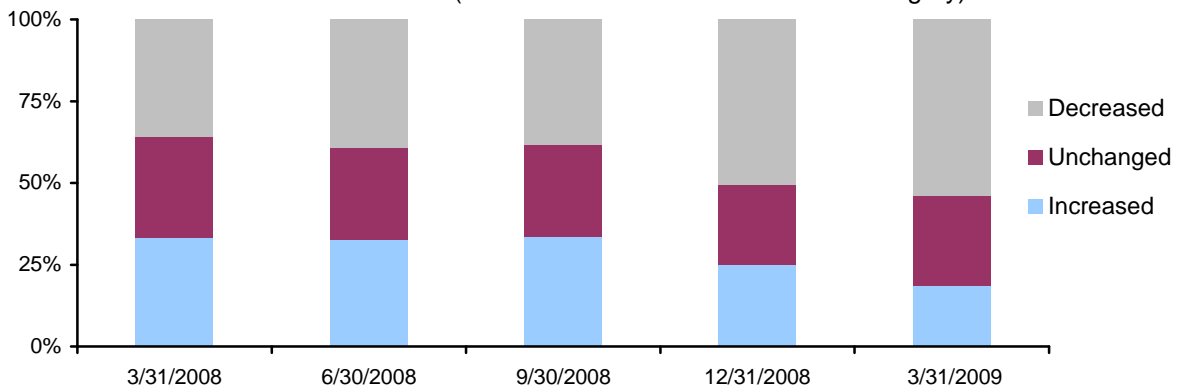
Changes to Monthly Payments Due to Modifications, by Quarter

Modifications during the first quarter of 2009 resulted in lower monthly principal and interest payments on 54.1 percent of all modified loans, as servicers focused on achieving more sustainable mortgage payments. The number of modifications that reduced payments by 20 percent or more nearly doubled in the first quarter compared with the previous quarter, increasing to 29.3 of all first quarter modifications and exceeding all other categories. Modifications that increased monthly payments declined to 18.5 percent of all modifications during the quarter, down from 25 percent in the fourth quarter and 33.5 percent in the third quarter. Actions that left payments unchanged increased to 27.3 percent.

Change in Monthly Principal and Interest Payments Due to Modification (Number of Modifications)							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Decreased by 20% or More	9,469	20,762	15,988	27,695	52,751	90.5%	457.1%
Decreased by 10% to Less than 20%	6,576	12,407	12,041	14,340	21,885	52.6%	232.8%
Decreased Less than 10%	7,258	14,773	13,115	14,993	22,743	51.7%	213.4%
Subtotal for Decreased	23,303	47,942	41,144	57,028	97,379	70.8%	317.9%
Unchanged	20,199	34,041	30,255	27,431	49,180	79.3%	143.5%
Increased	21,654	39,638	35,892	28,138	33,342	18.5%	54.0%
Subtotal for Unchanged and Increased	41,853	73,679	66,147	55,569	82,522	48.5%	97.2%
Total	65,156	121,621	107,291	112,597	179,901	59.8%	176.1%

Change in Monthly Principal and Interest Payments Due to Modification (Percent of Modifications)							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Decreased by 20% or More	14.5%	17.1%	14.9%	24.6%	29.3%	19.2%	101.8%
Decreased by 10% to Less than 20%	10.1%	10.2%	11.2%	12.7%	12.2%	-4.5%	20.5%
Decreased Less than 10%	11.1%	12.2%	12.2%	13.3%	12.6%	-5.1%	13.5%
Subtotal for Decreased	35.70%	39.50%	38.30%	50.60%	54.10%	6.9%	51.5%
Unchanged	31.0%	28.0%	28.2%	24.4%	27.3%	12.2%	-11.8%
Increased	33.2%	32.6%	33.5%	25.0%	18.5%	-25.8%	-44.2%
Subtotal for Unchanged and Increased	64.20%	60.60%	61.70%	49.40%	45.80%	-7.3%	-28.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	--	--

Change in Monthly Principal and Interest Payments Due to Modification (Number of Modifications in Each Category)



B. Modified Loan Performance

Status of Modified Loans

Also new to the report are data on the sustainability of modifications by vintage, comparing the performance of modifications implemented quarter by quarter during 2008 and in the first quarter of 2009. Thus, this data show the status after 12 months of modifications implemented in the first quarter 2008—29.5 percent current; 33 percent severely delinquent; and 17 percent gone to foreclosure—and the status after 90 days of modifications implemented in the first quarter of 2009—48.2 percent current; 27.1 percent severely delinquent; and 5.4 percent going to foreclosure. The higher delinquencies and foreclosures noted for older vintage modifications at least partially reflect the normal increase in defaults over time. As we obtain additional performance data on more recent loan modifications we will be able to determine if they compare favorably with older vintage modifications. This is especially important given the number of changes made to loan modification programs since the beginning of 2008.

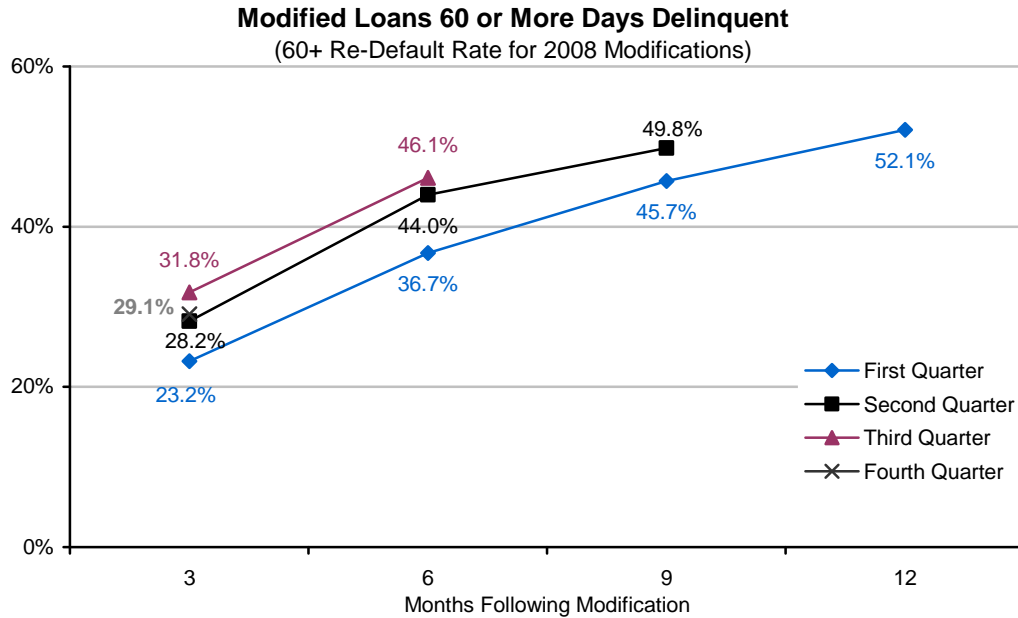
Status of Loans Modifications as of March 31, 2009 (Percentage of Modifications Made in Each Quarter)					
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009
Current and Performing	29.5%	31.6%	35.5%	48.2%	64.0%
30-59 days Delinquent	9.4%	9.7%	11.3%	14.3%	10.3%
60 or More Days Delinquent	33.0%	37.6%	37.0%	27.1%	21.7%
In Process of Foreclosure	12.6%	11.7%	9.4%	5.4%	2.4%
Completed Foreclosure	4.2%	1.8%	0.5%	0.2%	0.1%
Short Sale or Deed-in-Lieu of Foreclosure	0.1%	0.1%	0.1%	0.03%	0.01%
Paid in Full	2.5%	1.6%	1.0%	0.4%	0.1%
Other Liquidation ¹⁸	8.9%	6.0%	5.7%	4.5%	1.3%
Status of Loans Modified in Each Quarter of 2008 as of March 31, 2009 (Number of Modifications Made in Each Quarter)					
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009
Total	68,001	127,940	114,142	119,220	185,156
Current and Performing	20,022	40,439	40,556	57,403	118,542
30-59 days Delinquent	6,364	12,395	12,947	17,023	19,132
60 or More Days Delinquent	22,460	48,061	42,203	32,311	40,255
In Process of Foreclosure	8,546	14,921	10,729	6,469	4,525
Completed Foreclosure	2,836	2,338	594	212	140
Short Sale or Deed-in-Lieu of Foreclosure	54	99	72	31	10
Paid in Full	1,672	2,011	1,152	467	101
Other Liquidation	6,047	7,676	5,889	5,304	2,451

¹⁸ Other liquidations include loans sold, transferred, or otherwise removed from the servicing portfolios of reporting institutions that are not included in other categories.

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 rose steadily in the months subsequent to modification for all vintages where data were available.¹⁹ It is noteworthy that modifications implemented in the first two quarters of 2008 re-defaulted at a lower rate than those in the third quarter, measured at the same number of months after modification. Those modifications implemented in the fourth quarter of 2008 have re-defaulted at a slightly lower rate than the preceding quarter. However, it is too early to determine whether the data for the fourth quarter portend a sustained improvement in performance resulting from recent changes to modification practices.

Modified Loans 60 or More Days Delinquent (60+ Re-Default Rate for 2008 Modifications)				
Modification Date	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification ²⁰
First Quarter	23.2%	36.7%	45.7%	52.1%
Second Quarter	28.2%	44.0%	49.8%	--
Third Quarter	31.8%	46.1%	--	--
Fourth Quarter	29.1%	--	--	--



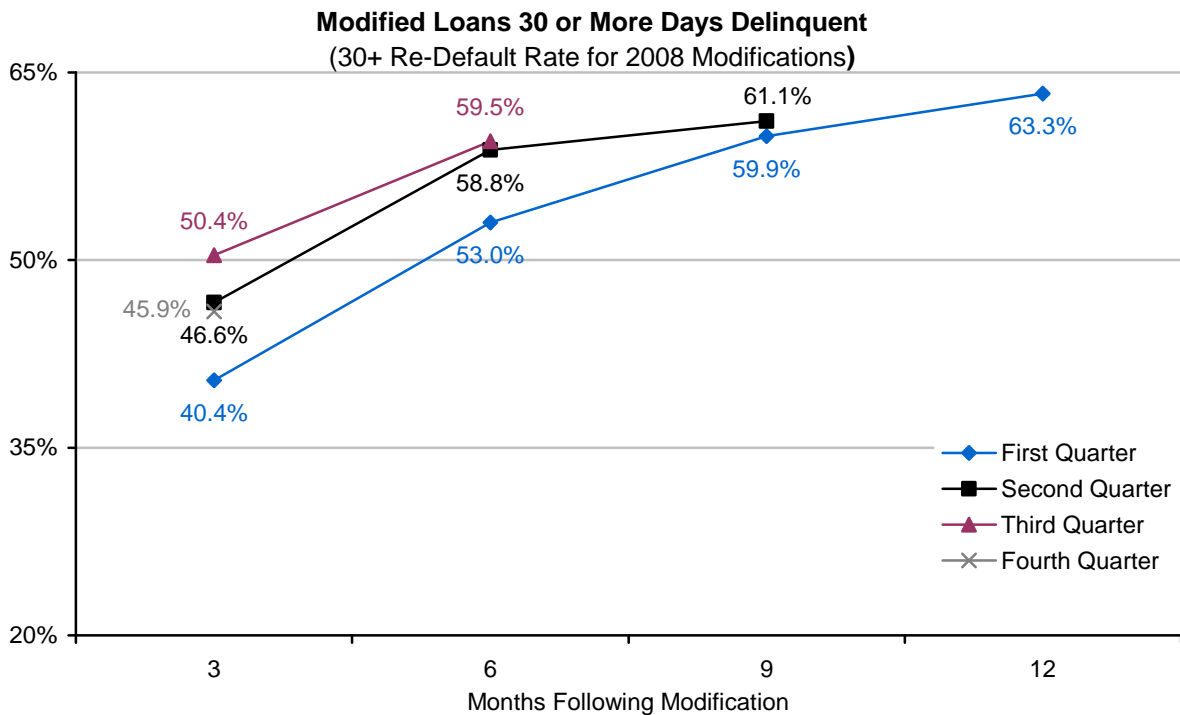
¹⁹ Data include only those modifications that have had sufficient time to age the indicated number of months.

²⁰ Re-default rates will be different from the March 31, 2009, loan status data reported on page 27. The re-default data include only those modified loans that are still active at the end of the indicated number of months after the modification. The status table reflects the current status of all loans modified during the quarter, including those that are no longer active (repaid, foreclosed, or otherwise removed from the servicing system). In addition, there are various servicing system processing differences that may have a lesser effect on the reported data.

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

Modification re-default measured as 30 or more days delinquent or in the process of foreclosure is an early indicator of loans that may need additional attention to prevent more serious delinquency or foreclosure.²¹ The data showed that re-defaults measured as 30 or more days delinquent have continued to increase over time, with more than 60 percent of all modifications implemented in the first and second quarters of 2008 delinquent at nine and 12 months after the modification, respectively. Modifications implemented in the fourth quarter of 2008 showed lower delinquencies after three months than modifications implemented in the second and third quarters.

Modified Loans 30 or More Days Delinquent (30+ Re-Default Rate for 2008 Modifications)				
Modification Date	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
First Quarter	40.4%	53.0%	59.9%	63.3%
Second Quarter	46.6%	58.8%	61.1%	--
Third Quarter	50.4%	59.5%	--	--
Fourth Quarter	45.9%	--	--	--

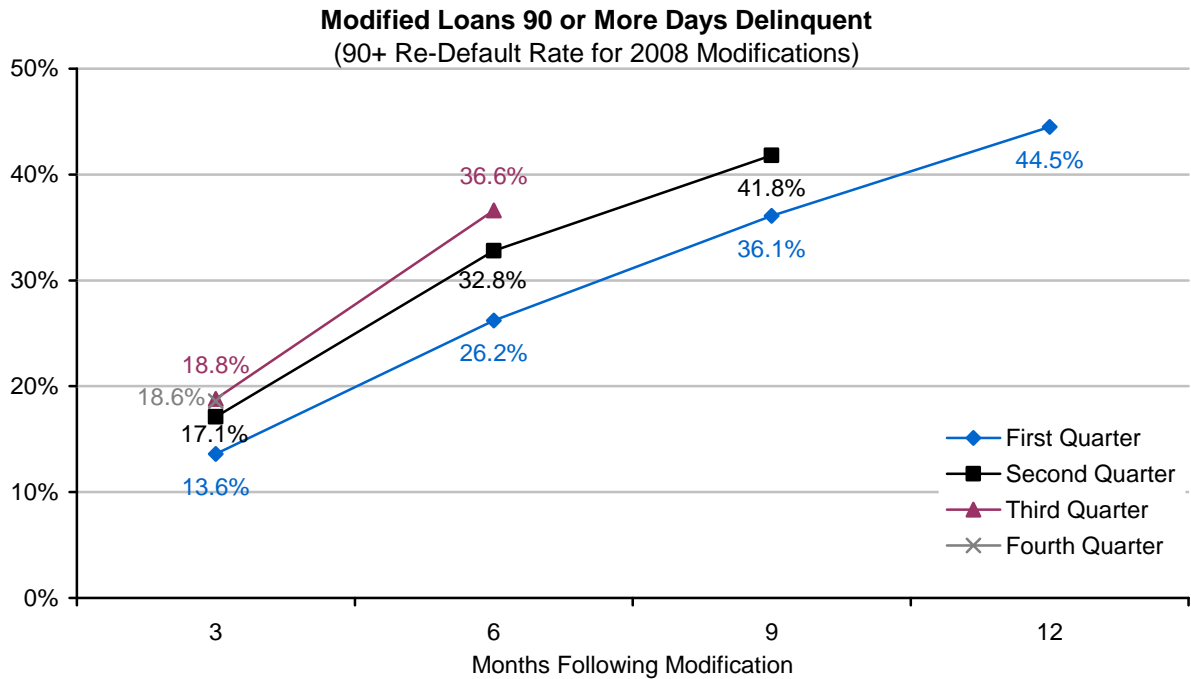


²¹ Data include only those modifications that have had sufficient time to age the indicated number of months.

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

Using the re-default measure of 90 or more days delinquent or in the process of foreclosure, the rates of re-default were lower, as would be expected. Nevertheless, re-defaults measured as 90 or more days delinquent have continued to increase over time subsequent to modification, with more recent quarterly vintages of modifications showing higher re-default rates at the same length of time after the modification than earlier vintages.

Modified Loans 90 or More Days Delinquent (90+ Re-Default Rate for 2008 Modifications)				
Modification Date	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
First Quarter	13.6%	26.2%	36.1%	44.5%
Second Quarter	17.1%	32.8%	41.8%	--
Third Quarter	18.8%	36.6%	--	--
Fourth Quarter	18.6%	--	--	--

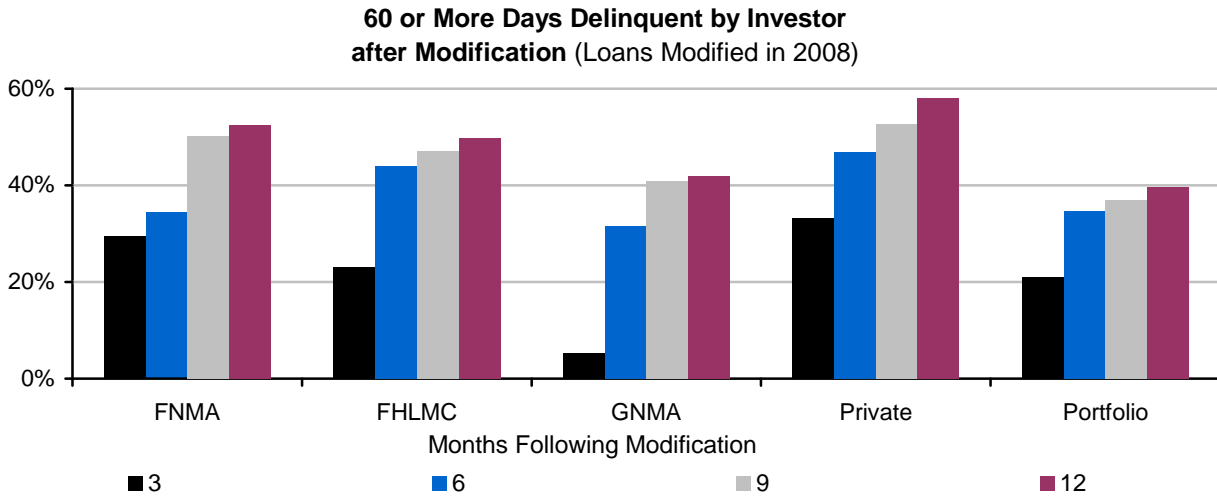


Re-Default Rate, by Investor (60 or More Days Delinquent)

As noted in prior reports, modifications on loans held in the servicers’ own portfolios continued to perform better than loans serviced for Fannie Mae, Freddie Mac, Ginnie Mae, or private investors. This difference in re-default rates may be attributable to servicers having greater flexibility to modify terms on loans held in their portfolios to achieve greater affordability and sustainability. These data do not reflect modifications made under the “Making Home Affordable” program, which began to be implemented after the end of this reporting period

Loans serviced for third parties represented more than 91 percent of all serviced loans.²² Ginnie Mae loans experienced better early performance, but represented only a small fraction of modified loans.

Re-Default Rates for Portfolio Loans and Loans Serviced for Others (60 or More Days Delinquent) ²³				
	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
Fannie Mae	29.4%	43.4%	50.1%	52.5%
Freddie Mac	23.0%	43.9%	47.1%	49.9%
Ginnie Mae	5.2%	31.6%	40.9%	41.9%
Private	33.3%	46.8%	52.7%	58.1%
Portfolio Loans	21.0%	34.6%	37.0%	39.7%



²² Of the loans serviced for others that were modified during 2008, 5.0 percent were serviced for Freddie Mac, 10.5 percent were serviced for Fannie Mae, 0.9 percent were serviced for Ginnie Mae, and 83.7 percent were serviced for private investors.

²³ Data include only those modifications that have had sufficient time to age the indicated number of months. Only modifications implemented during the first quarter 2008 have been in effect 12 months. Only those modifications implemented in first and second quarter 2008 have been in effect at least nine months. Only those modifications implemented in first, second, and third quarter 2008 have been in effect at least six months. Loans modified throughout 2008 have all been in effect at least three months.

C. Modified Loan Performance, by Change in Monthly Payments

The reasons borrowers re-default on modified loans at such a high rate remain unclear but likely result from a combination of such factors as declining property values, reduced income due to underemployment or unemployment, excessive borrower leverage, issues affecting consumer willingness to pay, and poor initial underwriting. The stage of delinquency in which a modification is implemented is another key driver—the more serious the delinquency, the less likely the borrower will remain current after modification. None of these factors can be easily captured in the type of data gathered by this report.

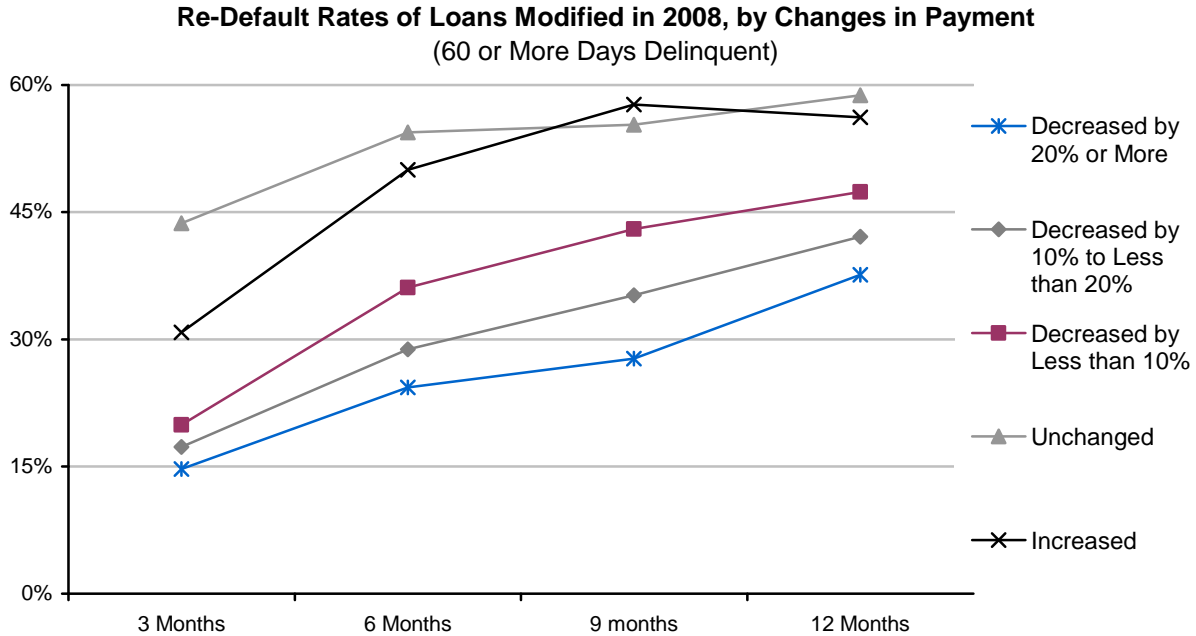
The data presented in this section of the report consistently show that re-default rates were lowest and payments most sustainable for modifications that reduced monthly payments. Re-defaults were highest for modifications that resulted in no change or an increase in the monthly payment. Further, the greater the percentage decrease in the monthly payment, the lower the subsequent rate of re-default. However, the data also showed that re-default rates were higher for modifications that left monthly payments unchanged than for modifications that increased monthly payments. The reasons for this apparent anomaly are unclear. According to servicers, one explanation is that modifications in which the payments were unchanged often resulted from freezing the interest rate on adjustable rate mortgages prior to the loans resetting to higher payments. While the servicers have determined that these borrowers were at risk of imminent default, the action to freeze the rate and payment was often taken as part of a systemic program that did not involve a full assessment of the borrowers' capacity to continue making their payments.

Modified loan performance included in this report supported the premise that lower payments produce more sustainable modifications, repeating the finding in the fourth quarter report. While delinquencies increased over time for all categories, delinquencies resulting in payments reduced by 20 percent or more were well below delinquencies for categories involving payments that were unchanged or increased. This was true across all vintages. For servicers and investors, determining the optimal type of modification often requires weighing a combination of loan terms that reduce monthly principal and interest payments against the potential for longer term sustainability of the payments.

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

Modifications that decreased monthly payments had consistently lower re-default rates, with greater percentage decreases resulting in lower subsequent re-default rates. While lower payments reduce monthly cash flows, they may also result in longer term sustainability of the mortgage payments. After 12 months, 37.6 percent of modifications that decreased monthly payments by 20 percent or more were seriously delinquent. In contrast, 58.8 percent of modifications that left payments unchanged and 56.2 percent of modifications that increased payments were seriously delinquent after 12 months.

Re-Default Rates of Loans Modified in 2008 by Changes in Payment (60 or More Days Delinquent) ²⁴				
	Three Months after Modification	Six Months after Modification	Nine Months after Modification	12 Months after Modification
Decreased by 20% or More	14.7%	24.3%	27.7%	37.6%
Decreased by 10% to Less than 20%	17.3%	28.8%	35.2%	42.1%
Decreased by Less than 10%	19.9%	36.1%	43.0%	47.4%
Unchanged	43.7%	54.4%	55.3%	58.8%
Increased	30.8%	50.0%	57.7%	56.2%



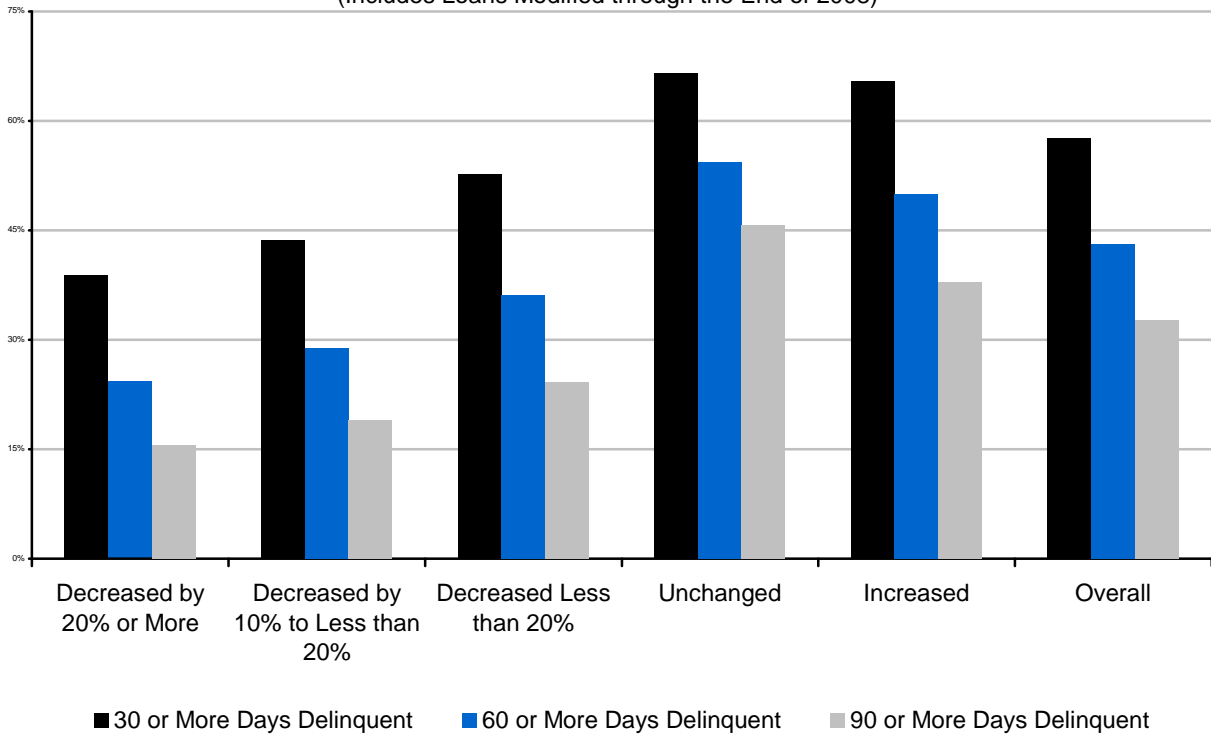
²⁴ Data include only those modifications that have had sufficient time to age the indicated number of months. For example, only modifications implemented during the first quarter 2008 have been in effect 12 months. Only those modifications implemented in first and second quarter 2008 have been in effect at least nine months. Only those modifications implemented in first, second, and third quarter 2008 have been in effect at least six months. Loans modified throughout 2008 have all been in effect at least three months.

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

The amount of payment reduction varied with significantly lower re-default rates six months after modification using varying measures of re-default—30 or more days, 60 or more days, and 90 or more days delinquent or in the process of foreclosure. Re-default rates measured as 60 or 90 or more days past due after six months were less than 30 percent when monthly payments were reduced by 10 percent or more, but were considerably higher when payments were left unchanged or increased.

Varying Measures of Delinquency at Six Months after Modification (Includes Loans Modified during 2008)						
	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	38.9%	43.7%	52.7%	66.6%	65.5%	57.6%
60 or more Days Delinquent	24.3%	28.8%	36.1%	54.4%	50.0%	43.1%
90 or More Days Delinquent	15.6%	19.0%	24.2%	45.7%	37.9%	32.7%

Varying Measures of Delinquency at Six Months after Modification
(Includes Loans Modified through the End of 2008)



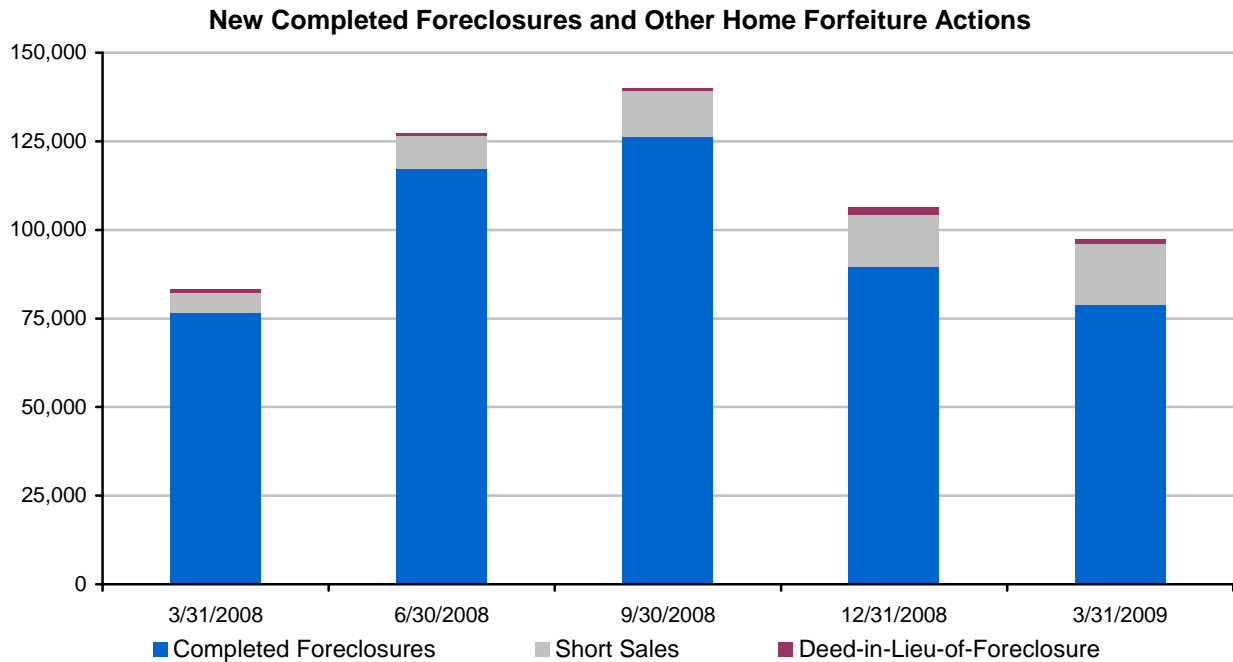
Part III: Home Forfeiture Actions: Foreclosures, Short Sales, and Deed-in-Lieu-of-Foreclosure Actions

Completed Foreclosures and Other Home Forfeiture Actions

Home forfeiture actions fell during the first quarter of 2009, declining by 8.7 percent from the previous quarter. Completed foreclosures fell to 78,936 during the first quarter of 2009, declining 11.9 percent from the previous quarter, reflecting the continuing effect of federal, state, local, and servicer-imposed foreclosure moratoria. Short sales and deed-in-lieu-of-foreclosure actions increased to 18,194 in the first quarter but remained a small fraction of the total number of home forfeiture actions.

Banks and thrifts implemented nearly 3.5 times more home retention actions—loan modifications and payment plans—than completed foreclosures and other home forfeiture actions during the first quarter of 2009. The significant increase in this ratio reflected both the continued rapid increase in loan modifications as well as the significant reduction in completed foreclosures.

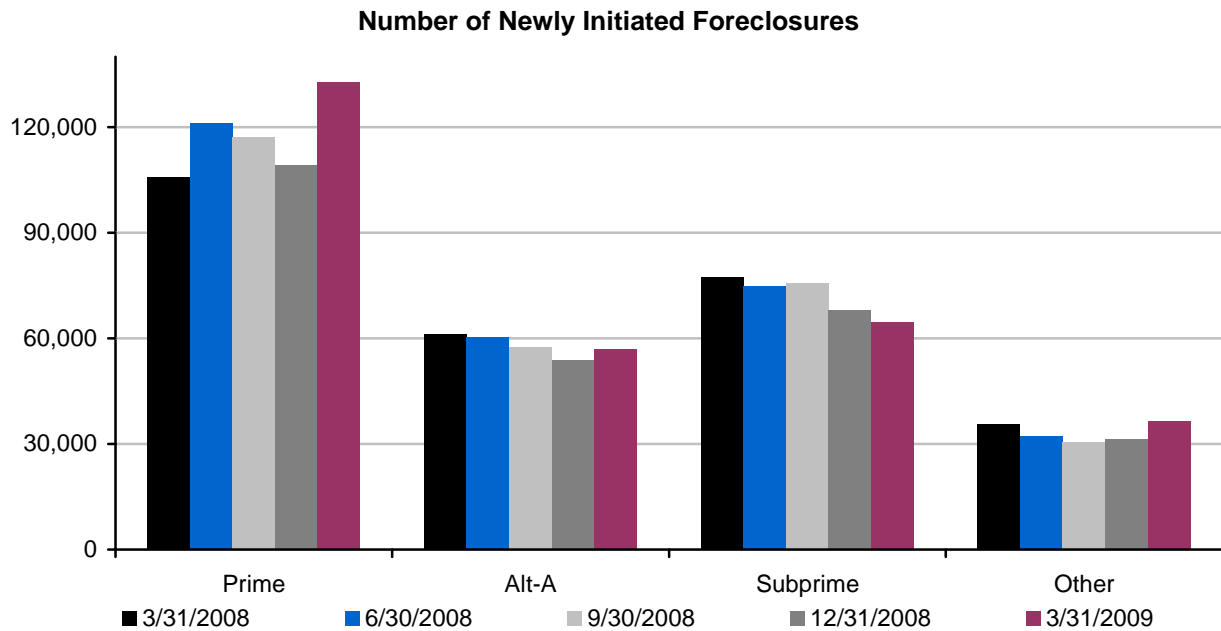
Completed Foreclosures and Other Home Forfeiture Actions							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
New Short Sales	5,523	9,072	13,051	14,546	17,036	17.1%	208.5%
New Deed-in-Lieu-of-Foreclosure Actions	1,065	842	836	2,147	1,158	-46.1%	8.7%
Completed Foreclosures	76,548	117,337	126,266	89,634	78,936	-11.9%	3.1%
Total	83,136	127,251	140,153	106,327	97,130	-8.7%	16.8%
Newly Initiated Home Retention Actions Relative to Completed Foreclosures and Other Home Forfeiture Actions	243.7%	199.7%	191.8%	278.9%	347.2%	32.9%	52.1%



Newly Initiated Foreclosures

The lifting of foreclosure moratoria during the quarter, continued economic weakness, and the migration of an increasing number of serious delinquencies into foreclosure resulted in a 10.8 percent increase, to 290,920, in newly initiated foreclosures. The number of newly initiated foreclosures dropped among subprime mortgages, but increased for prime and Alt-A loans. Prime mortgages saw the most significant increase, rising by 21.5 percent from the previous quarter, reflecting the increasing pressure on this largest group.

Number of Newly Initiated Foreclosures							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	105,698	121,058	117,276	109,285	132,730	21.5%	25.6%
Alt-A	61,187	60,427	57,651	53,914	56,948	5.6%	-6.9%
Subprime	77,539	75,030	75,789	68,204	64,628	-5.2%	-16.7%
Other	35,737	32,174	30,569	31,288	36,614	17.0%	2.5%
Total	280,161	288,689	281,285	262,691	290,920	10.8%	3.8%



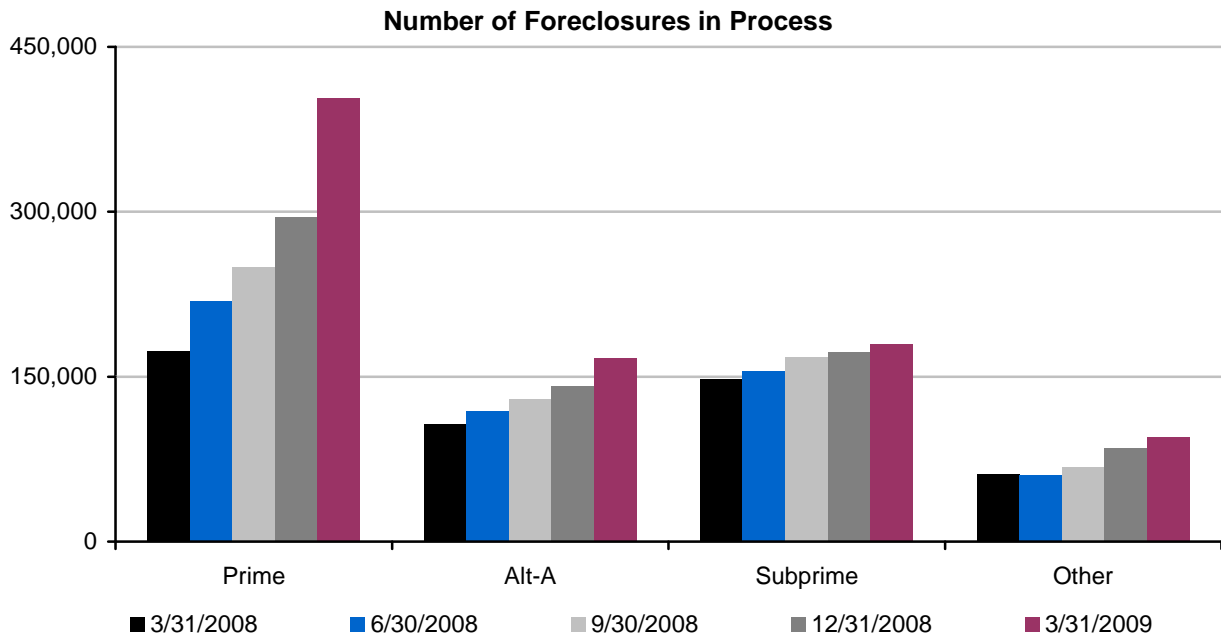
Foreclosures in Process

Foreclosures in process rose to 844,389 and represented 2.5 percent of all serviced loans, as a variety of moratoria on foreclosures expired during the first quarter of 2009 and the recession continued to exert pressure on borrowers. The increase in the number of foreclosures in process represented a 21.8 percent jump from the previous quarter and 72.6 percent rise from the first quarter of 2008. The rate of increase in foreclosures in process was highest for prime borrowers, repeating the trends noted for serious delinquencies and newly initiated foreclosures.

Foreclosures in process is the sum of newly initiated foreclosures plus foreclosures in process at the end of the previous quarters, minus the number of foreclosures that were completed or otherwise terminated during the quarter. Many foreclosures in process never reach completion as borrowers and servicers seek other resolutions.

Number of Foreclosures in Process							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	173,486	218,634	249,438	295,358	403,553	36.6%	132.6%
Alt-A	106,811	118,938	129,236	141,091	166,654	18.1%	56.0%
Subprime	147,576	155,288	168,225	172,146	179,330	4.2%	21.5%
Other	61,246	60,295	67,564	84,828	94,852	11.8%	54.9%
Total	489,119	553,155	614,463	693,423	844,389	21.8%	72.6%

Number of Foreclosures in Process Relative to Mortgages in that Category							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	0.8%	1.0%	1.1%	1.3%	1.8%	37.4%	130.1%
Alt-A	3.0%	3.3%	3.6%	4.0%	4.8%	20.0%	58.5%
Subprime	4.8%	5.0%	5.5%	5.7%	6.2%	9.8%	31.2%
Other	1.2%	1.2%	1.4%	1.7%	3.0%	15.7%	67.7%
Total	1.4%	1.6%	1.8%	2.0%	2.5%	23.6%	74.8%



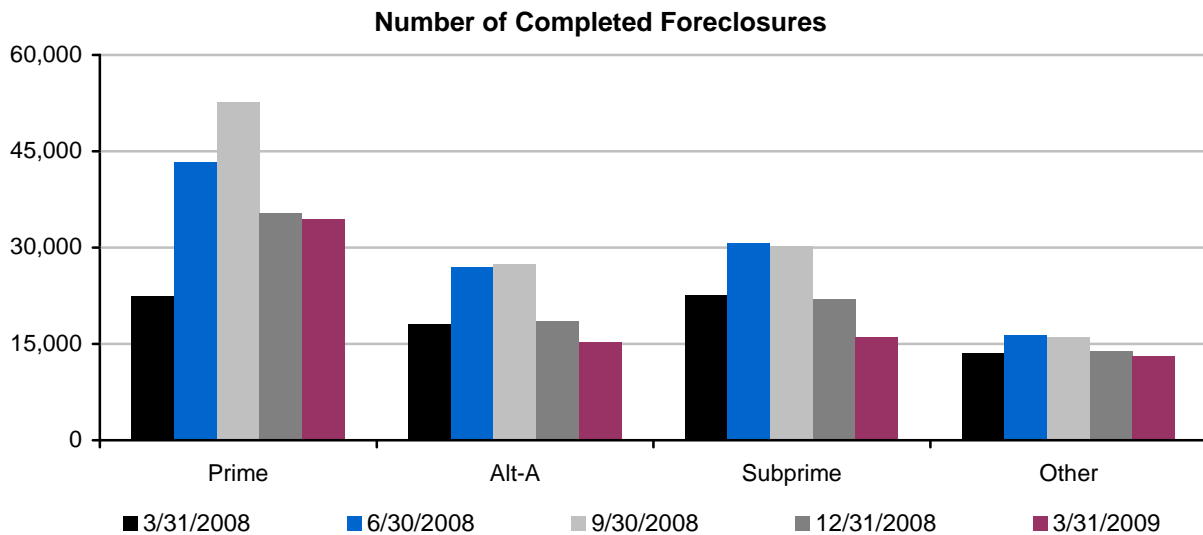
Completed Foreclosures

Foreclosures are completed when ownership of the properties is transferred to the servicers or investors and the debts are extinguished. The foreclosure process varies by state and can take 15 months or more to complete. Many loans that start the foreclosure process never result in foreclosure of the properties.

Completed foreclosures fell by 10,698 from the prior quarter, a decrease of nearly 12 percent. This is the result of national, state, local, and servicer-imposed moratoria in effect for much of the first quarter of 2009 and the increasing number of new modifications being offered.

Number of Completed Foreclosures							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	22,379	43,248	52,571	35,296	34,499	-2.3%	54.2%
Alt-A	18,025	26,934	27,405	18,573	15,244	-17.9%	-15.4%
Subprime	22,595	30,750	30,264	21,869	16,099	-26.4%	-28.8%
Other	13,549	16,405	16,026	13,896	13,094	-5.8%	-3.4%
Total	76,548	117,337	126,266	89,634	78,936	-11.9%	3.1%

Number of Completed Foreclosures Relative to Mortgages in that Category							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	0.1%	0.2%	0.2%	0.2%	0.2%	-1.7%	52.5%
Alt-A	0.5%	0.8%	0.8%	0.5%	0.4%	-16.6%	-14.1%
Subprime	0.7%	1.0%	1.0%	0.7%	0.6%	-22.4%	-23.1%
Other	0.3%	0.3%	0.3%	0.3%	0.3%	-2.5%	4.6%
Total	0.2%	0.3%	0.4%	0.3%	0.2%	-10.6%	4.4%

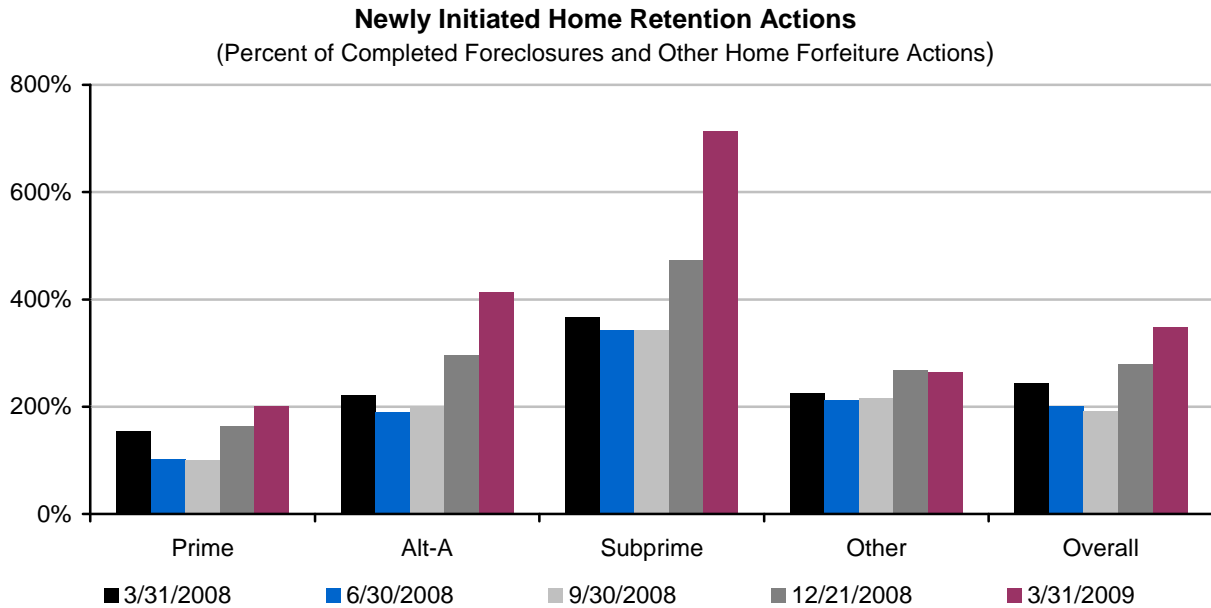


Home Retention Actions Relative to Forfeiture Actions, by Risk Category

During the first quarter of 2009, newly initiated home retention actions—loan modifications and payment plans—increased for prime, Alt-A, and subprime mortgages, while the number of completed foreclosures and other home forfeiture actions—short sales and deed-in-lieu-of-foreclosure actions—decreased.

Prime loans showed the lowest ratio of home retention actions relative to completed foreclosures and other forfeiture actions. While new home retention actions significantly increased for prime loans and completed foreclosures declined during the first quarter, the decrease in completed foreclosures was much lower for prime loans than for other borrowers. For subprime loans, newly initiated home retention actions were more than seven times the number of completed foreclosures and other home forfeiture actions in the first quarter of 2009.

Newly Initiated Home Retention Actions (Percent of Completed Foreclosures and Other Home Forfeiture Actions)							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y \$Change
Prime	153.5%	102.2%	98.8%	162.6%	199.9%	22.9%	30.2%
Alt-A	221.5%	189.5%	197.5%	296.1%	412.3%	39.2%	86.1%
Subprime	366.5%	342.9%	343.2%	471.6%	712.2%	51.0%	94.3%
Other	225.0%	211.2%	214.5%	267.0%	263.1%	-1.4%	17.0%
Overall	243.7%	199.7%	191.8%	278.9%	347.2%	24.5%	42.4%



Appendixes

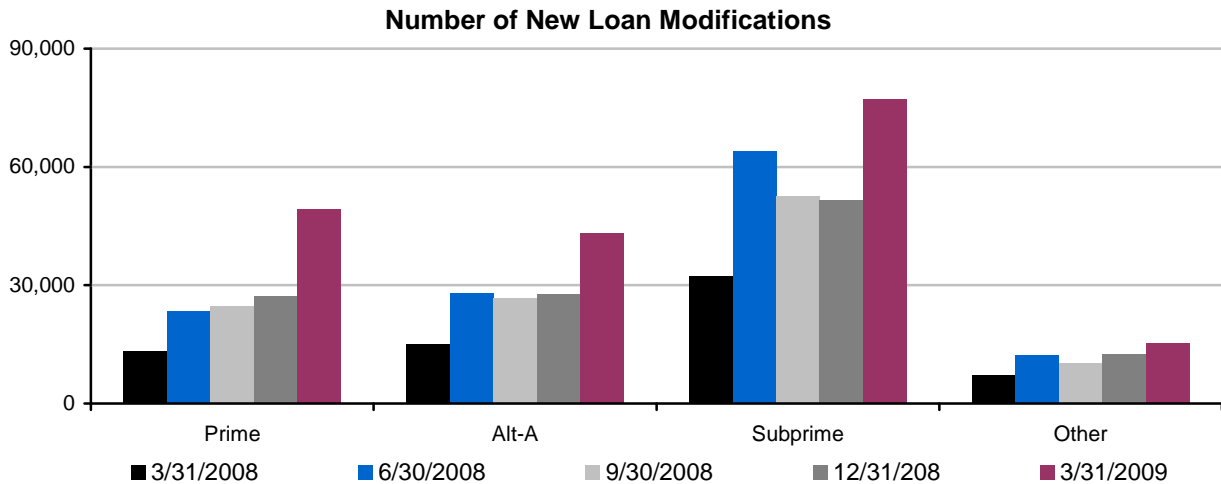
Appendix A—New Loan Modifications

New loan modifications increased to 185,156 during the first quarter of 2009—rising by 55.3 percent from the previous quarter and by 172.3 percent from the first quarter of 2008. This significant increase can be attributed to servicers’ increasing focus on modifications as a home retention loss mitigation strategy. The rate of increase was greatest for prime borrowers, with new loan modifications increasing nearly 82 percent during the first quarter.

Subprime loans constituted about 42 percent of all new modifications in the quarter but only 8 percent of all loans in the servicing portfolio. Prime loans constituted about 27 percent of all new modifications in the quarter but 67 percent of all loans in the servicing portfolio.

Number of New Loan Modifications							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	13,241	23,363	24,680	27,169	49,439	82.0%	273.4%
Alt-A	15,155	28,119	26,697	27,680	43,218	56.1%	185.2%
Subprime	32,356	64,108	52,559	51,702	77,280	49.5%	138.8%
Other	7,249	12,350	10,206	12,669	15,219	20.1%	110.0%
Total	68,001	127,940	114,142	119,220	185,156	55.3%	172.3%

Number of New Loan Modifications Relative to Mortgages in that Category							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	0.1%	0.1%	0.1%	0.1%	0.2%	83.0%	269.3%
Alt-A	0.4%	0.8%	0.8%	0.8%	1.2%	58.7%	189.7%
Subprime	1.0%	2.1%	1.7%	1.7%	2.7%	57.5%	157.8%
Other	0.1%	0.3%	0.2%	0.3%	0.3%	24.3%	127.3%
Total	0.2%	0.4%	0.3%	0.4%	0.5%	57.6%	175.7%



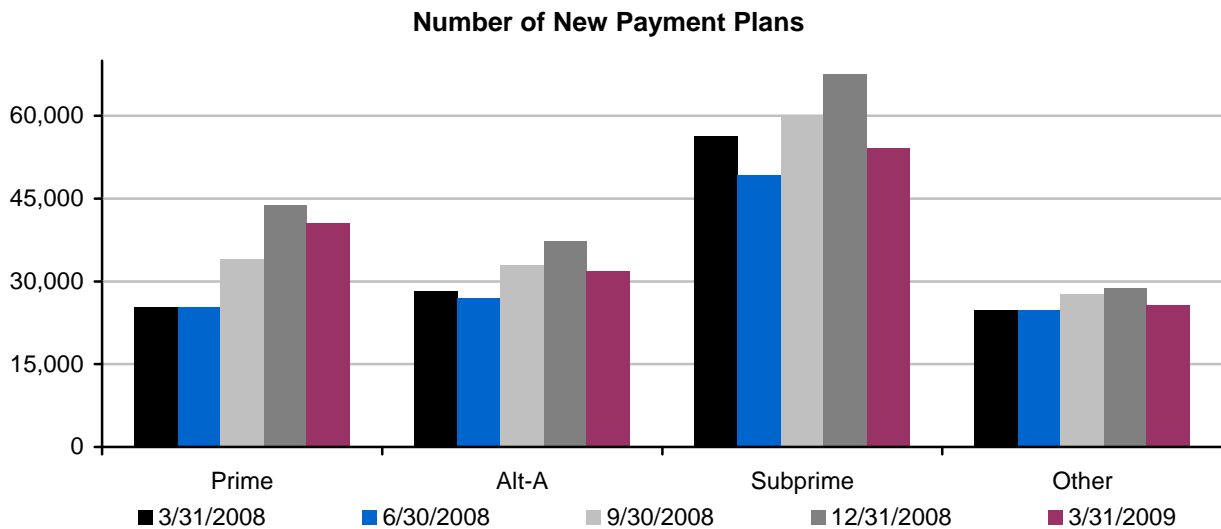
Appendix B—New Payment Plans

New payment plans fell to 152,036 during the first quarter of 2009—decreasing by 14.3 percent from the previous quarter but increasing by 12.9 percent from the first quarter of 2008. The reduction in payment plans reflected the continuing shift to loan modifications as the primary home retention loss mitigation strategy, a build-up of payment plans in advance of modification guidelines established by the “Making Home Affordable” program, and some evolution of what was recorded as a payment plan.

New payment plans declined across all risk categories in the first quarter. The rate of decrease was largest for subprime borrowers, which constituted about 36 percent of all new payment plans in the quarter but declined by nearly 20 percent from the previous quarter. The rate of decrease in first quarter was lowest for prime borrowers.

Number of New Payment Plans							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	25,372	25,243	34,058	43,708	40,443	-7.5%	59.4%
Alt-A	28,121	26,987	32,798	37,272	31,837	-14.6%	13.2%
Subprime	56,313	49,104	60,048	67,558	54,181	-19.8%	-3.8%
Other	24,818	24,780	27,745	28,776	25,575	-11.1%	3.1%
Total	134,624	126,114	154,649	177,314	152,036	-14.3%	12.9%

Number of New Payment Plans Relative to Mortgages in that Category							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	0.1%	0.1%	0.2%	0.2%	0.2%	-6.9%	57.7%
Alt-A	0.8%	0.8%	0.9%	1.0%	0.9%	-13.2%	15.0%
Subprime	1.8%	1.6%	2.0%	2.2%	1.9%	-15.5%	3.8%
Other	0.5%	0.5%	0.6%	0.6%	0.5%	-8.1%	11.6%
Total	0.4%	0.4%	0.5%	0.5%	0.5%	-13.0%	14.4%



Appendix C—Breakdown of Individual and Combined Modification Actions

The following table shows the number and percent of each type of change made to the 185,156 mortgages that received modifications in the first quarter of 2009.

Types of Modifications Made during the First Quarter of 2009		
	Number	Percentage of Modifications Made in the First Quarter of 2009
Combination Modifications ²⁵	122,398	66.1%
Capitalization	27,909	15.1%
Rate Reduction	23,346	6.3%
Rate Freeze	11,644	4.4%
Term Extension	8,156	1.1%
Principal Reduction	2,040	0.00%
Principal Deferral	5	0.02%
Unknown ²⁶	12,962	7.0%
Total Modifications	185,156	100%

Nearly two-thirds of all modifications implemented in the first quarter of 2009 changed more than one term of the loan. Known as combination modifications, these 122,398 modifications most often featured capitalization of missed fees and payments and reduction of the interest rate. The following shows the breakdown of features included in combination modifications.

Features Included in Combination Modifications Made in the First Quarter of 2009		
	Number	Percentage of Combination Modifications
Capitalization	102,020	83.4%
Rate Reduction	105,423	86.1%
Rate Freeze	15,190	12.4%
Term Extension	44,448	36.3%
Principal Reduction	3,393	2.8%
Principal Deferral	1,937	1.6%
Unknown	12,962	10.6%

²⁵ 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.

²⁶ Processing constraints at some servicers prevented them from aggregating and reporting specific modified term(s).

Appendix D—Short Sales and Deed-in-Lieu-of-Foreclosure Actions

New short sales and deed-in-lieu-of-foreclosure actions increased to 18,194 during the first quarter of 2009—rising by 9.0 percent from the previous quarter and by 176.2 percent from the first quarter of 2008. While still a relatively small component of home forfeiture actions, short sales and deeds-in-lieu-of-foreclosures continued to increase.

Short sales and deed-in-lieu-of-foreclosure actions require borrowers to forfeit their homes to pay (partially or completely) mortgage debts. Short sales and deed-in-lieu-of-foreclosure actions allow borrowers to avoid foreclosures and lessen the impact on their credit ratings.

Number of Short Sales and Deed-in-Lieu-of-Foreclosure Actions							
	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	1Q %Change	1Y %Change
Prime	2,775	4,331	6,896	8,285	10,464	26.3%	277.1%
Alt-A	1,512	2,142	2,774	3,360	2,960	-11.9%	95.8%
Subprime	1,597	2,267	2,550	3,419	2,360	-31.0%	47.8%
Other	704	1,174	1,667	1,629	2,410	47.9%	242.3%
Total	6,588	9,914	13,887	16,693	18,194	9.0%	176.2%
Number of Short Sales and Deed-in-Lieu-of-Foreclosure Actions							
Prime	0.01%	0.02%	0.03%	0.04%	0.1%	27.0%	272.9%
Alt-A	0.04%	0.1%	0.1%	0.1%	0.1%	-10.5%	98.9%
Subprime	0.1%	0.1%	0.1%	0.1%	0.1%	-27.3%	59.5%
Other	0.01%	0.02%	0.03%	0.03%	0.1%	53.0%	270.7%
Total	0.02%	0.03%	0.04%	0.1%	0.1%	10.6%	179.7%

